

ANNUAL REPORT 2019

including the Intellectual Capital Report and the Environmental Statement

SUSTAINABILITY REPORT 2019



Stability and Security.

2019

The OeNB's legal mandate

Federal Act on the Oesterreichische Nationalbank – selected provisions

(1984 Nationalbank Act)

Federal Law Gazette No. 50/1984, as amended by Federal Law Gazette Part I No. 37/2018

Article 2

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

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

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

Article 44a

(1) The Oesterreichische Nationalbank shall be in charge of performing payment systems oversight. Payment systems oversight involves monitoring the systemic safety of payment systems.

Article 44b

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

Article 44c

(1) Without prejudice to Article 44b, the Oesterreichische Nationalbank contributes to maintaining financial stability and reducing systemic and procyclical risk in Austria [...].

Apart from the Nationalbank Act and a number of EU legal acts (EU regulations, Statute of the ESCB and of the ECB), further tasks of the OeNB are based on the following pieces of national legislation:

- Banking Act (BWG)
- Financial Market Authority Act (FMABG)
- Bank Recovery and Resolution Act (BaSAG)
- Deposit Guarantee Schemes and Investor Compensation Act (ESAEG)
- Alternative Investment Fund Managers Act (AIFMG)
- Sanctions Act (SanktG)
- E-Money Act (E-GeldG 2010)
- Payment Services Act 2018 (ZaDiG 2018)
- Settlement Finality Act (FinalitätsG)
- Insurance Supervision Act (VAG 2016)
- Exchange Control Act 2004
- European Recovery Program (ERP) Fund Act

The OeNB's Mission Statement

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

MISSION

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

VALUES

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



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Foreword by the President



Harald Mahrer

Ladies and gentlemen,

In 2019, the difficult global macroeconomic environment resulting from mounting trade tensions between the U.S.A. and China and several Brexit extensions weighed on economic activity in the euro area. In addition, the faltering German economy had an impact on neighboring countries, including Austria. The reporting year also saw climate change take center stage in the policy debate and new leaders take over at the European Commission, the ECB and the IMF.

In this challenging overall environment, Austria's economy proved competitive and robust, with Austria's GDP growth mildly outperforming the euro area average. Amid dwindling global demand, growth will weaken slightly in 2020, but, according to recent forecasts, it will pick up speed again in the coming years.

For the Oesterreichische Nationalbank (OeNB), the year 2019 was all about change. In September 2019, the Eurosystem adopted another package of expansionary monetary policy measures to be implemented by the national central banks. A review of the Eurosystem's monetary policy strategy was first discussed in 2019 and will intensify in 2020 under the auspices of the new President of the ECB. Discussions will also focus on central bank digital currency (CBDC) and on how to consider "green finance" in monetary policy while maintaining both price and financial stability.


In banking supervision, emphasis was put on strengthening banks' long-lasting resilience, ensuring sustainable lending, tackling digitalization and IT risks as well as implementing the finalized Basel III reform package. Some ten years after the financial crisis, the banking system is robust and healthy. Austria's present banking supervisory setup and financial market received an outstanding rating under the Financial Sector Assessment Program (FSAP) conducted by the IMF in 2019. Concluding a joint Memorandum of Understanding, the OeNB and the Austrian Financial Market Authority (FMA) optimized their cooperation and laid down the supervisory objectives for 2020. Financial intermediaries will need to adopt methods to effectively manage climate change-related financial risks. The OeNB will also continue monitoring the fintech ecosystem, i.e. technology-driven innovations in financial services.

In 2019, the OeNB achieved another solid operating profit thanks to its investment strategy, which relied on stepped-up diversification and risk reduction measures given the difficult market conditions. The new EUR 100 and EUR 200 banknotes went into circulation in the reporting year; EUR 500 banknotes, by contrast, were no longer issued.

Between May and September 2019, four new members of the OeNB's Governing Board took the baton from their predecessors. The reassignment of duties within the Governing Board reflects the core competencies of the four executive directorates and increases the OeNB's efficiency. It took effect on January 1, 2020. The work begun in 2019 to deliver a new strategy for the OeNB will be completed in the course of 2020. In 2020, Austria celebrates 25 years of EU membership. Public opinion of EU membership is high according to recent surveys, and, at some 80%, satisfaction with the euro is even higher.

In closing, let me express my gratitude to the entire staff of the OeNB and of the OeNB's subsidiaries as well as to the members of the Governing Board and of the General Council of the OeNB for their excellent and productive cooperation in 2019.

Vienna, March 2020



Harald Mahrer, President

Foreword by the Governor



Robert Holzmann

Ladies and gentlemen,

The euro area economy continued to slow down in 2019 amid difficult global economic conditions. Real GDP growth in the euro area, which amounted to a mere 1.2% in 2019, was mainly driven by domestic demand. On top of that, the price stability target of keeping inflation “below, but close to, 2%” seemed out of reach in the reporting year. Following detailed discussions of the pros and cons, the Governing Council of the ECB therefore adopted a comprehensive package of measures in September 2019, thus maintaining a course of highly accommodative monetary policy. The new measures are meant to provide significant stimuli to ensure favorable financing conditions, which will, in turn, fuel euro area growth and help meet the price stability objective. Taking note of concerns about possible undesirable side effects of its nonstandard monetary policy measures, the Governing Council of the ECB keeps monitoring developments on this front.

In early 2020, the Eurosystem launched a review of its monetary policy strategy that will focus on the price stability objective and is expected to be concluded by the end of the year. Not only will the Eurosystem review the effectiveness and the potential side effects of the monetary policy toolkit developed over the past decade, but it will also include other considerations, such as financial stability, employment and environmental sustainability as well as communication practices, in this exercise. Guided by the principles of thorough analysis and open minds, the Eurosystem will engage in an intensive dialogue with all stakeholders and the general public. The OeNB will take an active role in this review process to ensure that the Eurosystem’s future monetary policy strategy adequately reflects structural economic shifts.

Austrian banks managed to record a consolidated end-of-period profit of EUR 5.3 billion in September 2019, even though they were faced with growing risks last year. Moreover, Austrian banks’ ratio of nonperforming loans and capitalization have improved. This notwithstanding, banks will have to adjust their business models to master the huge structural challenges the banking sector has come up against.

Following the reassignment of management duties within the Governing Board, which took effect on January 1, 2020, the OeNB has, under its new senior management, started to formulate its new strategy for the years ahead. The new strategy will center on the following horizontal issues: financial innovation, financial education, financial market strategy, communication and sustainable human resources management. In parallel, the OeNB will define the strategic orientation of its individual business areas with a view to future-proofing and innovating the ways in which it fulfills its tasks.

To conclude, I would like to thank all OeNB employees, the President and Vice President, the General Council as well as the other members of the Governing Board for their trust and excellent cooperation in the past few months.

Vienna, March 2020

A handwritten signature in black ink, appearing to read 'R. Holzmann', with a long horizontal flourish extending to the right.

Robert Holzmann, Governor

The General Council of the OeNB comprised the following members on December 31, 2019



Harald Mahrer
President

Term of office:
September 1, 2018, to
August 31, 2023



Barbara Kolm
Vice President

Term of office:
September 1, 2018, to
August 31, 2023



Bettina Glatz-Kremsner
*Director General of
Casinos Austria AG and of
Österreichische Lotterien
Ges.m.b.H.*

Term of office:
March 1, 2018, to
February 28, 2023



Stephan Koren
*Chairman of Wüstenrot
Wohnungswirtschaft reg.
Gen.m.b.H.*

Term of office:
September 8, 2018, to
September 7, 2023



Franz Maurer
Partner at LIVIA Group

Term of office:
May 23, 2018, to
May 22, 2023



Walter Rothensteiner
*Chairman of the Austrian
Raiffeisen Association*

Term of office:
August 1, 2019, to
July 31, 2024



Peter Sidlo

Term of office:
March 1, 2018, to
February 28, 2023



Christoph Traunig
*Executive Partner of
St. Stephan Capital Partners*

Term of office:
September 1, 2018, to
August 31, 2023



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

Term of office:
from July 1, 2012



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

Term of office:
from April 1, 2016

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



Birgit Sauerzopf
*Central Staff Council
Chair*



Christian Schrödinger
*Central Staff Council
Deputy Chair*

The OeNB's ownership structure and decision-making bodies

The OeNB's owner

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

Functions of the General Council

The General Council is charged with the supervision of all business not falling within the remit of the European System of Central Banks (ESCB). The General Council is convened by the President, as a rule once a month (Article 28 paragraph 1 Nationalbank Act). Pursuant to Article 20 paragraph 2 Nationalbank Act, the General Council shall advise the Governing Board in the conduct of the OeNB's business and in matters of monetary policy. Joint meetings of the General Council and the Governing Board must take place at least once every quarter. General Council approval is required for a number of management decisions, e.g. for starting and discontinuing business lines, establishing and closing down branch offices, and acquiring and selling equity interests and real property.

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

Composition of the General Council

The General Council consists of the President, the Vice President and eight other members (Article 22 paragraph 1 Nationalbank Act). On December 31, 2019, two positions on the General Council were vacant. Only Austrian citizens may be members of the General Council. General Council members are appointed by the federal government for a term of five years and may be reappointed. Further provisions pertaining to the General Council are set out in Articles 20 through 30 of the Nationalbank Act.

Personnel changes of the General Council (between January 1, 2019, and March 5, 2020)

Gabriele Payr resigned from her mandate as General Council member (term of office from August 1, 2014, to July 31, 2019) with effect from end-February 2019. This mandate has not been filled to date.

Having been appointed Vice Governor of the Oesterreichische Nationalbank with effect from July 11, 2019, Gottfried Haber resigned from his mandate as General Council member (term of office from May 23, 2018, to May 22, 2023) with effect from July 10, 2019. This mandate has not been filled to date either.

On July 10, 2019, the federal government decided to reappoint Walter Rothensteiner General Council member with effect from August 1, 2019, for a period of five years (term of office from August 1, 2019, to July 31, 2024). On January 15, 2020, Walter Rothensteiner resigned from his mandate as General Council member with effect from end-January 2020. This mandate has not been filled to date.

At the meeting of the Central Staff Council of October 10, 2019, Birgit Sauerzopf was elected Chair of the Central Staff Council. Birgit Sauerzopf replaced Robert Kocmich, who retired with effect from October 1, 2019, as representative delegated to the General Council by the Staff Council (pursuant to Article 22 paragraph 5 Nationalbank Act). Furthermore, at the meeting of the Central Staff Council of October 10, 2019,

On December 31, 2019, the Governing Board of the OeNB comprised the following members



From left to right: Vice Governor Gottfried Haber, Governor Robert Holzmann, Executive Director Eduard Schock, Executive Director Thomas Steiner

Christian Schrödinger was elected Deputy Chair of the Central Staff Council. Christian Schrödinger replaced Birgit Sauerzopf as alternate representative delegated to the General Council by the Staff Council (pursuant to Article 22 paragraph 5 Nationalbank Act).

Governing Board

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

The Governing Board is composed of the Governor, the Vice Governor and two other members, all of whom are appointed by the Federal President acting on a proposal from the federal government. Each appointment is made for a term of six years. Persons holding office may be reappointed. The Governor of the OeNB is a member of both the Governing

Council and the General Council of the ECB. In this capacity, the Governor and his representative 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.

Further provisions pertaining to the Governing Board are set out in Articles 32 through 36 of the Nationalbank Act. See www.oenb.at for additional information about the Governing Board of the OeNB.

Changes to the Governing Board of the OeNB

The new members of the Governing Board of the OeNB took office over the course of 2019. Based on the federal government's proposal, the Federal President of Austria, Alexander Van der Bellen, had appointed them for a term of six years each in February 2019. On May 1, 2019, Thomas Steiner succeeded Peter Mooslechner as a new member of the Governing Board. On July 11, 2019, Gottfried Haber succeeded Andreas Ittner as Vice Governor of the OeNB, and Eduard Schock succeeded Kurt Pribil as a new member of the Governing Board. Finally, on September 1, 2019, Robert Holzmann succeeded Ewald Nowotny as Governor of the OeNB.

The OeNB's organization

President
Harald Mahrer

Vice President
Barbara Kolm

Governing Board

Central Bank Policy

Robert Holzmann, Governor

Office of the Governor
Markus Arpa, Head

Brussels Representative Office
Isabella Lindner, Chief Representative

International Affairs, Protocol and Media Relations Department

Markus Arpa, Director

Agenda Office – Governing Board, General Council and General Meeting
Brigitta Lidauer

EU and International Affairs Division
Thomas Gruber, Head

Press Office
Christian Gutleiderer, Head

Economic Analysis and Research Department

Doris Ritzberger-Grünwald, Director

Economic Analysis Division
Ernest Gnan, Head

Economic Studies Division
Martin Summer, Head

Foreign Research Division
Helene Schuberth, Head

Financial Stability, Banking Supervision and Statistics

Gottfried Haber, Vice Governor

Compliance Office
Eva Graf, Head

Internal Audit Division
Axel Aspetsberger, Head

Department for the Supervision of Significant Institutions

Karin Turner-Hrdlicka, Director

Off-Site Supervision Division – Significant Institutions
Gabriela De Raaij, Head

On-Site Supervision Division – Significant Institutions
Martin Hammer, Head

Supervision Policy, Regulation and Strategy Division
Markus Schwaiger, Head

Department for Financial Stability and the Supervision of Less Significant Institutions

Philip Reading, Director

Off-Site Supervision Division – Less Significant Institutions
Matthias Hahold, Head

On-Site Supervision Division – Less Significant Institutions
Roman Buchelt, Head

Financial Stability and Macropudential Supervision Division
Michael Würz, Head

Statistics Department

Johannes Turner, Director

Office for Specific Bank Resolution Matters
Alexander Benkwitz, Head

Statistical Information Systems and Data Management Division
Ralf Peter Dobringer, Head

External Statistics, Financial Accounts and Monetary and Financial Statistics Division
Michael Pfeiffer, Head

Supervisory Statistics, Models and Credit Quality Assessment Division
Gerhard Winkler, Head

Payment Systems, Financial Literacy, IT and Infrastructure

Eduard Schock, Executive Director

Financial Literacy and Information Activities Division

Maximilian Hiermann, Head

Risk Monitoring Division

Doris Rijnbeek, Head

OeNB – Western Austria

Armin Schneider, Head

Equity Interests, Payment Systems and Internal Services Department

Stefan Augustin, Director

Equity Interest and Payments Management Division

Wolfgang Haunold, Head

Payment Systems Division

Katharina Selzer-Haas, Head

Cashier's Division

Barbara Nösslinger, Head

Facilities and Security Management Division¹

Thomas Reindl, Head

Procurement and Sales Division

Christa Mölzer-Hellsberg, Head

IT and Customer Services Department

Christoph Martinek, Director

IT Strategy and Information Security^{2,3}

Martin Durst, Head

IT Operations

Jürgen Schwalbe, Head

IT Development

Dieter Gally, Head

Information Management and Services Division

Bernhard Urban, Head

Treasury, Human Resources and Accounting

Thomas Steiner, Executive Director

Human Resources Division

Susanna Konrad-El Ghazi, Head

Legal Division

Matthias Schroth, Head

Treasury Department

Franz Partsch, Director

Treasury – Front Office

Daniel Nageler, Head

Treasury – Strategy Division

Robert Reinwald, Head

Treasury – Back Office

Reinhard Beck, Head

Accounting and Financial Steering Department

Rudolf Butta, Director

Financial Statements and Tax Matters Division

Elisabeth Trost, Head

Controlling and Research Funding Division

Paul Grassel, Head

Organization Division⁴

Anna Cordt, Head

Accounting Division

Markus Kaltenbrunner, Head

¹ Environmental Officer Martin Much

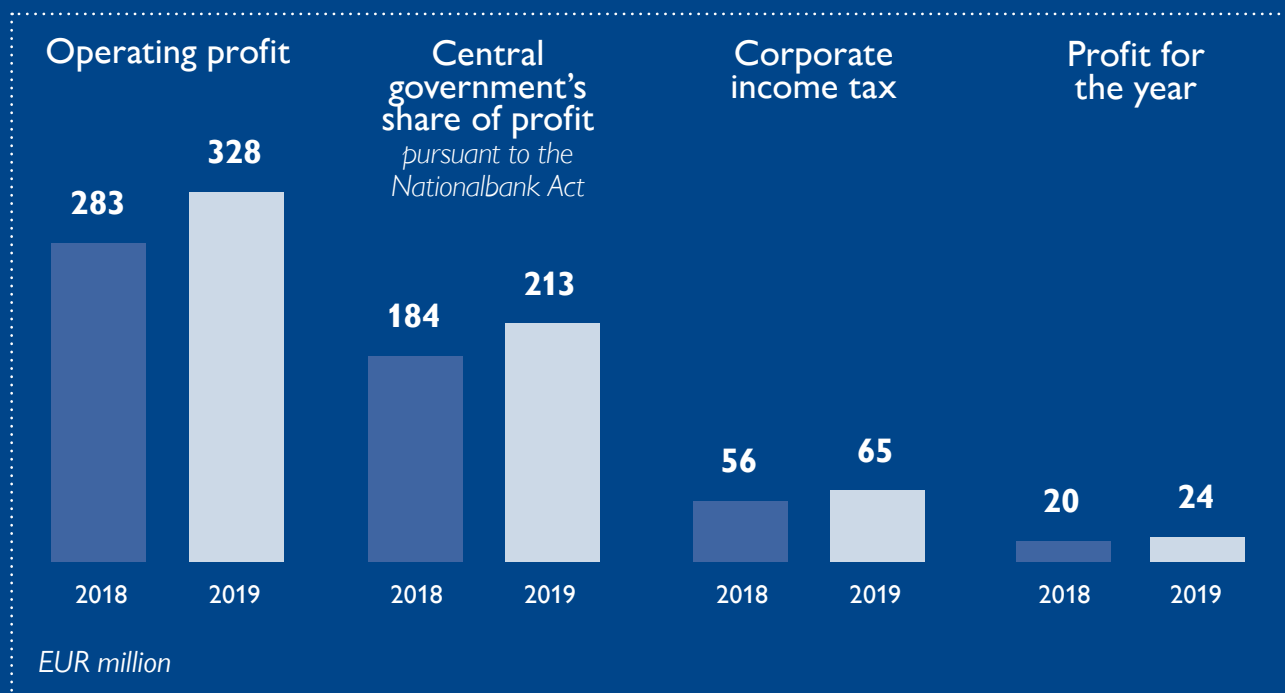
² IT Security Officer Thomas Toth

³ Data Protection Officer Bernhard Horn

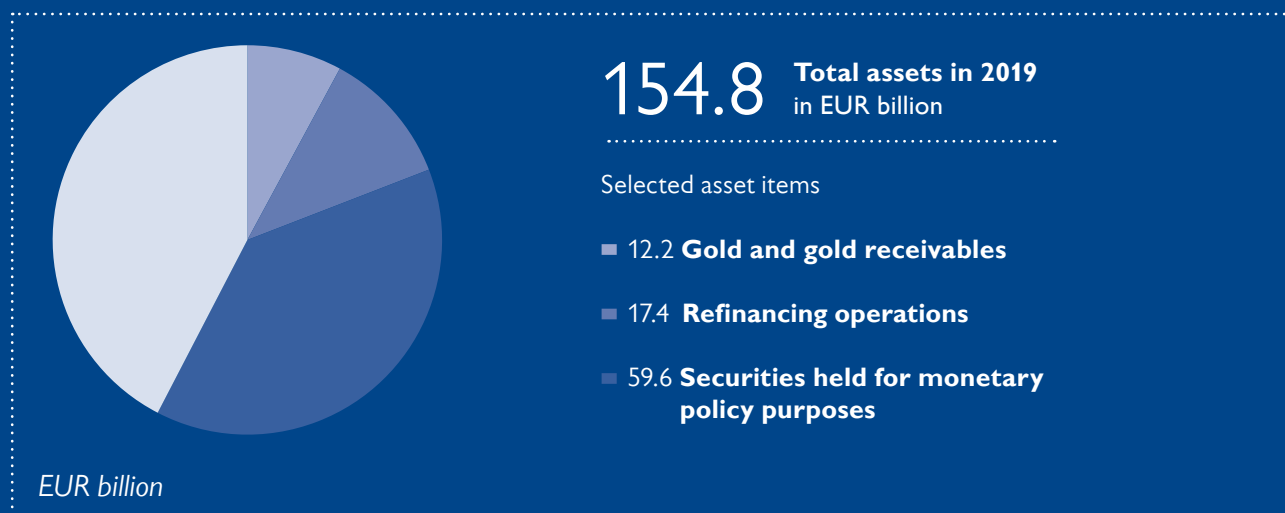
⁴ OeNB Chief Equalities Officer Nicola Antesberger

As on January 1, 2020

The OeNB at a glance



Gold reserves and monetary policy operations relative to total assets in 2019



OeNB staff in 2019

1,070
Total staff (FTEs)

39.3%

Share of women in total staff

28.8%

Share of women in management positions

Austria as a business and financial location

Key indicators of the Austrian banking system

579

Number of credit institutions in Austria

1,033 Consolidated total assets of Austrian banks
in EUR billion

5.3 Consolidated net profit of Austrian banks
in EUR billion

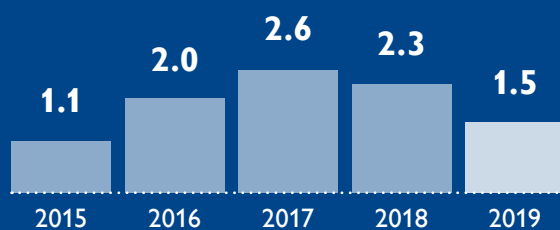
15.2 Consolidated common equity tier 1 (CET1) ratio of Austrian banks
in %

2.2 Consolidated nonperforming loan (NPL) ratio of Austrian banks
in %

Source: OeNB. Q3 19.

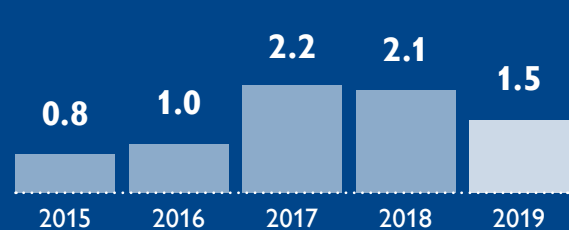
Key economic indicators for Austria

Real GDP



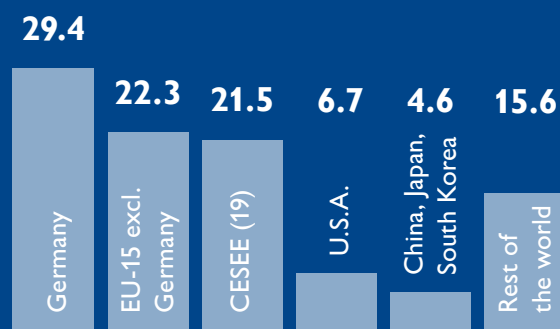
Annual change in %
Source: WIFO.

HICP inflation rate



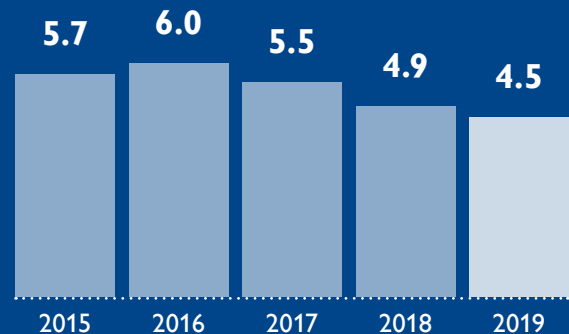
Annual change in %
Source: Statistics Austria.

Share of goods exports by target region



% of total Austrian goods exports from January to November 2019. Source: Statistics Austria.

Unemployment rate



%
Source: Statistics Austria.



Euro banknotes made in Austria

The OeNB provides the Austrian public with high-quality euro banknotes and coins. Its subsidiary, the Oesterreichische Banknoten- und Sicherheitsdruck GmbH (OeBS), prints the share of annual euro banknote production volumes assigned to Austria by the ECB. The OeBS stands for security, trust and high quality – thanks to its expertise in mechanics, microelectronics and software as well as its tried-and-tested quality management. The latter is key in developing and maintaining complex authentication machines and control systems.

How Austrians bank and pay in an increasingly digital world

The OeNB regularly monitors the impact the ongoing digital transformation of financial services has on households, banks, payment services providers and on the use of cash. Keeping track of these developments is an integral part of the OeNB's role in supervising banks, overseeing payment systems, providing payment services as well as producing, processing and supplying cash in Austria. In particular, the OeNB analyzes how Austrian consumers react to new payment trends, how developments in Austria compare with other countries and what might be on the horizon.

OeNB survey suggests that digital payments are on the rise

The OeNB has repeatedly carried out surveys on payment behavior in Austria, most recently in the third quarter of 2019.¹ Against the survey of spring 2018, ownership of devices that can be used for digital payments had increased slightly. In fall 2019, some 72% of Austrians had a computer or notebook, 77% a smartphone, 33% a tablet and 6% a smartwatch. About 75% reported to use the Internet on a daily basis. To ensure that everyone has access to banking and payment services, it is equally important to know the share of the Austrian public that does not use such technologies. According to the survey, approximately 16% do not use the Internet. From spring 2018 to the third quarter of 2019, the share of people that do not have a mobile device (smartphone, tablet or smartwatch), had decreased from about one-quarter to one-fifth.

People increasingly bank with mobile devices

At some 58%, the percentage of Austrians using online banking (chart 1) remained unchanged against 2018. While above the EU average,

Austria's figure is neither high nor low compared with European peers, with the Scandinavian countries and the Netherlands having reached levels above 80%.² At the same time, mobile devices have become increasingly popular for online banking in Austria, with 62% of online banking users stating that they exclusively or additionally use their smartphone or tablet to access online banking.

The take-up of online banking continues to vary significantly according to sociodemographic characteristics. While 84% of under 35 year olds bank online, only 15% of over 65 year olds do the same. There is also a significant divide between men (63%) and women (52%) as well as by income and level of education (82% of respondents that have completed high school; 25% of unskilled respondents).

The use of online banking is closely correlated with the frequency of visits to bank desks. Among bank customers that do not use online banking, 61% visit a bank desk at least once a month, while this is true of a mere 23% of online bankers. Of the latter, 50% use face-to-face banking services once a year at most. Increased future use of online banking is therefore expected to go hand in hand with a further reduction in the demand for bank teller services. Interestingly, urban and rural areas do not differ much in terms of the use of online banking, which is relevant for ensuring banking services in rural areas. In villages with up to 5,000 inhabitants, some 55% of the population banks online; this figure comes to 64% in cities with over 50,000 inhabitants.

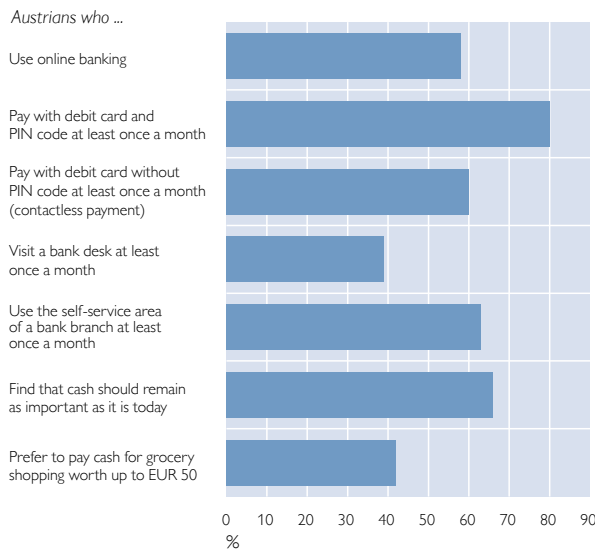
Apart from the trend from face-to-face toward online banking, self-service banking is on the rise too. Overall, some 39% of the population continues to bank face to face at least once a month, and this share has not fallen significantly since 2018. At the same time, the

¹ Some 1,400 persons aged 14 and over were personally interviewed from August 29 to November 4, 2019, on behalf of the OeNB. The results are representative in terms of age, gender and province. The 2019 survey was more or less a repeat of a survey conducted in spring 2018, the results of which were presented in detail in Ritzberger-Grünwald and Stix (*Monetary Policy & the Economy Q3/18*). See box 1 (*ibid.*) for a detailed description of the survey.

² Eurostat.

Chart 1

Use of digital banking and payment services in Austria in 2019



Source: OeNB.

share of people using the self-service area of a bank branch at least once per month has increased from 58% to 63%.

As more and more people use online banking, digital access to banking services might also influence which bank people choose. However, according to the 2019 survey, just around 2% of Austrians use so-called Internet or virtual banks, i.e. branch-less banks, as their main bank. Apart from technology changing the face of banking, new legislation³ granting third-party providers access to bank accounts or account information has made it possible for new players to come on the scene. Use of such new services is not yet widespread, though, except for providers of digital payment services.

Another innovation are instant payments, which are settled around the clock, every day of the year, within a few seconds. They provide

the basis for developing new solutions for peer-to-peer as well as consumer-to-business payments that may, for instance, be initiated via smartphones. Such apps are already widely used in other countries, such as Sweden. The OeNB's fall 2019 survey found that about 7% of respondents use an app to transfer money to, or receive money from, other persons at least once a month.

In light of the changes evident so far, the OeNB is also interested in customer satisfaction in the Austrian banking sector. 95% of respondents are, generally speaking, very or rather satisfied with their bank. In greater detail, highly positive ratings were also established for the opening hours of bank branches, bank branch proximity, the perceived quality of financial advice, and online services. Satisfaction with account management fees is somewhat lower (57%).

Cash continues to be in high demand

The OeNB has conducted several comprehensive surveys to study payment behavior in Austria. Evidence from the most recent study dating from 2016 showed cash to continue to be a top choice,⁴ against the backdrop of a longer-term gradual decline. Cash preferences in Austria are broadly similar to those of consumers in several other euro area countries, but there are also some countries in the euro area in which cash plays a significantly less prominent role.⁵ Looking ahead, the use of cash might decline at a faster pace given the growing number of new payment solutions.

Share of contactless payments strongly on the up

Rapid growth in contactless payments (using near field communication (NFC) technology) has been the most striking change recently.

³ A case in point is the Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market.

⁴ Rusu, C. and H. Stix. 2017. Cash and card payments – recent results of the Austrian payment diary survey. In: *Monetary Policy & the Economy Q1/17*.

⁵ Esselink, H. and L. Hernández. 2017. *The use of cash by households in the euro area*. ECB Occasional Paper Series No. 201.

Their share in overall point-of-sale (POS) card payments (e.g. in supermarkets) increased in Austria from 5% at end-2014 to some 70% in the third quarter of 2019. Over the same period, the number of payment terminals processing NFC payments rose by 170%.⁶ As a result, it has become easier to pay also smaller amounts by card. This is relevant for the use of cash, given that cash is the predominant means of payment for smaller amounts. No PIN entry is typically required to make contactless payments up to EUR 25, which means that, for consumers, such payments are processed as fast as, or even faster than, cash payments.

In fall 2019, no less than 60% of respondents said that they use their debit card (usually their ATM card) at least once a month to make contactless payments without PIN entry (2018: 48%). With some 80% of respondents making PIN-based debit card payments at least once a month, around three-quarters of debit card users already use their cards also without PIN entry. However, use of contactless payments without PIN entry varies strongly with age: the share of under 35 year old users equals 83%, while the share of over 65 year olds is just 27%.

In the years ahead, not only card payments, but also payments via smartphone are likely to increase markedly. The survey conducted in fall 2019 revealed that around 8% of respondents used mobile payment innovations.

Chances are that cashless payments will increase at an accelerating pace in the coming years. For one thing, consumers will increasingly go cashless for smaller amounts; for another, evidence from other countries shows that also late adopters, i.e. above all older consumers and people with lower incomes, tend to use contactless payments more with time.

Third, a high share of younger persons is already used to making cashless payments and is unlikely to change its payment habits in the future. These expected shifts notwithstanding, cash continues to be the preferred means of payment for a considerable share of Austrians. 42% of the respondents of the 2019 survey said that they prefer to pay their grocery shopping worth up to EUR 50 with cash. Moreover, almost all respondents had used cash in the previous month. In contrast, a survey conducted by the Swedish central bank in 2018 showed that only 60% of the respondents had used cash during the past month, and a mere 13% said that their most recent payment had been made in cash.⁷

In 2019, two-thirds of those surveyed in Austria agreed that it was essential for cash to stay, which mirrored the 2018 result. Another 28% said that, while it was alright with them if fewer and fewer agents were to accept cash, they would not want to live entirely without it. Only 3% found that they could do without cash (the rest had no view).

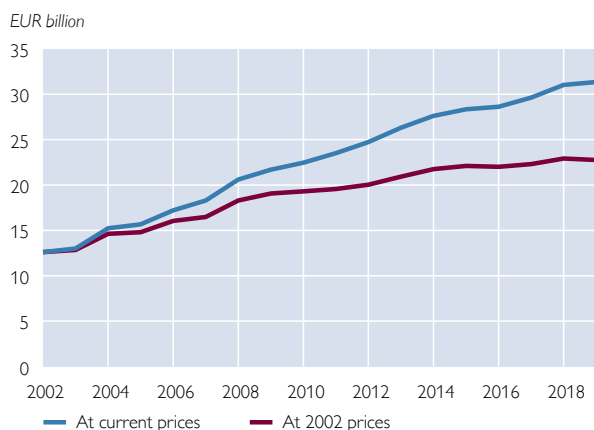
The fact that cash is still popular is, for instance, also reflected in a lesser known phenomenon, namely the persistently high demand for cash, which – in spite of the accelerating trend to cashless payments – has even risen in the past ten years. This increase may be attributable to specific temporary factors, such as the use of cash as a store of value in response to the financial crisis and low interest rates on deposits at banks. No matter whether these factors recede again over time, the development so far shows that a trend toward cashless payments does not automatically imply that the overall demand for cash will diminish or even cease to exist.

⁶ According to the OeNB's payment statistics, the overall number of POS terminals increased by approximately 10% during the same period.

⁷ Sveriges Riskbank. 2018. *Payment patterns in Sweden 2018*.

Chart 2

Euro banknotes in circulation in Austria (estimate)



Source: OeNB.

Note: The values represent estimates; see also Schautzer and Stix in *Monetary Policy & the Economy Q1/19*.

The survey results about Austrians' views and payment behavior have reaffirmed the OeNB's pivotal role in providing Austria with banknotes and coins. Cash supply functions and services are core activities of the OeNB, which is worth stressing in light of concerns⁸ fueled by political and media debates about a government-led abolition of cash.

Innovation and reform pressure transform payment services

Several innovations in recent years have enabled new forms of digital payments. Thanks to their inventors' marketing savvy, such new payment methods tend to be portrayed in the media as rivals of cash and online transactions. The spotlight was held in particular by privately issued crypto assets like bitcoin, and by the Libra project initiated in 2019 by a Facebook-led consortium. Yet despite the media hype, bitcoin has

not established itself as a widespread means of payment. Not least because bitcoin's market value has been extremely volatile, its importance is not likely to change much in future.⁹ The Libra project aims to develop a privately issued means of payment whose value, unlike that of bitcoin, does not fluctuate strongly. Libra is meant to be backed by a basket of currencies to help keep its value stable. For this reason, the Libra consortium refers to Libra as a stablecoin. It remains to be seen what this could mean in reference to prices of goods and services in euro and whether Libra or other stablecoins will acquire the potential to gain market shares. In any case, it is important to clarify a great many regulatory issues before such a project can be launched.

Digital foreign currencies (e.g. stablecoins such as Libra) are unlikely to become more attractive than the local currency, especially if the latter is as strong as the euro. After all, digital payment methods in euro (via cards, smartphones, etc.) are widely available and far advanced. In light of the ongoing digitalization of the business world, pressure has, however, been mounting to make payments ever faster and more secure. For this reason, the Eurosystem implemented TARGET Instant Payment Settlement (TIPS) in 2018, which enables payment service providers to offer secure fund transfers in euro to their customers in real time. With TIPS, the Eurosystem was among the first central banks to support instant payments. In the U.S.A., the Federal Reserve System took up work on a similar system in 2019. Last year, the first Austrian banks became participants of TIPS. Until November 2021, the Eurosystem's payment infrastructure will undergo an overhaul that will also markedly benefit retail

⁸ Most recently, Austria saw parliamentary attempts in fall 2019 to enshrine the right to pay cash in the constitution.

⁹ For details on bitcoin's use, see Ritzberger-Grünwald, D. and H. Stix. 2018. How Austrians bank and pay in an increasingly digitalized world – results from an OeNB survey. In: *Monetary Policy & the Economy Q3/18*. 52–89. About 2% of those surveyed in Austria in fall 2019 own crypto coins.

customers. At the same time, other components of the large-value TARGET2 payment system will likewise be modernized.

Given the trend to digital payments, it is important to develop pan-European solutions allowing end users to make swift payments. This helps ensure that the euro area remains a state-of-the-art payment area. In the near future, it will also be key to provide similar solutions to quickly transfer funds outside the euro area.

As long as payment solutions in euro keep pace with evolving requirements (as related to, say, efficiency, costs, user-friendliness and speed), the Eurosystem sees no need to issue a

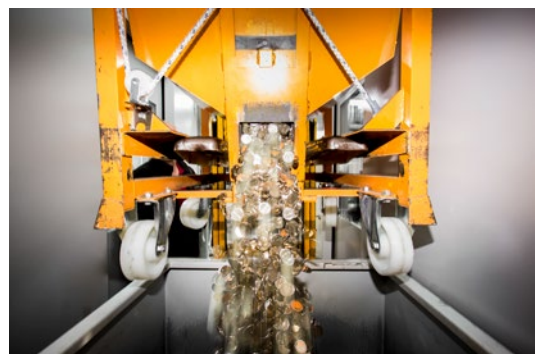
digital euro for end users. This notwithstanding, central banks started years ago to investigate technical aspects and potential consequences of central bank-issued digital money to stand ready to answer questions that might be of public interest in this respect. In 2019, the OeNB co-organized a macroeconomic workshop with the Bank for International Settlements and published a paper on this topic.¹⁰ This way, the OeNB actively contributes to conceptual and operational work undertaken within the Eurosystem, where a high-level working group is tasked with developing a joint position on a central bank-issued digital euro until June 2020.

¹⁰ Pichler, P., M. Summer and B. Weber. 2020. *Does digitalization require Central Bank Digital Currencies for the general public?* In: *Monetary Policy & the Economy Q4/19*.



Secure money for everyone

Münze Österreich AG is in charge of meeting the demand for euro and cent coins in Austria. To this end, it uses high-performance machines to mint up to 750 coins per minute and machine. Since the introduction of the euro, more than 8 billion euro and cent coins have been produced in Austria. The coins are transported to the OeNB in sealed containers; from there, they are distributed to end users via commercial banks.



The OeNB contributes to safeguarding
price stability and financial stability



Sustainable cash services

Supplying the Austrian population and economy with cash is the job of an OeNB subsidiary (co-owned by Austrian commercial banks) called GELDSERVICE AUSTRIA (GSA). The GSA's highly motivated staff use advanced technologies and efficient processes to provide professional services in Austria and for its neighboring euro area countries. A strong commitment to innovation continues to enable the GSA to make an impact. For instance, in an effort to promote greater environmental responsibility, the GSA has been replacing single-use plastic materials with reusable lodgment trays.



Headwinds for growth and inflation in the euro area

The euro area economy continues to slow down

Following a sharp drop in growth in the second half of 2018, the global economy remained weak throughout 2019. Annual global economic growth fell slightly short of 3%, which is the lowest growth rate on record since the outbreak of the global financial crisis in 2008. The economic slowdown was reinforced by ongoing trade tensions between the United States and China as well as a high degree of uncertainty in Europe surrounding Brexit, the withdrawal of the United Kingdom from the EU. As a consequence, international trade, industrial production and investment spending weakened in particular.

The global macroeconomic environment also had a dampening effect on euro area growth. Within the euro area, problems in the German economy (e.g. low export demand) had knock-on effects on neighbouring countries. Thus, the economic slowdown in the euro area, which had started in 2018, continued in 2019. As evidenced by Eurosystem staff macroeconomic projections, euro area real GDP growth dropped from 1.9% in 2018 to 1.2% in 2019. In 2019, euro area growth was mainly driven by domestic demand, whereas the growth contribution of net exports was negative.

Euro area HICP inflation remains below price stability target

As 2019 progressed it became apparent that euro area economic growth and inflation as measured by the HICP were going to remain substantially below expectations. In fact, it was projected that inflation would approach more slowly to the Eurosystem's price stability target of keeping inflation below, but close to, 2% over the medium term. At its March 2019 meeting, the Governing Council of the ECB thus decided to launch another series of targeted longer-term refinancing operations (TLTRO III), to be conducted at quarterly intervals in the period from September 2019 to March 2021. Initial information on the

modalities was communicated in June 2019, such as the fact that euro area banks are entitled to refinance up to 30% of their stock of eligible loans to businesses and households (excluding housing loans) with TLTRO III funding. The overall amount that banks can borrow from the Eurosystem in each of the seven quarterly operations is limited to, at most, 10% of their stock of eligible loans.

The final terms were communicated in September 2019: The interest rate to be applied was set at the average rate used in the Eurosystem's main refinancing operations over the life of the respective TLTRO. For banks whose eligible net lending exceeds their benchmark net lending, the TLTRO III rate will be lower, and can be as low as the average interest rate on the deposit facility prevailing over the life of the respective TLTRO III. Each operation has a maturity of three years, with the option of early repayment starting two years after the respective settlement date.

TLTROs serve to keep funding costs low for euro area banks. This affects the economy via two avenues. First, TLTRO funding creates an incentive for banks to pass on their own favorable financing conditions to the real economy in the form of low interests on loans, thus stimulating loan demand. Second, the possibility of obtaining TLTRO funding at negative interest rates gives banks that actively seek to lend to the real economy a chance to preserve their positive interest margins.

The second half of 2019 saw a further deterioration in global economic conditions and hence in the euro area outlook for growth and HICP inflation. The September 2019 ECB staff macroeconomic projections showed a further downgrade of the outlook for GDP growth and of the HICP outlook, both in the short and medium term. On top of that, the outlook was

Targeted longer-term refinancing operation (TLTRO)

TLTROs are longer-term loans provided by the Eurosystem to commercial banks in the euro area. The applicable interest rate depends on the amount of onward lending by banks and can even turn negative. The more loans participating banks extend, the cheaper TLTRO funding will be.

subject to pronounced downward risks. The projections pointed to an HICP rate of 1.5% at the end of the forecast horizon (2021), i.e. to a rate well below the Eurosystem’s price stability target. Furthermore, measures of longer-term inflation expectations had once more hit historical lows following a sustained downward trend. This gave cause for concern at the ECB’s Governing Council about a potential deanchoring of long-term inflation expectations and a subsequent rise of real interest rates.

The Eurosystem provides further monetary policy accommodation

Expanded asset purchase programme (APP)

Under its expanded asset purchase programme, the Eurosystem buys securities based on four underlying programmes: (1) the covered bond purchase programme (CBPP3), (2) the asset-backed securities purchase programme (ABSPP), (3) the public sector purchase programme (PSPP) and (4) the corporate sector purchase programme (CSPP). The PSPP accounts for the lion’s share (more than 80%) of the entire APP portfolio. All in all, the stock of assets acquired by the Eurosystem under the APP totaled about EUR 2.580 billion at the end of 2019.

Following in-depth discussions of all the pros and cons, the Governing Council of the ECB adopted a comprehensive package of measures at its September 2019 meeting. This package consists of six measures:

- (1) The deposit facility rate was cut by 10 basis points to -0.5% .

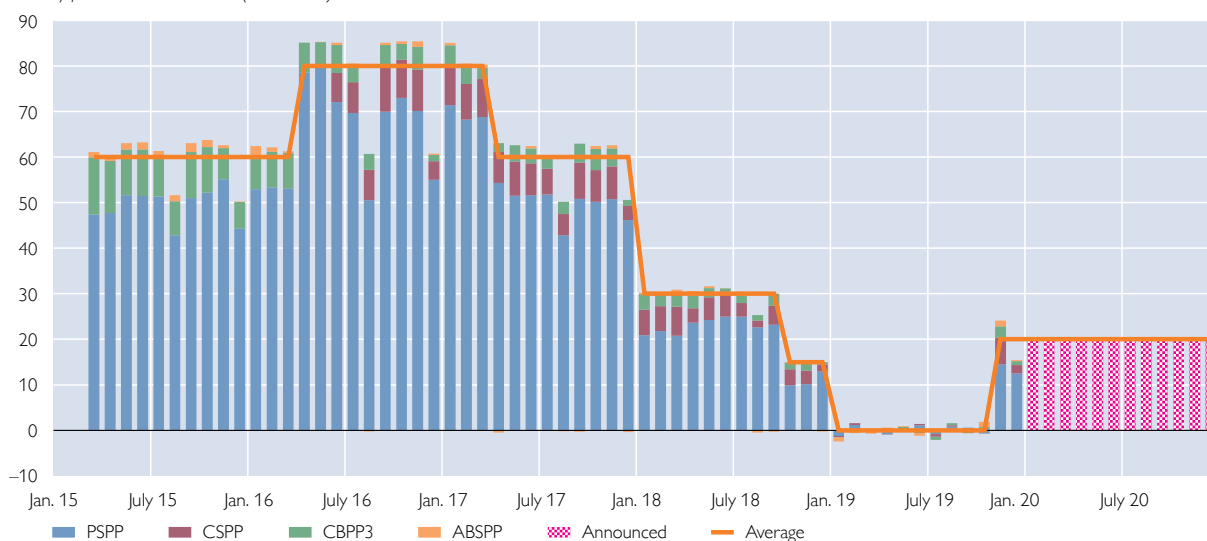
The two other policy rates – the interest rate on the main refinancing operations and the rate on the marginal lending facility – were left unchanged at their levels of 0% and 0.25% respectively.

- (2) Forward guidance on the key policy rates was adjusted. Specifically, the Governing Council communicated its intention to keep the ECB’s policy rates “at their present or lower levels until we have seen the inflation outlook robustly converge to a level sufficiently close to, but below, 2% within our projection horizon.” Moreover, the Governing Council made it clear that convergence must be reflected in the underlying inflation dynamics.
- (3) The Eurosystem resumed its expanded asset purchase programme (APP) on November 1, 2019, at a monthly pace of EUR 20 billion (chart 3). The Governing Council expected the Eurosystem’s net APP purchases to run for as long as necessary to reinforce the accommodative impact of its policy rates, and to end them shortly before it starts raising ECB policy rates.

Chart 3

Net APP purchases resumed in November 2019

Monthly purchases in EUR billion (book values)



Source: ECB.

- (4) As before, the principal payments on securities purchased under the APP are reinvested as securities mature. This reinvestment policy will be retained for an extended period past the date when the ECB starts raising its policy interest rates, and in any case for as long as necessary.
- (5) To support the bank-based transmission of monetary policy to the real economy, a two-tier system for reserve remuneration was introduced. A predefined share of banks' holdings of excess liquidity on Eurosystem accounts is remunerated at a zero interest rate and thus exempt from the negative deposit facility rate.
- (6) Finally, the Governing Council adopted the modalities of the TLTROs III outlined above. With this comprehensive monetary policy package, the Governing Council continued to provide substantial monetary policy accommodation to ensure favorable financing conditions, which support growth in the euro area and thus the further buildup of domestic price pressures. The ultimate goal is to ensure the continued sustained convergence of inflation to levels in line with the defined medium-term inflation target.

Policy implementation is up to the national central banks of the euro area in many areas. Thus, Austria's commercial banks turn to the OeNB when they wish to participate in the TLTROs. Likewise, the majority of Austrian sovereign bonds bought under the PSPP are bought by the OeNB, and the same holds for purchases of Austrian covered bonds under the CBPP3. As at December 31, 2019, the OeNB

carried Austrian sovereign bonds with a book value of about EUR 50.7 billion and Austrian covered bonds worth some EUR 7.5 billion on its balance sheet.

The two-tier system for the remuneration of excess reserves has greatly reduced the interest burden for Austrian banks. In the seventh reserve maintenance period in 2019 (lasting from October 30 to December 17), the amounts of interest payable by Austrian banks dropped by close to 40% to EUR 10.9 million even though banks were holding visibly higher volumes and the maintenance period was of above-average length.

The December 2019 Eurosystem staff macroeconomic projections for the euro area already reflected the monetary policy easing provided in 2019. According to these projections, euro area GDP growth stands to remain subdued in 2020, before rebounding to 1.4% in 2021 and 2022. For annual euro area HICP inflation, the projections foresee a rate of somewhat more than 1% for late 2019 and early 2020 (chart 4) and a rate of 1.6% for 2022. While even 1.6% is not in line with the price stability target, this increase reflects movement in the right direction.

Two-tier system for reserve remuneration

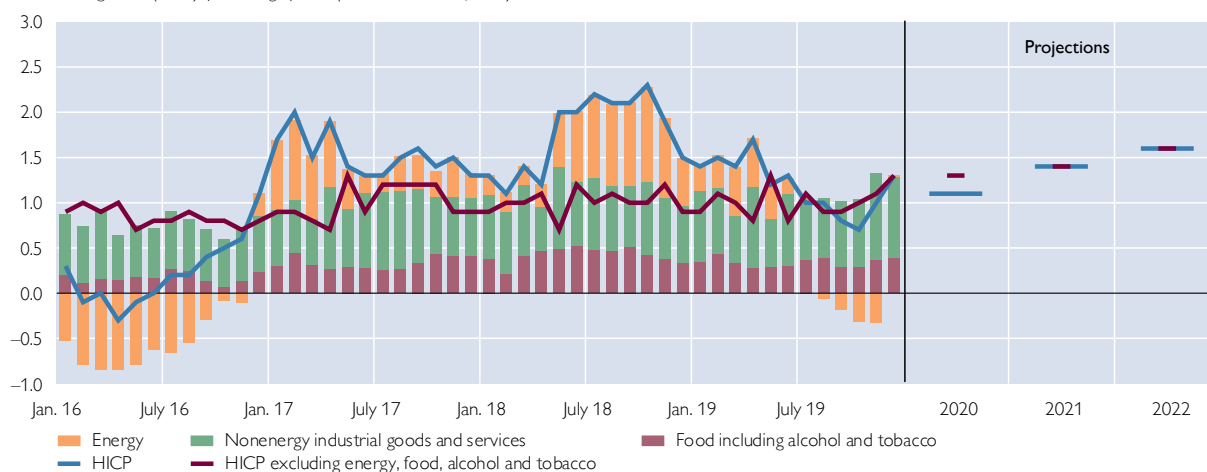
For liquidity held on Eurosystem accounts in excess of minimum reserve requirements, euro area banks are charged interest equivalent to the deposit facility rate (-0.5% at end-2019). To alleviate costs, the Eurosystem now exempts excess reserves from negative interest to some extent. The exempt volume was defined as an adjustable multiple of banks' minimum reserve requirements. In the final months of 2019 and in early 2020, this multiplier was set at 6.

Minimum reserves

The ECB requires all euro area credit institutions to hold a certain amount of minimum reserves on current accounts with their respective national central banks. The key function of the minimum reserve system is to stabilize money market interest rates.

HICP inflation in the euro area

Annual change in % (HICP); percentage points (contributions to inflation)



Source: Eurostat, December 2019 Eurosystem staff macroeconomic projections for the euro area.

Many of the measures that the Eurosystem has adopted since 2008 qualify as nonstandard and have not been studied in depth, giving rise to concerns about potential side effects. Such unintended consequences may arise both from negative policy rates and asset purchases. Being well aware of this fact, the Governing Council of the ECB closely monitors any unintended side effects that may arise from its decision-making. It is understood that weighing the benefits against the costs is an ongoing need.

In late 2019, Christine Lagarde, the new President of the ECB, put a review of the Eurosystem's monetary policy strategy on the agenda for 2020 – the first such review in 17 years. The strategy review will address a wide range of issues at length, focusing on an evaluation of the price stability goal given the changes we have witnessed in the past 17 years. Since 2003, the euro area and the world

economy have been undergoing profound structural changes, which have an impact on monetary policy and its design. Many other issues apart, the strategy review will also deal with the effectiveness of the monetary policy toolkit as developed over the past decade, including the aforementioned issue of potential side effects of monetary policymaking.

During the review, the Eurosystem will engage with members of the European Parliament and the academic and scientific communities but also reach out to euro area citizens at large. The review is expected to be concluded by the end of 2020.

President Lagarde has voiced her intention to hear all members of the Governing Council of the ECB for informed monetary policy decisions and to seek to implement unanimously agreed tools as far as possible. This is also the spirit in which the review of the monetary policy strategy will be conducted.

Hello €STR, good-bye EONIA!

On October 2, 2019, the ECB began publishing a new benchmark interest rate for the euro area – the euro short-term rate (€STR). The €STR reflects the average cost of unsecured overnight borrowing faced by euro area banks, as reported by about 50 reporting banks per day. So far, the €STR has been tracking the Eurosystem's deposit facility rate closely (see chart 5). At the end of 2019, the €STR stood at about -0.55% , not much below the deposit facility rate (-0.5%).

In the past, the euro overnight index average (EONIA) used to be the only prominent reference rate for the unsecured euro overnight market. However, the EONIA failed to meet certain minimum standards for determining interest rate benchmarks, for safeguarding the verifiability of the input data and for ensuring the transparency of the methodology. These minimum standards, which have since been included in the EU benchmarks regulation, were first defined by international bodies during and shortly after the financial crisis in the late 2010s in response to irregularities observed.

In February 2018, the European Money Market Institute (EMMI), which administrates the EONIA, announced that it did not intend to adjust the EONIA's methodology to the new minimum standards. This created an urgent need for a new benchmark rate with which to replace the EONIA. The replacement rate of choice, recommended by the private sector working group on euro risk-free interest rates, was the euro short-term rate on which the ECB had been working on since 2016, now known as the €STR. The ECB started publishing a pre-€STR data series in March 2017, to enable financial markets to adjust their processes and procedures to ensure a smooth transition to the new interest rate benchmark.

Where do EONIA and €STR differ? What do they have in common?

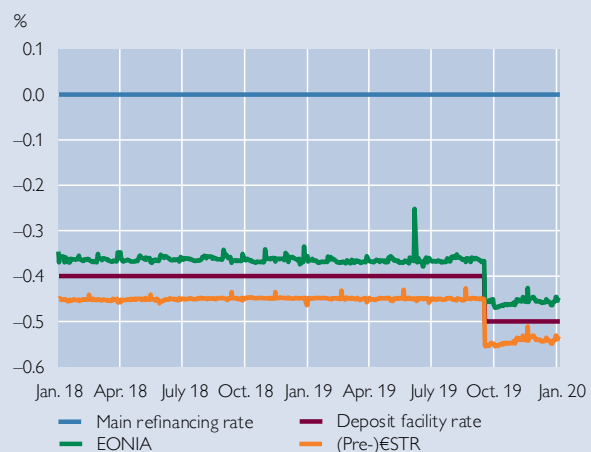
What the EONIA and the €STR have in common is that they reflect the interest rate costs of unsecured overnight borrowing in the euro area money market. At the same time, they are different in that the EONIA, as it existed until end-September 2019, reflected lending rates whereas the €STR reflects borrowing rates. Moreover, the EONIA captured interbank lending rates whereas the €STR captures reporting banks' borrowing from a broad range of financial institutions, including pension funds and insurance companies, thus providing a broader and hence more realistic picture. Finally, the €STR is based solely on individual euro-denominated transactions with financial counterparties, which euro area banks are required to report under the EU money market statistical reporting regulation. The EONIA, in contrast, used to rely on voluntary reports, and these reports were limited to the total volumes of reporting banks' unsecured overnight transactions and the weighted averages of their daily transaction volumes.

The EONIA will be discontinued on January 3, 2022

Following the decision not to adjust the EONIA to the minimum standards for reference rates, it was clear that the EONIA was not here to stay beyond 2019 in its existing form. However, as the period from October 2 to December 31, 2019, appeared to be too short to transition all EONIA-based contracts to the €STR, the EMMI decided to change the EONIA methodology with the launch of the €STR on October 2, 2019. Since then, the EONIA has been defined as the €STR plus a fixed spread of 8.5 basis points, which means that the two reference rates are fully aligned. The transition period until January 3, 2022, will give all financial market participants sufficient time to replace any references in contracts to the EONIA with references to the €STR. To support this process, the working group on euro risk-free interest rates has issued a number of recommendations (see the ECB's website).

Chart 5

Money market rates at lower end of ECB's policy rate corridor



Source: ECB, Macrobond.



Cash in transit

To transport cash, the OeNB uses its own fleet of cash-in-transit vehicles, the fourth generation of vehicles by now. On average, these vehicles make 70 trips from Vienna to the rest of Austria each year, thus spending some 47,000 km on the road – which is longer than the length of the equator. With central bank cooperation being an established practice within the Eurosystem, the OeNB also provides Slovenia and Slovakia with euro cash. Cash transports are escorted by public sector security officials, under a long-standing cooperation between the OeNB and the Ministry of the Interior that started more than 50 years ago.



Austria moves to a slower growth path in 2019

25th anniversary of Austria's EU accession

January 1, 2020, marked the 25th anniversary of EU accession for Austria. Empirical evidence confirms that EU membership has had a major positive impact on the Austrian economy, contributing above all to higher GDP growth and higher income levels.¹¹ Austrian businesses have used the potential offered by the single market through higher exports and/or through more direct investment abroad. Doing business abroad, many Austrian firms have come to form an integral part of European or global value chains, above all in the areas of machinery, vehicles and finished goods. This has brought Austria further welfare gains (as measured by GDP per capita) and helped reinforce its excellent performance compared with its EU peers. At the same time, the rising degree of integration and internationalization also implies that the European and the global economy and global trade are having a larger impact on the domestic economy than before EU accession. About 70% of all exports from Austria go to fellow EU countries, with more than 30% of exports continuing to go to Germany's big open economy. This means that international shocks not only have direct effects on the Austrian economy, but also indirect effects via effects on Germany or the EU at large.

Austria's current account surplus shrinks

The global economic slowdown, markedly weaker global trade growth and the sharp downturn in economic activity in Germany (see box 2) dampened demand for Austrian exports and weakened domestic growth in 2019. The growth of import demand from trading partners dropped from 3.9% in 2018 to 1.8% in 2019. At the same time, Austrian export growth shrank from 5.9% in 2018 to 2.7% in

2019. The import-adjusted contribution of exports to GDP growth thus decreased from 1.6 percentage points in 2018 to 0.7 percentage points in 2019. Even so, Austria still managed to gain market shares in 2019 despite adverse external conditions and weaker export growth, which attests to the high degree of competitiveness of Austrian exports.

This picture is also confirmed by the balance of payments. The balance of exports and imports of goods and services dropped to EUR 7.6 billion in the first half of 2019, corresponding to a decline of EUR 1.9 billion year on year. This decline was driven by goods and services alike, with the net balance of services excluding travel and tourism being negative for the first time since 1997. Travel and tourism, by contrast, continued to rise dynamically, with imports totaling EUR 10.7 billion even exceeding the 2018 result by EUR 300 million. Indeed, the result of the tourist summer season of 2019 stands out with 79 million overnight stays, which is even above the previous record high registered in 1991. In the first half of 2019, the balances of primary and secondary income were negative, broadly at previous year levels, thus reducing the current account surplus. The surplus dropped to EUR 4.4 billion, compared with EUR 6.2 billion in the first half of 2018. On this basis, Austria's net international investment position totaled EUR 26.6 billion at the end of June 2019.

Degree of openness

An economy's degree of openness is defined by the share of its total exports and imports in GDP. Based on this concept, Austria had a degree of openness of 108% in 2019 (1995: 70%), compared with 88% (44%) for Germany. Large economies tend to have a smaller degree of openness, as a larger share of production is sold domestically.

Primary and secondary income

In the balance of payments, primary income essentially refers to income from employment and investment income. Secondary income covers current transfer payments and arises from not-for-value transfers of goods and services between residents and nonresidents (e.g. income and property tax, unemployment benefits, pensions and social assistance).

¹¹ For an overview, see Beer, C., C. Belabed, A. Breitenfellner, C. Ragacs and B. Weber. 2017. *EU integration and its impact on Austria. In: Monetary Policy & the Economy Q1/17. OeNB. In 2020, Austria's first 25 years as an EU Member State will be reviewed in a special issue of the OeNB's Monetary Policy & the Economy series.*

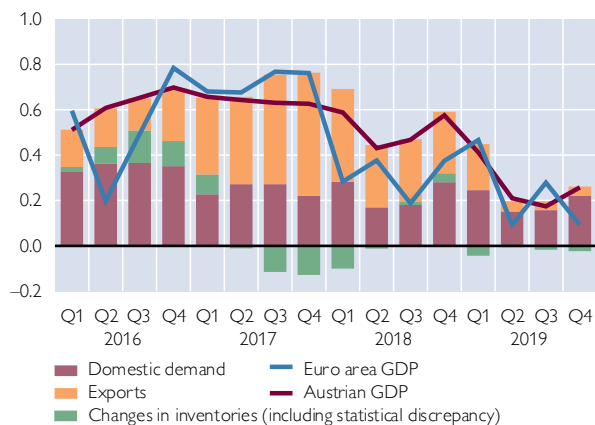
GDP growth in Austria aligned with euro area GDP growth

In 2019, the Austrian economy moved through a downward phase of the business cycle. While output growth was supported by the domestic sectors on the back of stable consumer demand and the flourishing construction industry, the export-oriented sectors felt the negative effect of the global growth setback. With an annual growth rate of 1.3%, private consumption growth even slightly surpassed the plus achieved in 2018 (1.1%). The robust growth of consumption, in turn, benefited from employment growth as well as from the fact that wage settlements were significantly higher than in the past few years. At the same time, the growing weakness of industrial production caused the investment cycle to bottom out abruptly. Starting from the second quarter of 2019, the growth of gross fixed capital formation was barely positive. Gross fixed capital formation was depressed above all by the lack of investment in equipment, while residential construction investment continued to grow at fairly high rates (3.9% year on year). Domestic (import-adjusted) demand contributed 0.8 percentage points to GDP growth, following 0.9 percentage points in 2018.

Chart 6

Austria's GDP growth continues to decline in 2019 (growth contributions of demand components adjusted for imports)

Quarterly change in % (GDP); percentage points (growth contributions)



Source: Eurostat, WIFO.

Note: GDP figures for Austria are adjusted for the trend cycle.

While in 2018 the Austrian economy had still grown at a visibly stronger rate than the euro area economy, growth was converging toward euro area growth rates in 2019 (see quarterly real GDP growth rates for Austria and the euro area since 2016 in chart 6). Ultimately, GDP growth was still higher in Austria (1.5%) than in the euro area (1.2%) in 2019 only because of Austria's comparatively stronger growth momentum in the second half of 2018.

Employment growth eases while unemployment rate declines further in Austria

As Austria's economy was losing steam in late 2018 and early 2019, the strong employment growth seen in previous years started to go down as well. The decline in employment growth was largely attributable to a recession of the export-oriented industrial sector, which tends to lease large numbers of employees. Leasing employment serves as a leading indicator for employment in this sector. Having peaked in late 2017 (+15% year on year), the growth rates for leased staff have since been on a steady decline, turning negative in early 2019 and dropping to -7% by end-2019. A comparison of quarter-on-quarter growth rates indicates a visible drop in total employment growth during 2019, namely from +1.2% in the first quarter to +0.6% in the third quarter, with the decline being more pronounced for men than for women. The share of part-time employment rebounded in 2019, after having dropped amid the strong growth rates of recent years. At the end of 2019, slightly more than one-quarter of all jobs in Austria were part-time jobs, with women accounting for about 80% of all part-time jobs. The growth rate of full-time jobs, still standing at 2.5% in the first quarter of 2019, came to a standstill in the third quarter (quarter on quarter). This trend reversal basically mirrored the trend in industrial production. Given the declining employment momentum, the unemployment rate (Eurostat definition) decreased from 4.9% in 2018 to 4.5% in 2019 (4.6% for men and 4.4% for women).

Decline in Austria's HICP inflation driven by energy prices

Like in the euro area as a whole, weakening global growth dampened price pressures in Austria as well.¹² In Austria, HICP inflation was on a decline from January (1.7%) to October (1.0%) but rebounded in November and December (1.8%), driven by a surge in package holiday prices (chart 7). These developments resulted in an annual average of 1.5% for 2019, following 2.1% in 2018. As in 2018, HICP inflation in Austria was again slightly higher than HICP inflation in Germany (1.4%).

While the contribution of industrial goods and services prices hovered between 1 and 1.4 percentage points from January to November 2019, it jumped to 1.7 percentage points in December. The contribution of energy and food prices was on a gradual decline from March (0.6 percentage points) until November, being in negative territory in October and November. The decline in energy price inflation was essentially driven by crude oil prices, which weakened from EUR 64 per Barrel (Brent) in April 2019 to EUR 54 in October 2019, before rising to EUR 59 in December. Ultimately, the inflation contribution from energy prices was slightly positive. Mirroring the inflation stability of domestic price components, core inflation remained broadly stable in 2019, ranging from 1.3% (February) to 1.7% (June and November) with the exception of December, when higher services prices drove up core inflation to 2.1%. In 2019 as a whole, it stood at 1.7%, 0.1 percentage point lower than in 2018.

Continued price pressures from Austria's real estate market

While 2019 marked the end of the most recent investment cycle for gross fixed capital formation, construction investment growth strengthened to 4.0%, compared with 2.5% in 2018. The construction sector has been booming, but the declining number of building permits

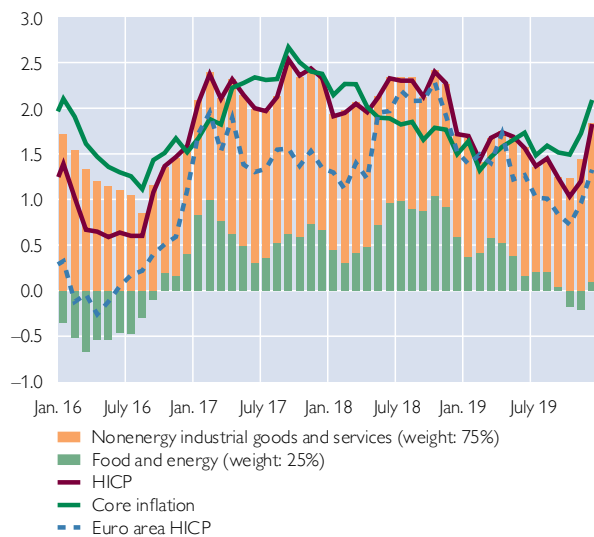
¹² For further information see: *Inflation aktuell* on the OeNB's website (in German only).

¹³ For further information see: *Immobilien aktuell* on the OeNB's website.

Chart 7

Austria's HICP inflation diminishes until October 2019 as contributions from food and energy decline

Annual change in % (HICP); percentage points (contributions to inflation for Austria)



Source: Eurostat, Statistics Austria.

appears to signal a deceleration of building activity. The number of real estate transactions has been stagnating since early 2018, albeit at high levels. Price growth has remained high in the real estate market. During 2019, residential property prices climbed by 3.9% on the year in Austria as a whole (Vienna: +4.9%, Austria excluding Vienna: +2.6%) according to the residential property price index published by the OeNB. The growth of residential housing loans to households edged up somewhat in the course of 2019. The share of variable rate loans in new loans went down significantly, from its peak at 84% in 2014 to 44% in 2019. In an international comparison, this share remains high and continues to carry substantial interest rate risk.¹³

Fiscal developments remain promising in Austria

Having turned positive in 2018 (a first since the early 1970s), Austria's general government

budget balance continued to improve in 2019. Key drivers included, above all, the revenue-enhancing cyclical conditions and the decline in interest expenditure for outstanding public debt resulting from the current level of low interest rates. The general government debt ratio also continued to go down, driven by the high primary surplus, the negative interest-growth differential and the ongoing deleveraging activities of publicly owned bad banks. The debt ratio will decrease further in 2020, but the general government budget surplus will fall short of the result for 2019, as a number of discretionary fiscal easing measures have taken effect and as the economy continues to weaken.

OeNB December 2019 outlook for Austria: dimmer growth prospects amid weak global trade

The weak spell of the Austrian economy continued into 2020, but growth is expected to bottom out in the first half of the year. Following below-average growth in early 2020 and a mild initial recovery, the OeNB forecasts Austrian GDP to grow by 1.1% in 2020 and by 1.5% in 2021 (OeNB December 2019 economic outlook). Unemployment (Eurostat definition) is expected to drop to a rate of 4.7% in 2020 and 4.8% in 2021. The HICP inflation rate is projected to reach 1.4% in 2020, before edging up to 1.5% in 2021.

Box 2

Stagnant German economy weighs on output growth in Austria

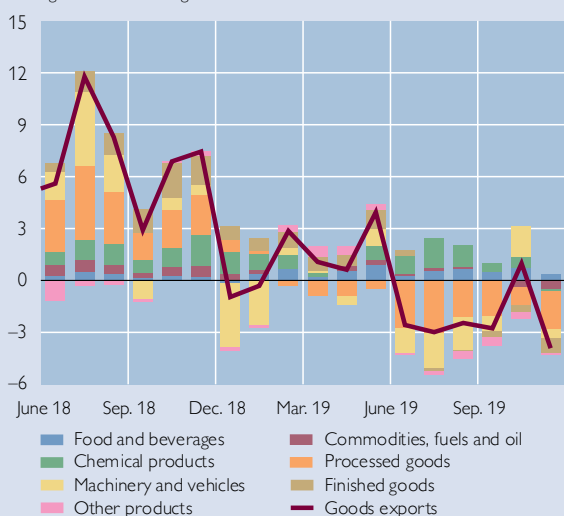
In Germany, economic growth slowed down significantly in 2018 and 2019. Since Germany is the number-one market for Austrian exporters, Austria was directly affected by weakening economic activity in Germany. According to OeNB estimates, a 1 percentage point fall in German GDP growth reduces GDP growth in Austria by about 0.2 percentage points.

Chart 8 shows how Austrian goods exports to Germany have increased or decreased since mid-2018. The decline in Austrian exports of machinery and vehicles as well as processed goods is the most visible sign of the feeble growth currently seen in Germany, which is, in turn, mostly the result of declining industrial output. Nominal goods exports to Germany have been below year-on-year measures since June (with an outlier in October on account of positive one-off effects for chemical products and machinery).

Chart 8

Growth of Austria's goods exports to Germany turns negative

Annual change in % (exports); percentage points (growth contributions); moving two-month averages

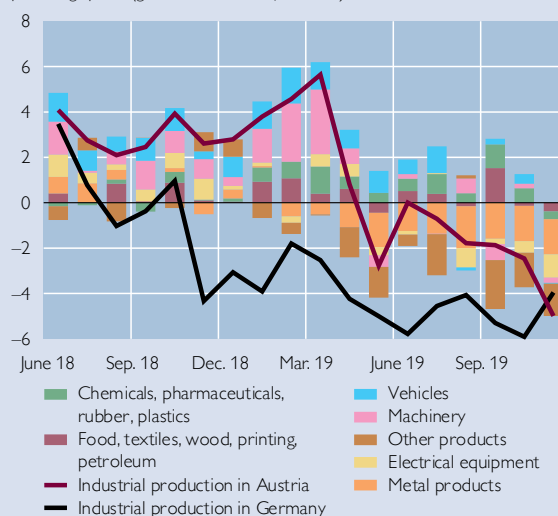


Source: Statistics Austria.

Chart 9

Industrial production more robust in Austria than in Germany

Annual change in % (industrial production); percentage points (growth contributions for Austria)



Source: Statistics Austria, Eurostat.

Germany's industrial sector has been in a recession since end-2018, triggered by problems in the car industry that have since spread to many other areas of industrial production (chart 9). In Austria, by contrast, annual industrial production growth remained positive until April 2019, driven by the chemical and the car industry. While in May industrial production growth turned negative in Austria as well, the recession remained significantly weaker than in Germany until October. In November, this pattern reversed, with Austria experiencing a sharper contraction of industrial production than Germany, driven by negative contributions from all major goods categories. Austria's industrial production has been dampened above all by the metals industry, whose contributions to GDP growth turned negative as early as in February 2019. A visible strengthening of leading indicators in January 2020 implies that industrial production growth in Austria started to rebound in early 2020.

Why the economic downturn has been deeper in Germany than in Austria

The delayed spillover of Germany's economic weakness to Austria and the generally better performance of the Austrian economy may be pinpointed to a combination of factors: In the current business cycle, Germany reverted to a stronger growth path already in late 2013, i.e. earlier than Austria, with the upswing in Germany going hand in hand with an increasingly tight labor market. Moreover, the automotive industry accounts for a significantly larger share of value added in Germany (4.7%) than in Austria (1.2%; figures for 2017). Hence, problems facing the car sector following diesel emissions cheating had bigger repercussions for Germany than for Austria. Another reason is that the German economy is feeling the impact of weakening growth in China much more strongly since China is a more important market for German than for Austrian exporters. For this reason, the German export sector has been suffering noticeably from the consequences of the trade tensions between the U.S.A. and China. Finally, Germany also has closer trade relations with the United Kingdom than Austria. This means that the German economy has been affected more severely by Brexit-related uncertainties, while Austria has continued to benefit more strongly from the sustained robust growth in Central, Eastern and Southeastern Europe (CESEE).



From the schilling to the euro

The OeNB provides a service for the unlimited exchange of all those Austrian schilling banknotes and coins that were legal tender when the euro was introduced. These banknotes and coins can be exchanged at one of the OeNB's cash counters or may be sent to the OeNB by insured mail. The OeNB's main cash office handled some 22,500 transactions in 2019, mostly related to the exchange of schilling banknotes and coins into euro. The back office handled another 4,168 submissions received by insured mail.

External effects on the Austrian economy in 2019

Slowdown in economic growth spreads to CESEE

In 2019, the economies of the EU Member States in Central, Eastern and Southeastern Europe (CESEE) grew at an aggregate rate of 3.7% on average – visibly below 2018 levels (4.3%; see chart 10). Following a powerful start into the year, economic activity in CESEE weakened in the second half amid the slowdown of global economic activity and the euro area economy. Still, the growth rate continued to be well above the average of the past ten years, and the CESEE economies also continued to outperform the euro area with a positive growth differential of about 2 ½ percentage points. Countries maintaining close economic ties with CESEE, like Austria, have thus benefited from positive spillover effects.

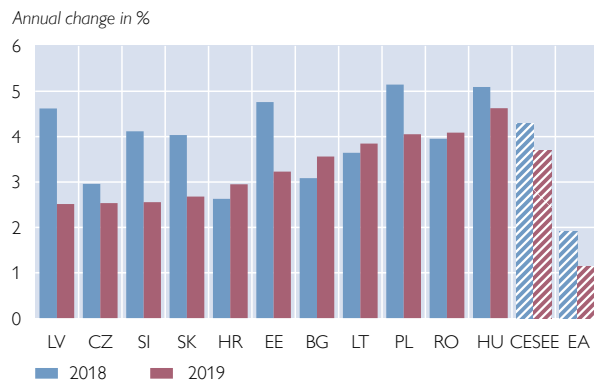
The key engine of growth in the CESEE region was private consumption, fueled by strong consumer sentiment and strong credit growth but above all by the continued improvement of labor market conditions. The unemployment ratio averaged 3.7% in CESEE in October 2019, touching the lowest level ever since the early days of transition. Strong employment growth went hand in hand with a further increase in labor force participation rates. By mid-2019, 9 out of the 11 CESEE economies had higher participation rates than the euro area.

Following years of unemployment decline and employment growth, the slack in the labor market has been largely absorbed, leading to increasing labor shortages and a strong acceleration of wage growth. In the medium run, excessive wage growth would pose risks to competitiveness and price stability. However, business sentiment surveys conducted by the European Commission show that the labor shortages declined somewhat in 2019. In this process, wage growth decelerated as well.

Business investment in CESEE was driven by funding received from the European Structural and Investment (ESI) Funds, which fueled construction activity. Private sector investment was boosted by good financing conditions and

Chart 10

Slight decline of real GDP growth in CESEE



Source: Eurostat, European Commission autumn forecast (November 2019).

above-average capacity utilization. At the same time, industrial confidence weakened on account of the outlook uncertainty for major trading partners, and order book levels (especially for exports) deteriorated. This was also reflected in a decline of export growth.

Consumer price inflation increased somewhat in 2019 despite weaker economic activity. The upward trend was particularly pronounced for core inflation, i.e. the general price level as adjusted for energy and food prices, which tend to be more volatile and are too moving a target to be effectively controlled by monetary policy measures. The visible rise in core inflation appears to reflect full capacity utilization and the positive output gap.

Croatia continues to converge with the euro area

Intending to join the exchange rate mechanism II (ERM II), Croatia has agreed to commitments in six economic policy areas (notably banking supervision). The Euro group shared this information on July 8, 2019, in a joint statement with the Danish finance minister, a representative of the Danish central bank governor and the President of the ECB, in the presence of Croatia's finance minister and central bank governor as well as the European Commission. Implementation will be monitored by the ECB

and the European Commission; and once they have provided a positive assessment, a decision will be taken by the ERM II parties on Croatia's formal application for ERM II participation. Ever since the Single Supervisory Mechanism (SSM) became operational in November 2014, ERM II participation has been conditional on a country's close cooperation with the SSM, making the start date of close cooperation with the SSM the earliest possible date of ERM II accession.

The euro area countries are SSM-participating countries as a rule, but other EU countries may choose to participate under close cooperation agreements. Croatia submitted a request for close cooperation with the SSM on May 27, 2019. Its request will be addressed in the same way as the request received in July 2018 from Bulgaria, which was the first country to seek ERM II membership after the financial crisis and which also made a number of commitments on which ERM II participation is conditional, including the committed intent to enter into close cooperation with the SSM. For Bulgaria, the ECB has already conducted a comprehensive assessment of the assets of selected credit institutions, which was published on July 26, 2019. The ECB now supports the Bulgarian central bank in implementing the SSM-related supervisory requirements. Regarding Croatia, the process has progressed to the selection of those banks that will be subjected to a comprehensive assessment. The ECB intends to conclude the comprehensive assessment for Croatia by mid-2020 (i.e. within one year following Croatia's request for close cooperation).

Final Brexit deal negotiated by new EU leaders

In 2019, the top political leadership positions of the EU institutions came up for appointment. On November 1, 2019, Christine Lagarde became President of the ECB. On December 1, 2019, Charles Michel took over as President of the European Council and Ursula van der Leyen as President of the newly appointed European Commission. And Josep Borrell Fontelles is the EU's new High Representative for Foreign Affairs and Security Policy.

Following elections in the U.K. in December 2019, the House of Commons adopted the EU withdrawal agreement bill on December 20, 2019. On this basis, the U.K. officially left the EU on January 31, 2020. This date marked the start of a transition period set to run until December 31, 2020, during which the U.K. will remain within the single market and continue to apply EU law while remaining represented in the EU institutions only by way of exception.

Austria reviewed by and contributing to international (financial) organizations

The country-specific recommendations that the European Commission issued for Austria in June 2019 with regard to economic policymaking in 2019 and 2020 essentially addressed four areas: the need to ensure the sustainability of healthcare services; the need to shift taxes away from labor; the need to support female employment and the low-skilled workforce; and the need to stimulate digitization, development and innovation.

The OECD published its regular economic survey of Austria in November 2019, having consulted domestic economic policymaking institutions (including the OeNB). The report's key recommendations include measures to cut government debt levels; make the existing macroprudential recommendations on mortgage lending compulsory; link retirement age to life expectancy; and make room for substantial labor tax cuts for lower income earners by raising consumption, CO₂ and inheritance taxes.

The bilateral borrowing agreements that the IMF had concluded with 40 member countries, including Austria, in 2016 were extended by one year until the end of 2020. The extension took effect in November 2019, following approval by the Fund's Executive Board and consents from all 40 creditors. Total commitments under this temporary borrowing framework amount to about SDR 318 billion (EUR 394 billion), with the temporary credit line offered by the OeNB totaling EUR 6.13 billion. Following the one-year extension of the bilateral borrowing agreements, the IMF's quota resources and borrowed resources continue to run to SDR 977 billion (about EUR 1,200 billion).

Looking back on 30 years of transition in CESEE: remarkable economic achievements

The fall of the Iron Curtain in 1989 was one of the major turning points in European history, nourishing wishes of closer cooperation across Europe and creating hopes of future prosperity. The map of Europe has changed a lot since that time. Eight CESEE economies joined the EU in 2004.

Meanwhile, another three countries (Bulgaria, Romania and Croatia) have joined the EU, and five CESEE EU countries have adopted the euro as their official currency, and several other countries – above all Western Balkan countries – have been converging more closely with the EU. Economic transformation, European integration and EU accession have been key drivers of a process of social, political and economic modernization and renewal in the CESEE region.

However, the transformation to market economies initially required the fundamental restructuring of economic processes in CESEE. The ensuing liberalization of prices and exchange rates as well as reallocation waves shifting resources from government-controlled economic entities to independent economic agents led to a deep economic recession. The CESEE economies thus suffered substantial setbacks in economic output, which were most dramatic in the mid-1990s. Since then, an economic catching-up process has been unfolding. In today's CESEE EU Member States, average per capita incomes (measured at purchasing power parities) surged from 35% to 55% of the euro area level between 1992 and 2008.

Rapid income gains since the mid-1990s amid increasing Europeanization

Across the CESEE area, transition progress was highly heterogeneous. Slovenia, for instance, overtook Portugal in 2005, having started from comparatively high per capita incomes (close to 55% of the euro area average; chart 11). Czechia managed to do the same in 2006. Bulgaria and Romania, by contrast, did not revert to sustainable growth paths until the 1990s, which dampened income convergence for many years.

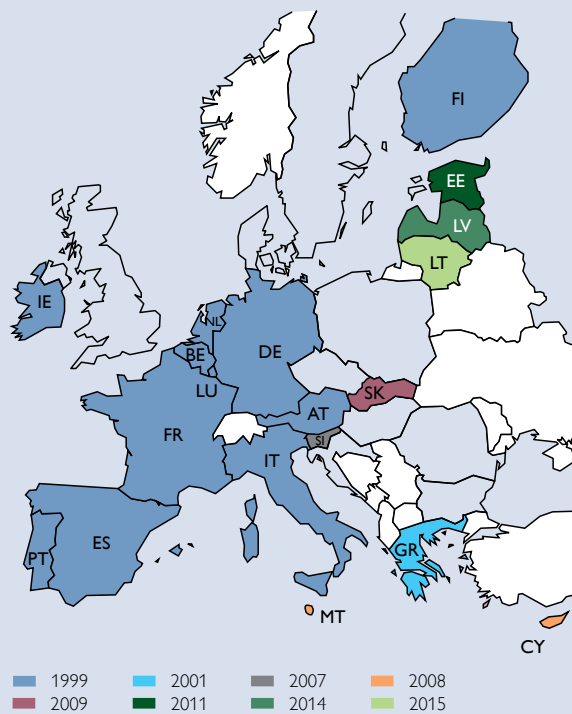
Economic developments in this period were heavily characterized by rising trade openness and by a structural reorientation of trade toward Western Europe. The growing openness went hand in hand with a massive inflow of foreign direct investment (FDI), which helped strengthen production capacities and modernize the economies. FDI also boosted the transfer of technology and management know-how, thus strongly fueling productivity gains.

Austrian agents accompanied and supported the convergence process from the outset

Given the geographic proximity and close historical and cultural ties with the CESEE region, Austrian agents were instrumental in fostering the transition process from the start. The direct investment stocks of Austrian firms – whose expansion to CESEE was in many cases financed by Austrian banks – in today's CESEE EU Member States thus surged from close to EUR 400 million in 1990 to more than EUR 42 billion in 2008. Austrian investors even became the largest nonresident investors in several CESEE countries (including Bulgaria, Croatia, Romania, and Slovenia). Efforts to leverage the high profit potential created by the transition process also led to an internationalization of the Austrian banking industry. Austrian banks were among the first foreign banks to move into the CESEE region, expanding above all to Poland, Slovakia, Czechia and Hungary in the early 1990s. On a consolidated basis, the exposure of majority Austrian-owned banks to today's CESEE EU Member States thus jumped from EUR 3 billion in 1993 to EUR 170 billion at end-2008. With such commitments, Austrian banks were among the biggest players in CESEE by far before the outbreak of the global financial crisis in 2008, along

Figure 1

Enlargement of the euro area over time

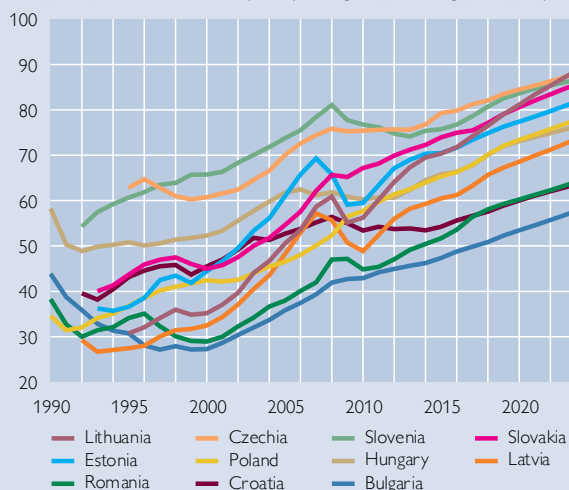


Source: OeNB.

Chart 11

Income convergence in CESEE only interrupted by the crisis

GDP per capita in % of euro area (EA-19) average at purchasing power parity



Source: IMF.

with German, French and Italian banks; and they continue to be among the biggest players today.

OeNB experts monitored these developments closely from the early days, building a knowledge base on CESEE-related issues, which today also serves the analytical needs of the European System of Central Banks. Over time, this focus led to the production of many research papers and to the launch of several OeNB publication series (including the quarterly *Focus on European Economic Integration*) and events as well as OeNB scholarships and awards. On top of that, the OeNB continues to invest in technical cooperation with CESEE central banks, and to support training programs for public sector officials from the CESEE region at the Joint Vienna Institute. With regard to financial stability and banking supervision issues, the OeNB continues to closely monitor the activities of Austrian banks in CESEE and to maintain close links with the local supervisory bodies.

Yet, the CESEE economies' higher degree of internationalization and their rapid economic and financial integration at the European level came at the

cost of rising macroeconomic imbalances. Thus, all CESEE countries came to run high current account deficits before the outbreak of the global financial crisis in 2008. As catching-up economies often rely on international funds given their heightened capital needs, such deficits are, to some extent, a natural side effect of the economic catching-up process. However, excessively high current account deficits create increased vulnerability to international shocks and may drive the buildup of unsustainable external debt.

Too sharp an increase in (consumer and other) lending and/or the buildup of high foreign currency loan portfolios drove up local banking sector risks in a number of CESEE countries. The OeNB and the Austrian Financial Market Authority (FMA) have therefore adopted a number of measures in response to these developments to strengthen the resilience of Austria's banks and financial system.¹⁴

Sustained crisis-related deceleration of economic catching-up processes

Following the outbreak of the global financial crisis of 2008, the CESEE economies slipped into a severe recession, and the catching-up process stalled. The severeness of the economic downturn differed from country to country, depending on the extent of previously accumulated economic imbalances. In general, though, the CESEE economies were hit worse than the euro area economies or other catching-up economies. The setback was most substantial in the Baltic countries, where an overheating of the economy had caused output to shrink even before 2008. Poland, meanwhile, was one of the few European countries that coped with the global economic and financial crisis without experiencing a recession.

By 2011, more or less, most other CESEE economies had emerged from the crisis as well and resumed the process of catching up with the higher income levels in the euro area – having benefited, among other things, from the high degree of economic policy coordination across Europe, above all in the context of the Vienna Initiative. The Vienna Initiative was launched at the height of the crisis, in early 2009, to ensure that foreign banking groups active in CESEE would not exacerbate the crisis by suddenly withdrawing funding and capital from their subsidiaries. The OeNB was instrumental in getting the Vienna Initiative started.

¹⁴ As a first risk-mitigating measure, the OeNB and the FMA published guidance for banks on foreign currency lending to CESEE households in 2010. This was followed in 2012 by OeNB and FMA supervisory guidance on strengthening the sustainability of the business models of large internationally active Austrian banks, urging them to strengthen the local funding base of their subsidiaries and keeping future credit growth from getting out of hand. In 2016, the OeNB and FMA implemented a systemic risk buffer, with a view to addressing systemic vulnerabilities in general and the systemic concentration risk arising from Austrian banks' CESEE exposures in particular.

Even once the crisis was overcome, the CESEE economies continued to exhibit significant differences in economic progress. While the Baltic countries, for instance, were fairly quick to return to solid growth rates following severe consolidation measures (partially with the support of IMF funds), Slovenia and Croatia did not overcome their economic weakness until the mid-2010s. In recent years, however, all CESEE economies have been recording robust income gains again, bringing average per capita income levels in CESEE to 70% of the euro area level in 2019.

In general, the catching-up process has slowed down, and potential output growth has weakened since the crisis. Reversing this trend is a fundamental challenge for the CESEE economies and will require efforts to increase investment and innovative capacity. Policy measures will be most effective when boosting investment in infrastructure and human capital, advancing institutional reform and addressing good governance issues. This appears to be even more urgent as potential output growth is likely to be affected by demographic change even in the medium term. The shrinking supply of labor calls for adequate measures to keep people in active employment longer than in the past and to make it more attractive for people to seek employment in the CESEE region. This might contain future brain drain and draw former emigrants back home.



Barrier-free access to cash

Overall, Austria's cash withdrawal network consists of some 8,800 cash machines. The network of indoor and outdoor cash machines provided by the banking industry is used as often as once a week or more by roughly one in two Austrians. Newer cash machines can "talk," enabling people who are visually impaired to plug in their earphones to hear what is displayed on screen and use the tactile number pad to make selections.

Diversified reserve management in times of weakening economic growth and ample monetary accommodation

The OeNB's investment strategy continues to work

The OeNB's investment activities are subject to comprehensive risk management procedures and controls. Above all, these activities are aimed at maintaining a high degree of liquidity and security to ensure the ready availability of funds for coordinated intervention in financial markets whenever action should be required. Moreover, the OeNB's investment activities are aimed at generating sufficient returns to cover the costs of central banking while ensuring adequate provisioning for balance sheet risks. And 90% of the OeNB's operating profit after writedowns and provisions goes to the Republic of Austria under Article 69 paragraph 3 National-bank Act.

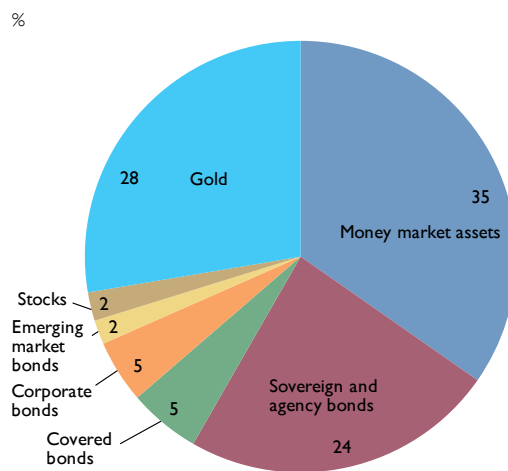
Reserve asset allocation is characterized by a broad degree of diversification (chart 12). Apart from gold reserves, the OeNB's investment portfolio is well diversified across currencies, regions and financial instruments (above all debt securities, but equity securities as well). The OeNB's funds are typically invested in convertible currencies of countries with excellent credit ratings and in bonds issued by governments, agencies and supranational institutions, as well as in covered bonds. Other assets such as corporate bonds and stocks have been included with a view to improving the risk-return ratio. Over the years, the OeNB's investment strategy has been a key pillar of stability supporting the fulfillment of the OeNB's tasks within the ESCB.

Global financial markets dominated by monetary policy turnaround

Financial market developments in 2019 were dominated by another round of monetary easing

Chart 12

The OeNB's portfolio of reserves is well diversified



Source: OeNB.

Note: Global asset allocation of own funds and gold reserves on December 31, 2019 (about EUR 44 billion).

in the United States, as the U.S. Federal Reserve discontinued the process of monetary policy normalization it had pursued in 2017 and 2018. As the vast majority of other central banks followed suit, 2019 saw sharp drops in bond yields and a decline in risk premiums, which boosted the performance of financial markets.

U.S. government bond performance increased by as much as 6.9% in 2019 (chart 13), driven by the Fed's monetary policy turnaround as well as by the generally higher level of U.S. bond yields. In Germany, meanwhile, yields on ten-year government bonds dropped to unprecedented lows of below -0.7%, allowing holders of government bonds to nonetheless benefit from a positive performance of 3.0%. Holders of Austrian government bonds enjoyed a performance of 5.4%. Reflecting the process of political stabilization in Italy, the performance

of Italian government bonds outpaced even U.S. bonds, rallying by 10.6% – on a par with the performance of emerging market bonds.

Performance

Performance means the increase in the value of a given asset; it is expressed as a percentage of the asset's initial value. For bond investments, the performance consists of interest income (coupon payments) and any changes in the price of the underlying financial instrument.

Stock market performance was robust in 2019 despite the economic slowdown. The U.S. index S&P 500 climbed by around 29% in 2019, reaching several record highs during the

year, following the Fed's monetary policy turnaround and anticipating an easing of the trade tensions between the United States and China. European stock markets also recorded strong price gains. The German leading stock market index DAX, for instance, surged by about 25% during the year. Commodity markets likewise benefited from the additional central bank liquidity that made its way into the market. The gold price jumped 19% year on year, an annual increase last seen in 2010.

In the currency markets, the exchange rate of the pound sterling moved up 6.1% against the euro, benefiting from a de-escalation in the struggle to arrive at an orderly Brexit. The Japanese yen and the U.S. dollar, both safe-

haven currencies, appreciated by about 3% and 2%, respectively, against the euro. The strong performance of these two currencies also reflects the uncertainty surrounding the ongoing trade tensions. In this climate, some emerging market currencies (including the Turkish lira, the Hungarian forint and the Brazilian real) came under pressure to devalue in 2019, as reflected by a 1.4% drop of J.P. Morgan's Emerging Market Currency index against the U.S. dollar.

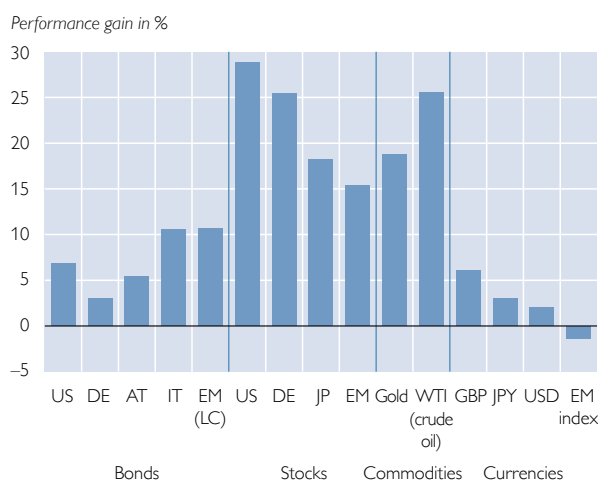
OeNB reserve management guided by risk mitigation and diversification strategies

In response to financial market developments, the OeNB adjusted its investment strategy in 2019 by enhancing diversification and adopting risk-reducing measures. In particular, the OeNB shifted funds into safe-haven currencies, which now account for about one-third of foreign currency assets. Moreover, the OeNB's managed portfolios – i.e. riskier assets actively managed by external asset managers, which are selected in a complex multi-tier tender process – now contain fewer cyclical assets such as stocks.

Despite the challenging times with low interest rates in the euro area, the OeNB managed to ensure cost recovery and even profit generation in 2019, beyond fulfilling its monetary policy tasks. A balanced mix of asset class and currency allocation was instrumental in achieving excellent results. The funds invested in debt securities, which account for more than half of the OeNB's own funds portfolio and are denominated in both euro and foreign currencies, generated a performance of more than 1% in 2019. The less liquid assets, which make up around 15% of the OeNB's own funds portfolio and are partly externally managed, even achieved a performance of some 10%. These results were topped only by the gold holdings, which gained 19% in value (chart 14). In terms of value, gold accounts for about one-quarter of the OeNB's reserve assets. Investment demand for gold was high in these past few years, leading to substantial price increases in 2019 in a late-cycle environment.

Chart 13

Strong financial market performance in view of monetary policy accommodation

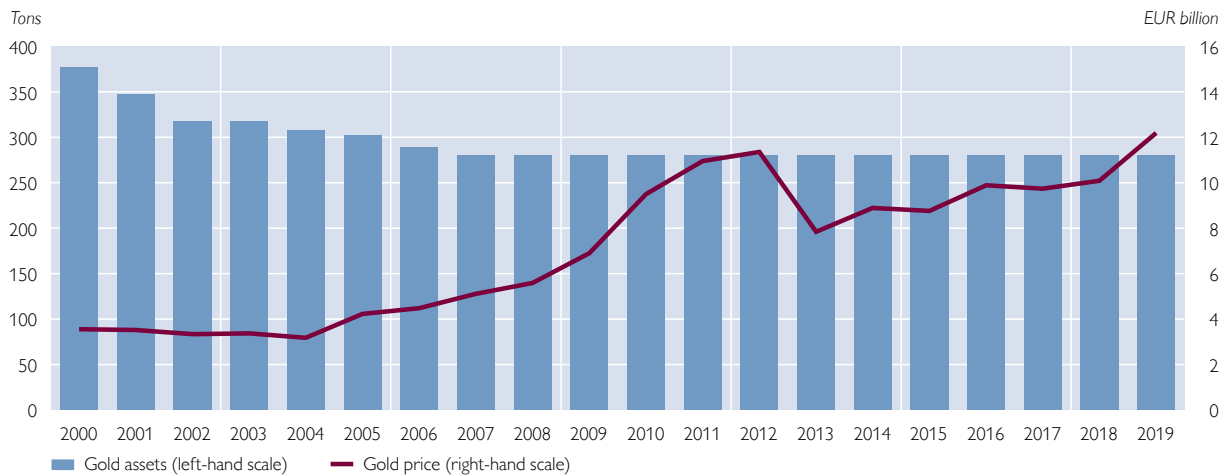


Source: Bloomberg.

Note: EM = emerging markets, LC = local currencies.

Chart 14

Market value of OeNB gold holdings rises sharply in 2019



Source: OeNB.

Beyond profit: in pursuit of social responsibility in investing

The OeNB’s risk management decisions have been informed by explicit sustainability criteria for many years. Reflecting international standards, the OeNB initially defined exclusion criteria to prevent reputation risks. Since 2011, external asset managers dealing with OeNB assets must have signed the UN-supported Principles for Responsible Investment. These principles address environmental, social and corporate governance (ESG) issues as well as responsible disclosure rules and ownership policies and practices.

With widespread adoption of ESG criteria, the options for investing sustainably in international financial markets have broadened in recent years. Thus, as a first step, the OeNB has

been awarding external investment mandates with ESG filters and/or ESG benchmarks in selected asset classes since 2018 to ensure compliance with sustainable environmental standards, a responsible consideration of social aspects and good corporate governance in investment decisions. The OeNB’s internal portfolio managers have also been giving increasing preference to financial instruments that meet these quality standards. The application of the ESG criteria will be developed further in the light of experience and in accordance with accepted procedures.

Environmental, social and corporate governance (ESG)

More and more financial and nonfinancial firms around the world believe that management decisions should give due consideration to environmental, social and corporate governance (ESG) issues. An increasing number of rating agencies and investors (such as the signatories of the UN-supported Principles for Responsible Investment) have come to include ESG criteria into their approach to securities analyses.

The OeNB is walking the talk on green finance

Apart from numerous environmental risks, the climate change we are witnessing also creates social, economic and financial risks for many different industries, which are correlated in time and across countries. For the Euro-system, Christine Lagarde made climate change and green finance an action priority soon after becoming the new ECB president. Since it is the primary task of central banks to safeguard price stability and financial stability, as has been laid down for the euro area central banks in the ESCB Statute, central banks cannot afford not to adjust their monetary and financial models to integrate climate change risks.

Economic risks of climate change

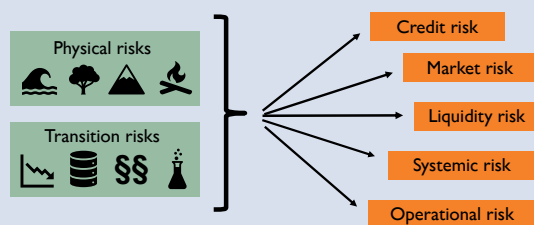
The physical risks climate change can cause also constitute economic risks. As global temperatures rise and as extreme weather events (e.g. heavy rain, floods, droughts, forest fires) become more and more common, production capacity in the affected regions goes down while insurance costs go up. As a result, the value of assets serving as collateral may decline considerably, which, in turn, increases the default risk of credit institutions' loan portfolios. Financial losses may also emerge from so-called transition risks – risks arising from the transition to a low-carbon, resource-efficient economy – as climate-damaging “brown assets” may decline in value and turn into stranded assets.

The transition to a sustainable economy may be the result of statutory or regulatory changes, but it may also be driven by technological progress (e.g. cheaper climate-neutral energy forms) or shifts in demand triggered by greater awareness of the impact of climate change.

While climate change is a relatively new source of risk, its repercussions can be measured with the established risk management categories financial intermediaries already use, including credit, market and liquidity risks. Credit risks rise as natural disasters diminish the capital value of credit-financed assets. A higher incidence

Figure 2

Climate change as a source of financial market risk



Source: OeNB.

of bad weather conditions increases price volatility and hence market risks. Liquidity risks likewise mount as natural disasters precipitate cash withdrawals and fuel demand for emergency loans. Financial intermediaries are required to have adequate risk management frameworks in place for any type of financial risk – including financial risks arising from climate change – under the prevailing rules (which, in the case of Austria, include the Banking Act, the Insurance Companies Supervision Act, and the Investment Fund Act). However, the majority of Austrian banks, insurance companies and fund management companies apparently have yet to integrate climate change risks into their risk management systems, as implied by a recent survey addressing this issue.¹⁵

Network for Greening the Financial System

A Central Banks and Supervisors Network for Greening the Financial System (NGFS) was launched in Paris in 2017 in view of the paramount importance of climate change. The NGFS has since grown from 8 founding members to some 50 institutional members, including the OeNB and the ECB. Forming a coalition of the willing, NGFS members seek to develop enhanced climate risk management practices in the financial sector and mobilize mainstream finance to support the transition to a sustainable economy. Three work streams have been defined, dealing with supervision, macrofinancial issues and mainstreaming green finance. The supervision work stream serves to share adequate supervisory practices for monitoring risks arising from climate change and addresses the disclosure of such risks as well as the classification of assets into “green” and “brown” assets. Some of these findings have been summarized in a guide for supervisors for assessing climate and environmental risks. The macrofinancial work stream deals with the potential economic impact of climate change and transition (including tail risks) as well as the channels through which such effects may affect the financial system. The third work

¹⁵ Pointner, W. and D. Ritzberger-Grünwald. 2019. Climate change as a risk to financial stability. In: Financial Stability Report 38. OeNB. 30–45.

stream looks into the scope for “greening” central banking and supervisory activities and monitors the market dynamics of green finance. OeNB staff members contribute to all three work streams.

The response of EU regulators to climate change

Similar to the NGFS’s call for action at a global level, the European Commission, in March 2018, published an action plan on financing sustainable growth, to be followed up by EU regulators. Most importantly, the Commission put forward a legislative proposal for a unified EU classification system for sustainable activities. Said taxonomy is to be based on the following criteria:

- making a substantial contribution to at least one of the following six environmental objectives: (1) climate change mitigation, (2) climate change adaptation, (3) sustainable use and protection of water and marine resources, (4) transition to a circular economy, (5) pollution prevention and control, and (6) protection and restoration of biodiversity and ecosystems;
- not significantly harming any of the environmental objectives;
- complying with minimum standards with regard to social and governance aspects;
- complying with specific technical screening criteria.

The relevant negotiations at the European level were completed in late December 2019. By the end of 2021 at the latest, the European Commission will provide investors with clarity on which activities are green by defining a full-fledged taxonomy through delegated or implementing acts, to become effective by the end of 2022.

Agreement has since been achieved at the European level on two other measures of the European Commission’s action plan, leading to the publication of the relevant legal acts in the Official Journal of the EU dated December 9, 2019: (1) a regulation on sustainability-related disclosures in the financial services sector for due consideration of environmental, social and governance (ESG) risks in investment decision-making; and (2) a regulation amending the regulation on low carbon benchmarks and positive carbon impact benchmarks, to help investors compare the carbon footprint of investments.

Further action in this area is to be expected from the new European Commission in the years ahead. For instance, when communicating “The European Green Deal” on December 12, 2019, the European Commission announced that it would present a renewed sustainable finance strategy in the third quarter of 2020.

Climate risks on the radar of supervisors

The issue of sustainable finance has also gained relevance for the ECB, the European Systemic Risk Board (ESRB) and the European Banking Authority (EBA).

Apart from playing an active role in the NGFS, the ECB has, for instance, been working on establishing a framework for monitoring climate-related risks and for identifying data gaps and transmission channels for climate risks.

In April 2019, the ESRB’s Advisory Technical Committee and the ECB’s Financial Stability Committee launched a joint project team, which will develop an analytical framework for identifying and measuring climate change-induced systemic risks and determine the relevant channels of transmission to the financial economy. The goal is to develop stress tests or scenario analyses that factor in climate change-related risks to financial stability. This work is meant to lay the groundwork for future climate change scenarios in EU-wide banking stress tests. The OeNB also contributes to the work of this project team.

On December 6, 2019, the EBA published its action plan on sustainable finance, with the following timeline: Until June 2021, the EBA will assess ways to include ESG risks in the risk management systems used by the banking sector and in the existing supervisory review and evaluation process (SREP). Until June 2025, it will furthermore assess whether a dedicated prudential treatment of exposures related to assets or activities associated substantially with environmental and/or social factors would be justified.

Green finance activities in Austria

In Austria, a Green Finance Focal Group was launched by the government in February 2019 with the specific mandate of developing a green finance agenda and pushing forward with its implementation. The OeNB supported the Focal Group by helping develop an initiative to improve climate risk management in the financial sector. Thanks to the buy-in of strategic partners, this initiative inspired a number of events aimed at raising the awareness of financial intermediaries for the financial risks of climate change and about adequate methods to manage climate risks. With these activities, the OeNB was also acting on a recommendation of the NGFS, which had called upon its members in April 2019, among other things, to share information on adequate risk measurement methods and raise awareness for climate risks in the financial sector.

One of these events, organized in cooperation with Austria's Federal Economic Chamber, took place on December 11, 2019, at the OeNB premises. Speaking to a large domestic audience, experts from the ECB, the European Investment Bank as well as Austrian financial institutions, research institutions and public authorities discussed the potential financial risks of climate change and adequate methods and indicators for integrating relevant metrics in financial intermediaries' risk management procedures.¹⁶ Furthermore, OeNB experts presented or discussed green finance issues in the context of events organized by the Environment Agency Austria and the Vienna University of Economics and Business, and at the UN climate conference in Madrid.

To ensure an adequate understanding of the intricacies of green finance and to facilitate information sharing, the OeNB established an internal green finance platform already in 2018 to link up experts from its different business areas (including banking supervision, statistics, treasury, economics and payments). Moreover, OeNB staff members have been adding to the debate from a central bank perspective with relevant contributions to internal and external publications.

2019 marked the completion of a research project under which experts from the University of Zurich and the Vienna University of Economics and Business analyzed the transition risks of sovereign bonds in the OeNB's investment portfolio.¹⁷ The purpose of the project was to assess different climate transition risk scenarios and the response of energy markets as a trigger for changes to the value added contributions from the respective industrial sectors. Negative shocks to gross value added cause national tax revenues to go down, thus raising risk premiums on sovereign bonds, which will, in turn, reduce the price of these bonds. Countries whose production patterns are in alignment with the goals of the Paris climate agreement are not vulnerable to negative effects; however, the greater a country's misalignment with these goals is, the higher is its implicit risk premium.

¹⁶ The presentations from this event are downloadable from the OeNB's website.

¹⁷ Battiston, S. and I. Monasterolo. 2019. A climate risk assessment of sovereign bonds' portfolio.

Austrian banks face rising risks amid favorable economic conditions

Historically low risk costs as a key profit driver for Austrian banks

Austrian banks managed to improve their profitability significantly in recent years, thanks to the favorable economic conditions in Austria and in Central, Eastern and Southeastern Europe (CESEE¹⁸), rising credit growth and the historically low credit risk costs, which also reflect the low level of interest rates.

In the first three quarters of 2019, Austrian banks achieved consolidated (after tax) profits of EUR 5.3 billion, which is 3.4% less than the corresponding result for 2018. The return on average assets came to 0.8%, as in 2017 and 2018. Net interest income benefited from credit growth but continued to be affected by maturing higher-yielding loans and the zero interest rate threshold for deposits. Credit quality, meanwhile, continued to improve. After the first three quarters of 2019, the ratio

of nonperforming loans stood at 2.2% on a consolidated basis (or at 1.8% for domestic loans and at 2.5% for loans extended by CESEE-based subsidiaries of Austrian banks).

Structural challenges require Austrian banks to keep adjusting their business models

Despite these positive developments, which are partly attributable to the prevailing cyclical conditions, attention should be paid to the fact that underlying structural challenges continue to be an issue for the banking sector. For instance, cost efficiency continues to be relatively low and improvements have been limited even amid the economic upswing, as evidenced by a cost-to-income ratio of 64% for the first three quarters of 2019. However, the historically low credit risk costs, which have been a key profit driver, will not be sustainable over the business cycle. Furthermore, the outlook for CESEE-related profit is moderate in view of political risks.

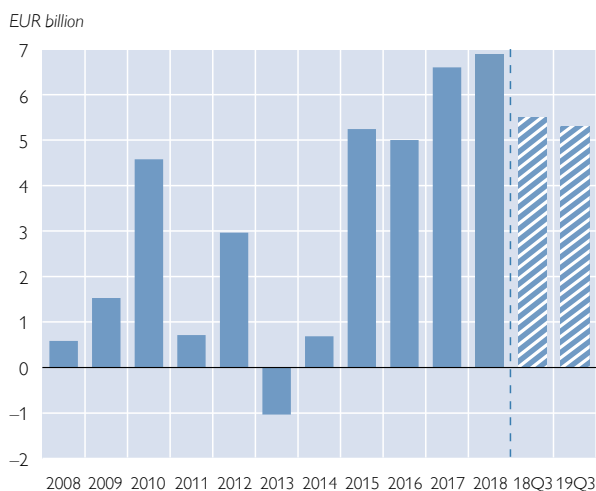
Austrian banks' comparatively weak operational efficiency continues to reflect complex, cost-intensive structures. The protracted period of low interest rates that banks have been facing adds to already low interest margins. Hence, it is vital for banks to adjust their business models and to improve their cost efficiency, and to use their room for maneuver to cope with new challenges, such as digitalization.

Continued growth of lending by Austrian banks in Austria and CESEE

In Austria, bank lending to nonfinancial corporations has been accelerating since mid-2017. During the first three quarters of 2019, corporate lending grew by 7.1% year on year, and lending to households by 4.3%. The key drivers

Chart 15

Austrian banks' consolidated net profits remain high



Source: OeNB.

Note: Q3 data are not comparable with year-end data.

¹⁸ This section is based on a broad definition of Central, Eastern and Southeastern Europe, including also Russia, Ukraine and Belarus.

of loan growth were loans to real estate-related sectors and mortgage loans to households.

In CESEE, credit growth quickened in the past two-and-a-half years, above all with regard to residential housing loans.¹⁹ With a share of well above one-third of the total loan portfolio, real estate loans have been becoming more relevant also for Austrian banks' lending in CESEE. Loan growth was particularly strong in Czechia and Slovakia, which are among the most important countries for Austrian banks doing business abroad. These two countries accounted for two-thirds of all real estate loans extended by Austrian banks in CESEE.

In some CESEE countries, the rise in lending to households has led to macroprudential action by the national central banks or supervisory authorities. These measures include above all borrower-based measures (such as debt caps), measures to reduce foreign currency loans and countercyclical capital buffers.

Austrian banks have made good progress in building up capital buffers

For the first three quarters of 2019, Austrian banks reported a consolidated common equity tier 1 (CET1) ratio of 15.2%, slightly above the second-quarter average of 15.0% measured for the EU banking sector as a whole. Compared with pre-crisis levels, Austrian banks have thus more than doubled their capital ratios, in line with tighter market and regulatory requirements. Rising loan growth and increasing dividend payouts have been making it more difficult for banks to keep building up capital buffers further.

To bear the risks arising from strong credit growth (especially in CESEE), the challenge for banks is to enhance cost efficiency and sustainably ensure adequate capitalization, especially by appropriately balancing dividend payouts and internal capital generation. Banks will also have to keep up their efforts to remain resilient in view of the weakening outlook for growth.

¹⁹ *The growth of credit granted by Austrian banks' CESEE subsidiaries is funded by local deposits, and loans to households are typically denominated in local currencies. This pattern is consistent with the macroprudential guidance provided by the OeNB and the FMA in 2012 (Sustainability Package) and with the Guiding Principles published already in 2010.*

Macroprudential measures strengthen Austria's financial stability

Ensuring sustainable lending standards for real estate financing is crucial

So far, the systemic risks arising from residential housing financing have remained limited in Austria. Ensuring that this will remain the case, by ensuring sustainable lending standards, is thus very important.

Based on OeNB analyses, Austria's Financial Market Stability Board (FMSB) conducted a preliminary evaluation of how well the communication of supervisory expectations on sustainable real estate financing²⁰ has been received by the market. This evaluation yielded mixed evidence on how effectively these expectations have been translated into banks' lending standards. Starting from high levels, loan-to-value ratios and maturities were found to have improved slightly for banks' new lending business. However, this was not the case for the debt service ratio; and the analysis of systemic risks even yielded signs of rising risk. Consistent compliance with supervisory expectations will be crucial for safeguarding financial stability in Austria. From an international perspective, the IMF, the European Systemic Risk Board (ESRB) and the ECB see the risks arising from real estate financing as a key challenge for financial stability in Austria. The OECD has even called for binding measures in this respect.

The OeNB will therefore continue to monitor developments in real estate markets and banks' compliance with sustainable lending

standards communicated by the FMSB. In 2019, the OeNB and the FMA completed work on developing a reporting framework for collecting data on residential housing loans. The first such data reports have to be submitted for the reporting date of June 30, 2020.

Further measures developed by the OeNB for mitigating systemic risk

Austria's macroprudential policy measures also include a systemic risk buffer (SyRB) aimed at mitigating noncyclical long-term risks. This buffer has been activated for 13 Austrian banks on a consolidated level, ranging from 0.5% to 2% of risk-weighted assets.²¹ It was implemented in early 2016 with a view to addressing two risk channels: systemic vulnerabilities and systemic cluster risk. Systemic risk emerges in the context of capitalization, banking sector size, the size of foreign exposures as well as banking group's ownership and group structure. The banks that have to hold systemic risk buffers managed to build up the required capital while continuing to lend dynamically.

Every year, the OeNB also evaluates the relevance of other systemically important banks (O-SIIs) for Austria's financial system and

Systemic risk buffer (SyRB)

When systemic risks materialize in a crisis situation, they may trigger major negative repercussions on the financial system and on the real economy. Therefore, a systemic risk buffer was implemented in Austria to address systemic risks that may arise with regard to banks' capitalization, banking sector size, the size of foreign exposures as well as a banking group's ownership and group structure.

Table 1

Sustainable credit standards for real estate loans in Austria

Minimum borrower downpayment	Benchmark: 20% of loan value
Loan maturity	Maturities of more than 35 years should remain the exception
Debt servicing	Benchmark: not more than 30% to 40% of borrower's net income; conservative calculation of (verified, regular, sustained) household income and expenditure

Source: OeNB.

²⁰ On the OeNB's initiative, the FMSB quantified its understanding of sustainable lending in its meeting of September 21, 2018.

²¹ In addition, the systemic risk buffer was activated for 7 banks also at the unconsolidated level on January 1, 2018, given that systemic risks may materialize both at the consolidated and the unconsolidated level and that, in particular within cross-border banking groups, capital allocation may be constrained in times of crisis.

assesses whether the malfunctioning or failure of such banks could trigger systemic risks that would require corresponding action. The FMSB renewed its recommendation in this respect in September 2019, leaving both the banks identified for activation of O-SII buffers and the size of the buffers unchanged. Where both the SyRB and the O-SII buffer might be applicable, the higher of the two rates applies at present. This will change with the new capital buffer regime under the Capital Requirements Directive (CRD) V, which is to be implemented by end-2020: Under the CRD V, the two buffers will be additive.

Also, following a regular review, it was decided on the basis of OeNB analyses that the countercyclical capital buffer (CCyB) was to be maintained at 0% of risk-weighted assets in the absence of excessive credit growth (*FMSB meeting of December 13, 2019*).

Countercyclical capital buffer (CCyB)

The countercyclical capital buffer has been designed to counteract excessive credit growth. The underlying idea is for banks to build up capital in times of excessive credit growth in order to be able to offset a tightening of credit supply in the event of a crisis. Thus, the countercyclical capital buffer enhances the (risk) pricing of loans.

Supervisory measures adopted by the OeNB and the FMA have contributed to the fact that foreign currency loans extended in Austria no longer pose a systemic risk. In the first three quarters of 2019, the volume of foreign currency loans outstanding to households declined by 12.1% on the year to

EUR 14.1 billion. This corresponds to a foreign currency loan share of 8.4%. *An information folder* provided by the OeNB, the FMA and the Austrian Federal Economic Chamber so as to keep raising borrowers' awareness of the risks of borrowing in foreign currency was reviewed and recirculated in early 2019.

By comparison, the volume of foreign currency loans extended by Austrian banks' CESEE subsidiaries dropped by slightly more than two-thirds from end-2010 to end-June 2019, to EUR 30.1 billion. In mid-2019, foreign currency loans thus accounted for 24% of total lending, with 82% of all foreign currency loans being denominated in euro.

The OeNB's and FMA's supervisory guidance to large internationally active Austrian banks to strengthen the sustainability of their business models (*Sustainability Package*) aims at strengthening foreign subsidiaries' stable local funding base and aligning it with credit growth, thereby reinforcing financial stability both in the host countries and in Austria. This guidance was first provided in 2012 and continues to apply, subject to some adjustments. The ongoing supervision of Austrian banks confirms that their CESEE subsidiaries have a balanced funding base; after the first three quarters of 2019, the loan-to-deposit ratio of CESEE subsidiaries stood at 80%, compared with 106% at the end of 2011.

Box 5

Austria's Financial Market Stability Board and its contribution to mitigating systemic risk in the past five years

Austria's Financial Market Stability Board (FMSB) was established in 2014 as a decision-making body on macroprudential issues with a view to mitigating systemic risk. The OeNB, which has one seat on the board, provides the secretariat and prepares the meetings. In this capacity, the OeNB is responsible for analyzing and identifying systemic risks as well as drafting the FMSB's recommendations and risk warnings. Any measures subsequently adopted by the FMA based on FMSB recommendations are likewise based on the OeNB's expert opinions.

Key policy measures developed by the FMSB include the activation of the systemic risk buffer and of the buffer for other systemically important institutions (O-SIIs) in 2016, which are aimed at reducing systemic risk and the potential cost of banking crises. These two macroeconomic capital buffers have been instrumental in raising the resilience of Austria's financial system. In September 2018, the FMSB moreover quantified criteria for sustainable real estate lending standards, thus contributing to the mitigation of systemic risk that may be induced by residential housing loans. As evidenced by a study published by OeNB experts,²² the benefits of macroprudential measures clearly outweigh the corresponding costs in Austria. Assessments provided by international financial institutions (the IMF, the OECD and the European Commission) and rating agencies attest to the effectiveness of the measures Austrian banks implemented on the OeNB's initiative aimed at making banks more resilient. Austria's banking system is among the most stable ones worldwide.

Box 6

Risk resilience of Austria's banking sector confirmed by the IMF's FSAP and by stress tests

Austria's financial sector was assessed under the IMF's Financial Sector Assessment Program (FSAP) in 2019. This assessment was obligatory as the domestic financial sector is deemed to be systemically important. FSAP reviews have been designed to evaluate: (1) major risks to macrofinancial stability, (2) the quality of the regulatory and supervisory framework, and (3) the domestic capacity to manage and resolve financial crises. Another integral part of the FSAP is the review of progress made with regard to combating money laundering and terrorist financing.

In essence, Austria's financial system was found to be resilient against shocks in the 2019 FSAP. Austria was given an excellent report both as a financial center and as regards the supervisory structure that has been put in place. According to the key recommendations derived from the FSAP, remaining structural vulnerabilities include complex bank ownership structures and financial interlinkages within Austria's financial system as well as its dependency on the profitability of operations in CESEE. The IMF moreover recommended that supervisors should enhance monitoring related to intra-group transactions, spillover risks and the adequacy of prudential buffers; and that supervisors should also be empowered to address unsustainable business models. Last but not least, the IMF underscored the need to close data gaps regarding the real estate and nonfinancial corporate sectors, ensure the adequacy of supervisory resources, and continue enhancing the framework for banking resolution.

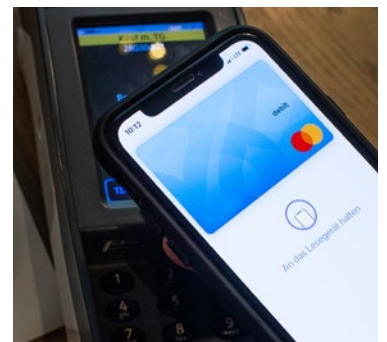
Like every year, the OeNB conducted banking stress tests in 2019 in line with its financial stability and banking supervision mandate. The banking sector stress tests were performed in cooperation with the IMF under the FSAP and once more confirmed the overall resilience of Austria's financial sector. For the first time, stress tests for individual banks were used in 2019 to calibrate Pillar 2 Guidance (P2G) for less significant institutions. Thus, the stress tests contribute to ensuring that banks with riskier business models will be adequately capitalized.

²² Posch M., S. Schmitz and P. Strobl. 2018. Strengthening the euro area by addressing flawed incentives in the financial system. In: *Monetary Policy & the Economy Q2/18*. OeNB. 34–50.



Going cashless with mobile payments

Consumers today have, and use, many payment options other than cash. Around 70% of payments made at the point of sale are already contactless payments. Such payments often rely on near field communication technology; another method involves scanning a QR code from a mobile app. When Austrians shop for goods and services, they strongly prefer to pay by debit card. More than 90% of Austrians hold debit cards with an integrated payment function.



European banking supervision has been very effective

Positive track record includes harmonized supervisory processes and efficiency gains

Five years after its establishment, the Single Supervisory Mechanism (SSM) plays a central role in the institutional environment for banks in Europe and in the euro area in particular. The European banking sector benefits from banks' stronger capital and liquidity positions and relentless pursuit, over the past years, to reduce their portfolios of nonperforming loans (NPLs). Nevertheless, more efforts will be required, especially in view of vulnerabilities related to the sustainability of business models, the impact of climate change on banking, cyber-crime and IT risks linked to the digitalization of the economy, not least because of the economic and political challenges faced in Europe today.

In Austria, the OeNB and the FMA play a major role in supervising significant institutions and are directly responsible for supervising less significant institutions.

Proactive supervision has helped fostering a sound and resilient banking system in Austria in recent years, and much progress has been made. On average, Austrian banks are now more profitable and better capitalized, and compared with SSM averages, they continue to have better growth opportunities due to their business activities in the CESEE region.

Apart from putting pressure on banks to reduce nonperforming loans, the SSM has also paid a lot of attention to risk modeling issues in recent years. Together with national supervisors, the ECB launched an SSM-wide targeted review of internal models (TRIM) in 2016 in order to harmonize supervisory practices. The evidence compiled in more than 150 on-site investigations shows that higher quality standards and the greater alignment of models have been instrumental in strengthening trust in the use of internal risk models and in reducing the variability of own funds requirements.

Reviewing banks' lending standards is also an integral part of the microprudential pillar of European banking supervision. A data collec-

tion exercise the SSM conducted in 2019 served to identify and assess both the risks arising from banks' lending practices and any resulting vulnerabilities in individual business areas. Analyses following up on these data provide guidance for bank-specific measures. Moreover, on-site inspections have been undertaken to review the quality of specific asset class exposures and related credit lending standards in areas such as commercial and residential real estate.

Another item on the SSM agenda is the impact of Brexit on the European banking market. Supervisors have been monitoring SSM-supervised banks' preparations for Brexit, and they have been bracing for the extra workload for the SSM, as banks relocating from the U.K. to the euro area will become subject to the SSM. The related impact on Austria's banking market is limited.

Reducing nonperforming loans remains a priority

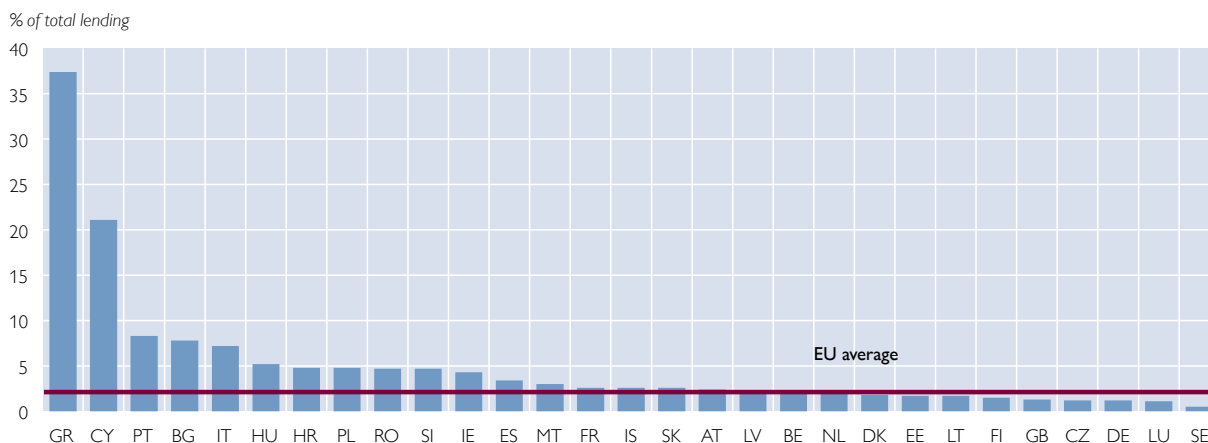
Getting European banks to reduce nonperforming loans has been a priority area of European banking supervisors for years. These efforts have led to a significant cleanup of balance sheets. According to data compiled by the European Banking Authority (EBA), NPL ratios went down from 6.5% at the end of December 2014 to 2.9% at the end of September 2019 for the EU on average. Compared with its EU peers, Austrian banks report below-average NPL ratios (chart 16).

To encourage banks to reduce nonperforming loans, banking supervisors have been providing clear targets and rules of engagement in recent years. These measures include the strong communication of supervisory expectations, as expressed by the SSM and EBA, regarding the period over which banks are expected to reduce

Targeted review of internal models (TRIM)

The TRIM exercise is aimed at reducing unwarranted variability when banks use internal models to calculate their own funds requirement, and at restoring trust in the reliability of internal models. The findings serve to assess whether the internal models currently used by banks in the euro area comply with regulatory requirements. This is to ensure that the models serve to map risks, and hence calculate capital requirements correctly and consistently.

NPL ratio of Austrian banks lower than EU average



Source: EBA.

Note: Weighted average for the EU.

their unsecured NPL portfolios. In addition, EU legislators have laid down new rules that are meant to prevent a renewed buildup of non-performing loans in the future, or meant to ensure that any loans that turn nonperforming are adequately provisioned, with risk provisions under Pillar 1 following a predefined calendar.

The SSM will continue to closely monitor the proactive reduction of NPL portfolios and actively support banks' NPL reduction strategies. Likewise, efforts will continue to go toward monitoring sustainable credit standards, to ensure that banks will remain resilient to crisis also in the future and in the event of economic downturns.

EU banking reform package adopted to enhance the regulatory framework

Negotiations launched in 2016 about reforming the regulatory framework for banks based in the EU finally led to a political agreement in 2019, after core technical details had already been established in December 2018 under the Austrian presidency of the EU Council. The new rules serve to implement reforms that were agreed after the financial crisis at an international level by the Basel Committee on Banking Supervision and the Financial Stability Board

in order to strengthen banking resilience and financial stability.

The new framework for risk reduction requires banks to hold higher amounts of capital, thus raising their loss-absorbing capacity. Moreover, the new framework defines a new category of "eligible liabilities" (i.e. eligible for bail-in). The new quantitative and qualitative requirements for loss-absorbing capital instruments and eligible liabilities were designed to facilitate an orderly bail-in process in the event of a crisis. Moreover, the banking package provides for binding leverage ratios and binding net stable funding ratios.

What is particularly relevant from an Austrian perspective and in line with the proportionality principle promoted by the OeNB and the FMA, is the proposal to lower the administrative burden for "noncomplex, small banks," especially with regard to reporting obligations and disclosure rules.

European deposit insurance as the third pillar of banking union

In addition to the Single Supervisory Framework (SSM; see above), the European banking union also consists of a Single Resolution Mechanism (SRM) and a European deposit insurance

scheme (EDIS). Like the SSM, the SRM has already been realized. The SRM was designed to increase the resolvability of individual banks or banking groups in the euro area. In this context, resolution planning plays a key role.

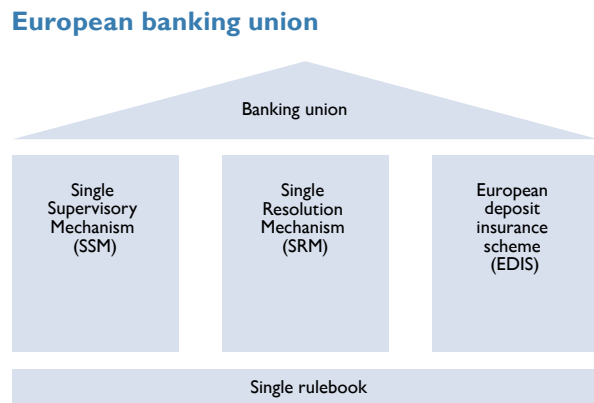
Building the third pillar of the European banking union, a European deposit insurance scheme, is now on the agenda of the new European Commission. However, the negotiations are expected to be challenging as opinions about the technicalities of EDIS²³ continue to diverge strongly among member countries and the issue of EDIS is tied up with the issue of capital requirements for sovereign bonds. The OeNB's position is clear: the mutualization of risk is not an option unless adequate rules have been agreed for risk reduction.

Impact assessment study and EU draft legislation to implement Basel III

Following documents published by the Basel Committee on Banking Supervision in December 2017 and January 2019, the Basel III framework has been broadly completed. The Basel III review focused above all on the calculation of risk-weighted assets (RWAs), setting out to improve the comparability of capital ratios. The new rules will apply from January 1, 2022, but some rules will be subject to longer transition periods. The European Commission is expected to come up with EU draft legislation for implementing the Basel III reforms by mid-2020.

The EBA released reports on the impact of the Basel III package, including specific policy recommendations for implementation, in August and December 2019. It supports a full, timely and consistent implementation of the reforms. In the EU, proportionality will be an issue given the diversity of the EU banking sector, and the OeNB stands ready to support further progress in this direction. An EBA impact assessment made for a sample of 189 EU-based banks

Figure 3



Source: OeNB.

shows that the proposed reforms would raise capital requirements by 8% on average for the 15 Austrian banks included in the sample. Compared with the EU average (close to +24%), the impact would therefore be significantly lower for the Austrian banks since they have higher density ratios (risk-weighted assets as a share of total assets). On balance, in its macroeconomic impact analysis, the EBA concludes that the long-term benefits of the Basel III reform package outweigh the short-term transitory costs.

OeNB and FMA seize the opportunity to enhance cooperation

The political debate, in the first half of 2019, about reforming banking supervision in Austria enabled the FMA and the OeNB to gain an even better understanding of mutual requirements and underlying procedures and processes. In this context, the FMA and the OeNB fine-tuned specific aspects of cooperation in order to realize further potential for efficiency gains. The pillars and principles for enhancing their interaction in the areas of financial market supervision, financial stability and banking resolution were laid down in a joint Memorandum of Understanding (MoU), which at the

²³ Opinions diverge in particular with regard to the question of how far to go in an insurance event, as reflected by the two poles in the debate: Should EDIS be limited to liquidity support from other member countries that have not been affected directly? Or, should potential losses be mutualized in full?

same time provides increased transparency for market participants and the general public. Importantly, the MoU underlines the commitment of both institutions to maximize effective cooperation in the interest of ensuring the stability of the Austrian banking sector.

As a case in point, the FMA and the OeNB defined and communicated common focus areas in banking supervision for 2020, namely digita-

lization, business model development, governance and crisis resilience (including sustainable lending) of credit institutions. Beyond that, the FMA and the OeNB will continue to support the development and implementation of new regulatory measures, particularly with regard to the completion of the reform agenda of the Basel Committee on Banking Supervision and with regard to the ongoing debate on green finance.

OeNB statistics trace economic and financial activities in Austria

To be able to take informed decisions, enterprises and households require reliable economic and financial statistics. The value of such statistics is measured by the confidence users have in them. Generally accepted and frequently used statistics help support the monetary policy objectives of the ECB, namely ensuring price stability and financial stability. In the reporting year, the range of statistical products and services the OeNB offers to various target groups was enhanced and modernized.

AnaCredit provides detailed information on credit instruments

From September 30, 2018, granular credit and credit risk data have been collected pursuant to Regulation (EU) 2016/867 (AnaCredit). All euro area credit institutions taking deposits or other repayable funds from the public and granting credits for their own account are subject to AnaCredit reporting requirements. Thus, credit institutions as defined in the Capital Requirements Regulation (CRR) must report, on a monthly basis, detailed financial, balance sheet and risk-specific data on credit instruments granted to natural or legal persons exceeding EUR 25,000 (in total) per borrower.

In Austria, AnaCredit reporting was aligned with reporting to the Central Credit Register (formerly Major Loans Register), which has been in place for 32 years, under the 2018 Regulation on the Collection of Granular Credit Data. The latter differs from the AnaCredit Regulation by having broadened the reporting requirements to include:

- financial institutions as defined by the CRR other than credit institutions (e.g. leasing companies),
- loans to natural persons (EUR 350,000 and above),
- additional instruments that do not constitute loans in the strict sense but are exposed to credit risk,

- input data for determining the regulatory capital required for the reported instruments in line with the definitions of the common reporting (COREP) framework, and
- information on reporting institutions' credit assessment systems.

With this reporting framework, the OeNB got closer to rolling out the full-scale collection of risk algorithms for credit institutions' positions in the banking book and is now able to link up individual business transactions with the business structure of Austrian credit institutions. The OeNB produces the datasets required under the AnaCredit Regulation as secondary statistics from its integrated primary data sources and reports these datasets to the ECB. Since mid-2019, these datasets have been in compliance with the required ECB standards. Austria is thus one of the countries providing the highest quality of AnaCredit data; in particular, Austrian granular AnaCredit data are fully consistent with the corresponding monetary aggregates, i.e. with the respective individual balance sheet items (IBSI). This consistency is ensured by the harmonized and integrated collection of data under both reporting requirements via the OeNB's data model. Authorized reporting agents will be granted access to AnaCredit data in the course of 2020 for reuse in fulfilling their tasks in cooperation with the central bank.

AnaCredit

AnaCredit serves to set up a granular European credit register, the purpose of which is to enhance banks' credit risk management and improve the monitoring of financial stability risks.

Innovations in supervisory reporting

In the area of supervisory reporting, intense efforts have been made to implement the EU banking package. On the one hand, numerous amendments have been made to the regulatory reporting framework, e.g. with regard to capital, the leverage ratio, large exposures, credit risk and the net stable funding ratio (NSFR).

On the other hand, comprehensive preparations were made to carry forward two EBA initiatives: a feasibility study on an integrated reporting system and a cost-benefit analysis of current EBA reporting requirements. The latter aims at reducing reporting costs by an average of 10% to 20%, in particular for small, noncomplex institutions.

In the field of payment statistics, the scope of reporting is to be expanded. To this end, first EU draft regulations were drawn up in 2019, the costs and benefits of newly envisaged content were assessed and further administrative preparations were made. Amongst other things, these initiatives are intended to support, as of 2021, the statistical recording of innovative payment methods and the detection of fraudulent transactions pursuant to EBA requirements.

The Single Resolution Mechanism (SRM) constitutes the second pillar of European banking union and requires the development of resolution plans by the competent authorities. In 2019, the OeNB rolled out the large-scale collection, processing and quality assurance of resolution planning data and started reporting the relevant data to the respective national and international authorities.

CoCAS

The Common Credit Assessment System (CoCAS), jointly developed by the Deutsche Bundesbank and the OeNB, facilitates credit assessments of nonfinancial corporations.

Revised OeNB online statistics ensure better services

The OeNB's online statistics feature a new web service that facilitates the targeted retrieval of large volumes of data sorted by individual criteria as well as swift data processing in the databases of professional users such as data providers, universities and other research institutions. In addition, the revised reporting section of the OeNB's website went online at the end of October 2019. With its clear and

straightforward structure, it is now more accessible and user-friendly, and its intuitive, visually supported query function offers reporting entities a quick overview of the reporting requirements they have to fulfill.

New technologies and new content in macroeconomic statistics

In January 2020, a project was launched to integrate the systems currently used to compile external statistics and the financial accounts into the new IT infrastructure for processing, compiling, evaluating and sending statistical data.

Looking ahead, there is the challenge of keeping enhancing both external statistics and the financial accounts, as more information will be required in a number of key areas (i.a. globalization, digitalization and shadow banking) defined by the ESCB in its medium-term strategies. With regard to the external sector, new requirements have already been specified – for example, a more detailed breakdown of the financial sector, reports on additional financing instruments as well as more detailed country and currency information. With regard to the financial accounts, ongoing discussions point to a significant refinement of current statistical requirements, e.g. regarding the activities of other financial corporations (other than banks) or enterprises' cross-border financial interdependencies.

The OeNB cooperates successfully with other central banks in credit quality assessment

The Common Credit Assessment System (CoCAS), jointly developed by the Deutsche Bundesbank and the OeNB, supports central banks' in-house credit assessment systems (ICAS) by generating ratings of nonfinancial corporations from balance sheet data. The Spanish and Belgian central banks left the CoCAS partnership at the end of 2019 because

of strategic decisions at the national level (the Belgian central bank discontinued ICAS; the Spanish central bank developed a national ICAS framework), thanking their CoCAS partners for the excellent long-standing cooperation and support. The Greek central bank, on the other hand, confirmed that it will accept the offer made by the Deutsche Bundesbank and the OeNB to make use of CoCAS. All parties involved have since worked on setting up the

respective contractual agreements and technical connections.

Another key issue in 2019 was the use of AnaCredit data in ICAS. By heading the ICAS Expert Group, the OeNB was able to help move the related initiatives forward. Finally, a pilot study on how to improve forecasting performance by using machine learning (in particular artificial neural networks) was carried out successfully in 2019.



Cash as an inclusive means of payment

Cash is the fastest, most widely accepted and also the cheapest way to make low-value payments. It can be used by literally everyone, including people who do not have a bank account or have only limited access to a bank account or who cannot use electronic payments for other reasons. Moreover, cash is relatively fraud and counterfeit proof.



Secure and efficient payment services in Austria

Completion of the Europa series

The complete Europa series of euro banknotes has been in circulation since the new EUR 100 and EUR 200 banknotes were released on May 28, 2019. Altogether, around 2.3 billion of the new EUR 100 banknotes and 700 million of the new

EUR 200 banknotes were produced for the launch date, with contributions from Austria.

In line with the crucial task of the Euro-system, and thus also of the OeNB, of advancing banknote technology further, the new banknotes come with enhanced features. The colors

Figure 4

The euro banknotes of the Europa series

The banknotes of the Europa series were introduced gradually over several years in ascending order.



Source: OeNB.

of the new euro banknotes were slightly adjusted and their design was modernized to make the old and new series easily distinguishable.

Like the euro banknotes of the first series, all banknotes of the Europa series can be checked for authenticity by using the FEEL, LOOK and TILT method, which does not require any technical equipment. The security features that distinguish the new euro banknotes from counterfeits comprise raised relief details, a portrait window and a portrait watermark, the emerald number and a silvery stripe.

Trends in cash demand

Despite the increased use of payment innovations, cash continues to play a major role in Austria. In line with its legal mandate, the OeNB, together with its subsidiaries, provides the Austrian population and economy with secure euro banknotes and coins. In 2019, the OeNB introduced a total of around 1.7 billion euro banknotes into the cash cycle, while 1.85 billion banknotes were returned to the OeNB. Since the introduction of euro cash in 2002, lodgments and withdrawals of euro banknotes have increased by 5% and 4% on average, respectively (see chart 17). Lodged banknotes must

be processed and recirculated into the cash cycle following authentication and fitness checks. In addition, the OeNB monitors compliance with the provisions on the processing and recirculation of cash by cash handlers other than the OeNB. In fulfilling these tasks, the OeNB contributes essentially to cash security and to the quality of cash in circulation.

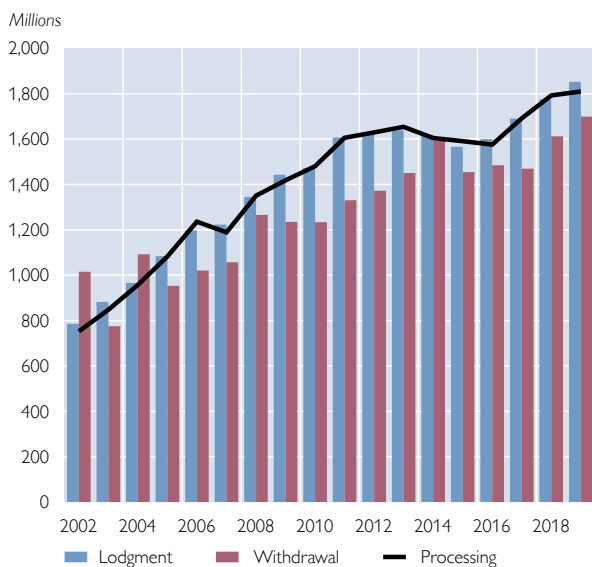
Given its efficiency in domestic cash handling and its vast experience in cash logistics planning and cross-border cash transports, the OeNB has established itself as a cash supply hub in Central Europe. This is also why the OeNB was chosen as a location for holding Eurosystem Strategic Stock. Since a number of Austrian banks are active in CESEE countries where the euro is widely used as a means of payment and store of value, considerable volumes of euro cash flow into the CESEE region via Austria. In 2019, around one-fourth of the OeNB's total lodgments and withdrawals were managed via international banknote wholesalers. These international linkages enhance the OeNB's strategic importance within the Eurosystem.

Since the introduction of euro cash in 2002, both the volumes and value of euro cash in circulation have increased continuously; in the past few years, this rise even outpaced economic growth. Among other factors, this is attributable to the increasing importance of the euro as a store of value. At the end of 2019, 24.06 billion euro banknotes worth EUR 1,292.74 billion were in circulation. This corresponds to a 6.4% rise in numbers and a 5.0% rise in value year on year. Both the number and value of euro coins in circulation went up as well, by 3.3% to 135.08 billion euro coins worth around EUR 30 billion (+3.4%). Overall, the value of euro cash in circulation at end-2019 thus came to EUR 1,322.74 billion, up 5.0 % against the previous year.

The rise in EUR 200 and EUR 100 banknotes in circulation (see chart 18) is attributable, on the one hand, to the fact that the EUR 500 banknote is no longer issued as well as to the changeover to the Europa series and, on the other hand, to the prevailing low level of interest rates, which caused cash hoarding effects in the banking sector and among wholesale customers.

Chart 17

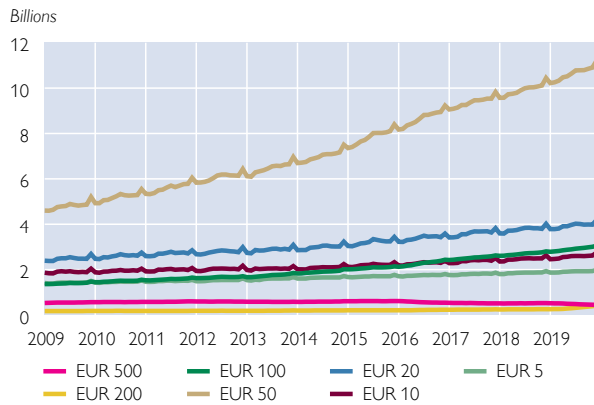
Lodgment, withdrawal and processing of euro banknotes



Source: OeNB.

Chart 18

Continuous rise in total number of euro banknotes in circulation



Source: OeNB, ECB.

With euro banknotes circulating across euro area countries and beyond, the actual circulation of euro banknotes in Austria can only be estimated. For a number of years, the OeNB has based its estimations on the amounts of banknotes actually lodged with the OeNB, considering the velocity of circulation, amounts processed by cash handlers other than the OeNB or GELDSERVICE AUSTRIA (GSA) as well as data reported by banknote wholesalers. According to these estimations, around 627.4 million euro banknotes worth EUR 31.4 billion²⁴ were in circulation in Austria at end-2019 (2018: 621.1 million banknotes worth EUR 31 billion). This corresponds to a 1% rise against 2018.

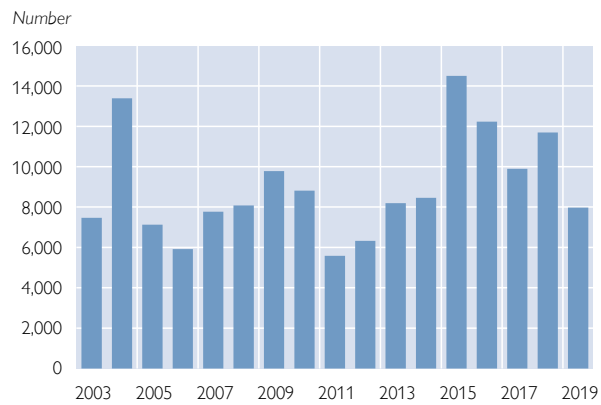
In the debate about whether to retain 1 cent and 2 cent coins, the OeNB and the Austrian Ministry of Finance are against abolishing these denominations, given their high degree of public acceptance and continued high demand. This is also the position Austria is promoting at EU-level meetings.

Banknote counterfeits recovered in Austria

A total of 7,977 counterfeit euro banknotes were recovered from circulation in Austria in 2019 (2018: 11,698) (see chart 19). Counterfeits of the EUR 50 banknote had the largest

Chart 19

Number of counterfeit euro banknotes in Austria declines in 2019



Source: OeNB.

share in recovered euro counterfeits in Austria (46.9%), followed by counterfeits of the EUR 20 banknote (21.2%) and of the EUR 100 banknote (19.2%); together, these three categories accounted for 87.3% of all counterfeit euro banknotes recovered from circulation in Austria in the reporting year. The situation in Europe is very similar, with counterfeits of the EUR 50, EUR 20 and EUR 100 banknotes accounting for around 86% of all counterfeits recovered in 2019.

Most incidences of counterfeit banknotes in Austria (around 35.9%) continued to be recorded in Vienna, followed by Styria (14.2%) and Lower Austria (11.7%). In 2019, the overall damage caused by euro counterfeits in Austria came to EUR 551,950 (2018: EUR 641,320).

At around 1.4%, Austria's share in the total volume of counterfeits recovered from circulation in the euro area remained relatively low. This means that most people still have only a minimal chance of coming across counterfeit banknotes in Austria.

Payment systems for the Austrian financial market

Together with the Eurosystem, the OeNB offers secure and efficient high-capacity interbank payment systems for the Austrian financial

²⁴ The estimated value of euro banknotes in circulation differs from the value of banknotes in circulation recognized in the balance sheet, which is calculated on the basis of the ECB's capital key. In addition, the estimates also reflect national particularities in payment behavior.

market. This framework provides the backbone of real-time settlement of large-value payments – via the real-time gross settlement system TARGET2 and ASTI (Austrian Settlement & Transaction Interface) – as well as clearing services. Clearing services are provided through

Two-factor authentication

To be able to authorize electronic credit transfers, for example, users must provide two out of three defined authentication factors: something they know (e.g. a PIN), something they have (e.g. a bank card) and something they are (e.g. a physical characteristic such as a fingerprint).

Clearing Service Austria (CS.A) for domestic interbank payments and through Clearing Service International (CS.I) for cross-border interbank payments (see below).

New legal framework for payment services

As of September 2019, “Open Banking access to accounts” was introduced on the basis of the Payments Services Directive 2 (PSD2). Specifically, third-party providers (TPPs), in particular providers of payment initiation services and account information services, have had the right – subject to prior consent by customers – to access customers’ bank settlement accounts via a technical interface since September 14, 2019. Access to accounts is a precondition for TPPs to be able to provide their services to customers. To fulfill this requirement, Austrian banks have agreed to apply the Berlin Group Standard, the most widely used payment interoperability standard in Europe. The operational implementation was completed in due time.

Payment Services Directive 2 (PSD2)

The PSD2, the revised Payment Services Directive, governs payment services in the internal market. It has replaced the original PSD. The PSD2 was transposed into Austrian law by the Payment Services Act 2018.

authentication to ensure that electronic payments at a point of sale (POS) or on the Internet as well as credit transfers made via online banking are initiated by authorized persons only. Three types of factors are available to identify authorized persons: knowledge factors (PIN or password), possession factors (bank card, classic transaction authentication number (TAN) or

mobile TAN) and inherent factors (biometric feature, e.g. fingerprint). By definition, two-factor authentication requires at least two of these three factors and aims to minimize fraud in electronic payments.

The Austrian Financial Market Authority (FMA) has extended the deadline by which strong two-factor customer authentication is mandatory for e-commerce transactions to December 31, 2020. In order to benefit from the deadline extension, payment services providers must submit their schedules for implementing two-factor authentication by end-2020 at the latest to the FMA and must keep the FMA informed about progress made.

Restructuring the Eurosystem’s market infrastructures

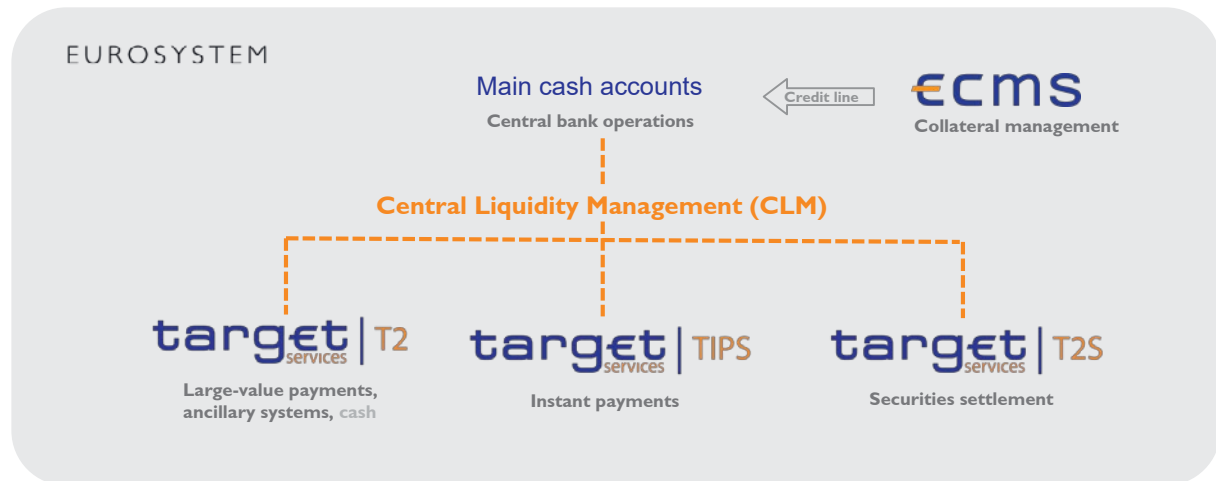
In 2017, the Governing Council of the ECB adopted the Eurosystem’s Vision 2020. Work on implementing this initiative continued in 2019. Vision 2020 comprises three projects: consolidating TARGET2 (T2) and TARGET2-Securities (T2S), developing a new infrastructure for the settlement of instant payments (TARGET Instant Payment Settlement – TIPS) and harmonizing the Eurosystem Collateral Management System (ECMS). In 2019, the first Austrian banks became participants of TIPS.

Consolidating TARGET2 (T2) and TARGET2-Securities (T2S) means integrating T2 and the T2S securities settlement system for both technical and functional reasons. TARGET2, which has been in use for more than ten years, had to be adjusted to changes in customer demands, regulatory requirements and technological developments. The launch of the new, integrated and enhanced TARGET system is scheduled for November 2021.

In November 2018, the Eurosystem successfully launched TIPS. TIPS enables participating banks to settle domestic and cross-border instant payments for their customers in real time around the clock, every day of the year. Real-time or instant payments are the latest innovation in payment services; based on this new development, European payment solutions

Figure 5

Eurosystem market infrastructures from November 2022



Source: OeNB.

are to be established for POS payments, in Internet trade (e-commerce), and for payments with mobile end devices (m-commerce) and between individuals.

The ECMS serves to manage eligible collateral for Eurosystem monetary policy operations. By November 2022, the 19 existing systems are to be functionally harmonized and one centralized technical system will be established for all Eurosystem NCBs.

Subsidiaries support the OeNB in fulfilling its tasks

In performing its core tasks in cash production, cash provision and cashless payments, the OeNB is supported by the following companies: Münze Österreich Aktiengesellschaft (MÜNZE), the Oesterreichische Banknoten- und Sicherheitsdruck GmbH (OeBS) and GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination G.m.b.H. (GSA). These subsidiaries carry out their tasks as separate business entities, setting great store by quality, security, sustainability and cost effectiveness.

Within European monetary union, MÜNZE is the official mint of the Republic of Austria.

Its exclusive right to mint and issue coins in Austria is laid down in the provisions of the Coinage Act. In line with the prevailing legal provisions, MÜNZE meets the domestic demand for euro coins. In 2019, MÜNZE supplied the OeNB with a total of 176.7 million euro coins with a face value of EUR 43.0 million. Moreover, MÜNZE is internationally renowned for first-class precious metal processing and the production of innovative and durable precious metal investment products and collectors' items. MÜNZE continually develops new and innovative product lines, e.g. collector coins and various coin series. Since the Italian legislator prohibited the production of 1 cent and 2 cent coins – despite continued local demand for these denominations – MÜNZE supplied euro coins directly to Italian cash-in-transit companies also in 2019, thereby ensuring that local demand for these coins could be met.

In its capacity as a Eurosystem technology partner, the OeBS focuses its R&D activities on technologies for the printing of security features and for banknote authentication sensors used in banknote-sorting machines that are employed in the cash cycle. Within the Eurosystem, the OeBS produces the share of annual

euro banknote production volumes allocated to Austria on the basis of the OeNB's share in the ECB's capital key. In 2019, the OeBS produced 113.95 million EUR 5 banknotes of the Europa series.

Individual tasks defined in the Eurosystem's R&D strategy have been assigned to specific national central banks. Since 2012, the OeBS has been entrusted by the ECB to perform test prints for the Eurosystem and monitor patents to avoid unnecessary duplication in banknote prototype production.

The GSA, whose core tasks include cash logistics, was established as a limited liability company. Its majority owner is the OeNB, which holds a 95.34% share, with the remaining shares primarily held by Austrian commercial banks.

Banknotes returned from circulation are checked for authenticity and fitness at the GSA's cash centers in Vienna, Graz, Linz, Salzburg, Klagenfurt, Innsbruck and Bregenz as well as at the OeNB and are recirculated if deemed fit for circulation. In 2019, a total of around 1.81 billion banknotes were processed in Austria.

Since 2011, the GSA has been operating a clearing house for the settlement of national interbank payments, Clearing Service Austria (CS.A). By providing this payment infrastructure, the GSA contributes to making noncash payments in Austria more efficient and secure.

On behalf of the OeNB, the GSA operates Clearing Service International (CS.I), which Austrian commercial banks may use to settle cross-border payments within the Single Euro Payments Area (SEPA).

The real estate investment group IG-Immobilien Gruppe serves to optimally manage the OeNB's real estate investments. It is, inter alia, responsible for preserving and sustainably improving the value of OeNB real estate holdings and for optimizing current earnings on the individual properties. The premises management group BLM Betriebs-Liegenschafts-Management GmbH provides, in particular, the premises the OeNB or its subsidiaries need to carry out their business activities.

Table 9 provides a comprehensive list of the OeNB's direct and indirect equity interests.

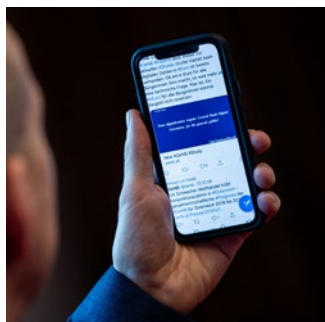


Information security

Both digital payment means and methods require special protection as they are not only attractive for users but also prone to Internet attacks. To ensure the highest level of security, the OeNB gives top priority to information security.

Digital payments

Digital payments are on the rise, and everybody is talking about digital currencies. The OeNB gives guidance on the increasing variety of new products and services; it cautions against fake digital money and helps keep the euro fit for digitalization. Not every so-called digital currency meets the characteristics of sound money. In this digital wild west, the OeNB's expertise is in high demand. Rising to the occasion, the OeNB investigates the monetary policy implications of digital currencies. Together with the Eurosystem, the OeNB is prepared to meet the challenges in this area head on.





Joining forces for stability and security

The OeNB has an active interest in promoting staff diversity and an open corporate culture in which all staff members can fully develop their talents and performance potential. This helps ensure that the OeNB as an expert organization can fulfill its mandate of maintaining price stability and financial stability in the public interest.



The OeNB – a sustainable enterprise



Things to learn at the OeNB Money Museum

Today's youth have to deal with money issues from an early age. In 2019, around 6,500 children and youngsters aged 6 to 18 years visited the OeNB's Money Museum to learn more about the history of money – all the way from barter trade to the euro and modern means of payment. In highly informative, interactive tours, young and old visitors can explore the many aspects of money, its history and central banking.



The OeNB – an expert organization

Strategy review at the OeNB

In September 2019, when the OeNB's new management team was complete, a review process was launched to draft the OeNB's strategy for the next few years. To this end, the OeNB organized staff workshops on the following five horizontal issues prioritized by the Governing Board: communication, human resources, financial education, financial market strategy and financial innovation. In early 2020, the OeNB's business areas, moreover, started to define their strategic objectives. The OeNB's new strategy is scheduled to be finalized by the end of the second half of 2020.

The arrival of the new Governing Board members in 2019 also brought about organizational changes at the OeNB, which entered into force on January 1, 2020. Tasks and responsibilities were redistributed among the executive directorates to match the core competencies of the respective Governing Board members, and the OeNB's business areas were optimized.

The OeNB embraces innovation

The OeNB is keen to build up expertise in new and promising digital technologies and to explore their potential benefits at an early stage. With its innovation lab, the OeNB provides a creative workspace for pursuing, testing and discussing novel ideas. Several OeNB-relevant prototypes have been developed under

this initiative since end-2018, covering areas from artificial intelligence (AI) to distributed ledger technology. Other deliverables apart from prototypes are analyses of potential future use scenarios. Following a fruitful first year, the innovation lab will continue in this format and help ensure that the OeNB can harness technological advances in times of accelerated change.

A conference the OeNB organized in January 2019 together with the Federal Ministry of Finance, the IMF and the Joint Vienna Institute (JVI) revolved around the Bali Fintech Agenda, a set of fintech policy guidelines developed by the IMF and the World Bank Group. The event was dedicated to discussing the importance and implications of technological change for the financial sector. Vienna was the first venue of a series of IMF fintech conferences that were held on all continents around the world.

New financial technologies²⁵ and fintechs are a field the OeNB takes particular interest in. In the reporting year, OeNB experts broadened their interdisciplinary exchange on this topic to include, inter alia, research institutions (e.g. the Research Institute for Cryptoeconomics at Vienna University of Economics and Business),

Fintech

The OeNB takes "fintechs" to refer to (1) innovative digital technologies and products that might transform or even disrupt certain financial market segments, and (2) young, aspiring enterprises (start-ups in particular) that develop and employ novel digital and online financial technologies and products.

Table 2

Indicators of knowledge-based processes

Unit	2016	2017	2018	2019	
Process efficiency					
Certified areas	number	10	10	10	10
Entries in the OeNB's terminology database	number	22,289	22,628	22,901	23,308
Error-free payment transactions	%	99.97	99.97	99.95	99.88
Staff suggestions for improvements	number	36	30	48	41
Technical infrastructure					
IT services for the ESCB/Eurosystem	number	3	3	3	3
Major IT projects	number	6	6	6	5

Source: OeNB.

²⁵ Pichler, P., M. Summer and B. Weber. 2019. Does digitalization require Central Bank Digital Currencies for the general public? In: *Monetary Policy & the Economy Q4/19*. 40–56. Pointner, W. and B. Raunig. 2018. A primer on peer-to-peer lending: immediate financial intermediation in practice. In: *Monetary Policy & the Economy Q3/18*. 36–51.

international institutions (e.g. the Bank for International Settlements) and other central banks (e.g. the Deutsche Bundesbank). In cooperation with the Deutsche Bundesbank, the OeNB assessed the technical feasibility and practical suitability of blockchain technology in payment services, generating valuable know-how in this specific area.

Managing human resources in dynamic times

Motivated, content and healthy employees are a key success factor for every enterprise, and all the more so for an expert organization like the OeNB. Bearing this in mind, the OeNB continued to implement a series of measures in 2019 to create the best possible conditions for its staff. It focused, in particular, on promoting health at work, diversity and equal opportunities and on improving staff members' work-life balance.

Balancing work and family life

To support staff in achieving a healthy balance of work and family life, the OeNB offers a series of measures including flexible working-time models, one month of paid paternity leave and a company kindergarten. Another key achievement, which the OeNB expanded in the reporting year, is the offer of holiday childcare options for employees' younger children. Well received in their first year, summer camps for children were offered again in 2019; in addition, the OeNB introduced a day camp for November 15, which is a school holiday in Vienna and Lower Austria.

Moreover, in a work environment where change is the only constant, it is very important for employers to promote employees' health and well-being. For this reason, the OeNB supports its staff with a wide range of measures,

e.g. a company health center, medical checkups and a sports club. In 2019, the OeNB also organized a health day, inviting all staff members to participate in a comprehensive program to learn how to stay healthy at work.

Diversity and equal opportunities

Measures to promote equal opportunities and diversity are key pillars of the OeNB's corporate culture. In particular, the OeNB aims to achieve gender balance at all hierarchical levels and across all functions. To help increase the proportion of women in traditionally male-dominated areas (e.g. in IT), the OeNB hosted a public event called "OeNB Insights" in November 2019 to provide female students majoring in mathematics, informatics, natural sciences and technology (so-called MINT subjects) with insights into relevant OeNB job profiles. Offering an interactive program to its staff members, the OeNB again participated in the Austria-wide diversity initiative "DIVÖRSITY – Österreichische Tage der Diversität." Also in 2019, the OeNB for the first time took part in Vienna's Daughters' Day, offering around 40 teenage girls the chance to experience a working day at the OeNB.

Sustainable human resources management

As shown by the indicators of investment in knowledge-based capital (table 3), OeNB staff continue to make frequent use of arrangements such as flexible working-time models or staff mobility programs. At 3.9 days per year, the average number of training days per employee is high. At around 38%, the share of women in total training days roughly corresponds to the share of women in the overall headcount. Judging from the low staff fluctuation rate of 2.6%, the OeNB's training measures are highly effective and sustainable.

Table 3

Indicators of investment in knowledge-based capital

	Unit	2016	2017	2018	2019
Staff structure					
Full-time equivalent staff (year-end) ¹	number	1,091.8	1,100.0	1,079.3	1,069.6
aged up to 30 years (2019 average: 27.9 years)	%	11.5	10.9	9.2	7.1
aged 30 to 40 years (2019 average: 35.8 years)	%	28.4	28.3	28.6	29.4
aged 41 years or older (2019 average: 50.3 years)	%	60.1	60.8	62.2	63.5
Fluctuation rate	%	1.7	1.3	2.8	2.6
Share of university graduates in total staff	%	61.5	63.2	64.9	65.8
Staff-to-manager ratio	number	7.1	7.0	7.0	7.1
Gender management					
Share of women in total staff	%	39.5	39.1	38.8	39.3
Share of women in the specialist career track	%	35.8	33.1	37.9	36.2
Share of women in management positions	%	27.9	28.7	27.9	28.8
Flexible working arrangements					
Part-time employees	%	13.9	15.3	16.0	18.3
of which: women	%	x	x	x	72.9
Staff in teleworking scheme	%	9.0	10.0	11.2	12.8
of which: women	%	x	x	x	47.6
Staff on sabbatical	number	2	4	6	5
Mobility					
Participants in in-house job rotation program	number	46	39	40	30
Working visits to national and international organizations (external job rotation)	number	52	52	56	57
Working visits at the OeNB (incoming)	number	3	7	32	31
Interns	number	67	66	75	77
Knowledge acquisition					
Education and training days per employee (annual average)	days	4.5	4.1	4.1	3.9
Education and training participation rate (share of employees that attended at least one training event per year)	%	81.3	73.9	82.2	82.2

Source: OeNB.

¹ Figures include part-time employees on a pro rata basis.



Financial literacy and new media

Finance is part of our everyday lives. Putting one's own finances on a sound footing early on empowers people to handle money matters in a responsible and competent manner. To promote financial literacy, the OeNB started offering a rich portfolio of free materials many years ago. New state-of-the-art instruments include various web applications such as "m€ins" or "PIA – Persönliche InflationsApp," two apps developed to help young users manage their budget and understand the principles of inflation.



Risk management

Financial risk

The financial risk categories relevant to the OeNB are market, credit and market liquidity risk. Reserve asset and risk management principles are laid down in a rule book adopted by the OeNB's Governing Board. Reserve assets are invested by the OeNB's Treasury Department on the basis of a risk budget that reflects the risk limits designated by the Governing Board, as adopted by the latter on proposal of the OeNB's Risk Committee. The Risk Committee monitors continuous compliance with the risk budget based on specific risk measurement systems and methods. These systems and methods serve to quantify market and credit risk, accounting for balances on revaluation accounts to the extent they may be used to absorb losses. The Risk Committee receives regular reports on risk management and in turn reports to the Governing Board. Strategies for broadening diversification to include new currencies and types of investment as well as the methods and limits used in risk measurement must be authorized by the Governing Board.

Market risk

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

99%. Moreover, a three-month risk horizon is calculated to identify the risk range.

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

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

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

Credit risk

Credit risk is the risk that a counterparty will fail to meet some or all of its obligations. In principle, the OeNB manages the credit risk arising from its own funds portfolio and related investment activities with a limit system which provides up-to-date information on all risk limits and exposures.

Credit risk arising from Eurosystem monetary policy operations is calculated by the ECB and accounted for on a pro rata basis in OeNB risk reporting. Credit risk arising from holdings for own account and investments of own funds is calculated by the OeNB and taken into account when monitoring the use of the risk budget. VaR and ES calculations of ECB and OeNB risk are consistently based on a one-year horizon and a confidence interval of 99%.

Market liquidity risk

Market liquidity risk is the risk that a market may be too thin or may not be able to fully accommodate all trades, so that the securities trading volume is lower than desired and securities cannot be traded quickly enough or perhaps only at a discount. To prevent incurring market liquidity risk, the OeNB analyzes the market liquidity of financial products,

adjusts holdings to issuing volumes and limits the maximum residual maturities of transactions. Security and liquidity considerations take precedence over yield in managing the OeNB's assets.

Operational risk

Operational risk is the risk of incurring losses due to deficiencies or inadequacies in internal processes or systems, human errors or disruptions from external events. Management of operational risk at the OeNB is governed by the rules laid down in its special handbook on operational risk management, business continuity and crisis management. The OeNB is aware of its responsibility as an operator of critical infrastructure and has therefore identified current security requirements in the event of failure (in particular, relocating one of the

data centers and a backup data site to more distant locations). These requirements are reflected in the OeNB's contingency plans to minimize the impact resulting from disruptive events on the OeNB's business activities.

Information security risk

The OeNB's IT department operates an information security management system certified to ISO 27001, examining and dealing with information security risks on a systematic basis. Technical and organizational vulnerabilities are identified in line with protection requirements defined by the OeNB to ascertain whether they present a confidentiality, an integrity or availability risk. In this context, protection and security of information need to be balanced with costs and usability.

Keeping Austrians informed – the OeNB reaches out to the general public and target groups

The OeNB opens Instagram account [nationalbank_oesterreich](#)

The ongoing trend toward digital technologies sets new standards in central bank communication. This is why the OeNB expanded its social media activities by setting up its own Instagram channel, [nationalbank_oesterreich](#), in May 2019. Posts on the hashtag page [#dienationalbank](#) give insights into the OeNB's tasks and activities and are used to share useful things to know about cash and finances – as explained by an independent expert organization. The hashtag campaigns on secure payments were particularly popular. By participating in international campaigns such as [#PurpleLightUp](#), an initiative creating awareness for persons with disabilities, and [#EuroPride2019](#), the OeNB sent clear socio-political signals in the reporting year. The OeNB's well-established Twitter channel [@oenb](#) has been growing steadily thanks to more frequent posts of up-to-date expert content and live tweets from various OeNB events. The OeNB's website was given a facelift in 2019 to ensure a more modern and user-friendly look, and the OeNB's e-mail alert service was restructured to optimize the presentation of content (both texts and visuals) to better meet subscribers' expectations and demands. In a representative survey carried out twice a year, the OeNB tracks its image among the Austrian public as well as people's attitude to the euro. At 76%, the OeNB's confidence rating among Austrians is almost as high as people's satisfaction with the euro: For years, euro acceptance has been rising, coming to just under 80% in the latest survey.

Targeted tools and apps to promote financial literacy

Also in 2019, the OeNB continued to add to its "Eurologisch" financial literacy program. In addition to its established products and activi-

ties in financial education, the OeNB expanded its digital financial literacy program by launching two new web applications that were developed especially for young users.

The online tool "PIA – Persönliche InflationsApp" helps young people explore and understand inflation-related topics. Users can put together their own basket of goods and calculate their "personal" inflation rate. Complementary worksheets make PIA well suited for classroom teaching.



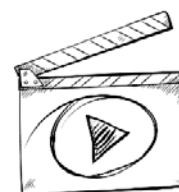
The web application *m€ins* helps users monitor their personal income and expenditure, including cashflow on multiple accounts and savings book assets. This app has specifically been programmed to reflect cash transactions and comes with an extensive budget planning function. By netting planned and actual income with planned and actual spending, the tool yields the disposable income for the current month.



As in previous years, the OeNB continued to broaden and enhance its activities to reach out to students and teachers. In the winter semester of 2019, for instance, the OeNB offered an elective course on financial literacy at the Institute for Business Education at Vienna University of Economics and Business. Moreover, the OeNB organized university seminars on topics like monetary policy and was represented at various professional fairs.



Short explainer videos illustrate the OeNB's key tasks and explain complex issues in an accessible way using images and visuals. Both the videos and related worksheets have been updated and provide great teaching material.





In 2019, the Euro Info Tour and Euro Shop Tour of the OeNB's Euro Bus focused on the newly issued EUR 100 and EUR 200 banknotes of the Europa series. On the day the new banknotes were issued, the Euro Bus started its Euro Info Tour, which led through all Austrian provinces. During the Euro Shop Tour, the bus visited more than 90 shopping centers in Austria in two days, taking information on the newest banknote security features directly to the points of sale.



In August 2019, the OeNB's Money Museum opened its special exhibition "WHO is WHO. Portraits on Austrian schilling banknotes." Audio guides to the exhibition are available in German and in English. Other highlights included the launch of the holiday activity program for young people organized by the City of Vienna (630 visitors to the Money Museum) and the annual Museum Night organized by the Austrian Broadcasting Corporation ORF (more than 1,000 visitors to the Money Museum). Overall, 336 tours and workshops were organized at the Money Museum in the reporting year. The so-called Tulfes hoard (1,200 medieval coins) was retransferred to Vienna from Tyrol and integrated into the collection of the Money Museum after having been on loan to the Department of Archaeologies for six years.

Expert conferences with broad impact

The OeNB organizes numerous events to promote the exchange of monetary and economic policy views. The largest audiences (several hundred participants) are reached with the annual Economics Conference and the annual Conference on European Economic Integration (CEEI). The OeNB's 46th Economics Conference on "European Economic and Monetary Union:

The first and the next 20 years" was organized in cooperation with SUERF – The European Money and Finance Forum and took place in Vienna on May 2 and 3, 2019. The CEEI 2019 was scheduled for November 25 and 26, 2019, and addressed the topic "Looking back on 30 years of transition – and looking 30 years ahead." The OeNB also organized numerous other workshops and seminars, which generated lively interest among economists in Austria and abroad.

Studies, analyses and outlooks published in the OeNB's scientific publications

The OeNB publishes the results of the scientific work carried out by its experts in three quarterly journals. *Monetary Policy & the Economy*, which focuses on monetary policy issues, economic activity and the Austrian economy, and *Focus on European Economic Integration*, which focuses on macroeconomic and macrofinancial topics related to Central, Eastern and South-eastern Europe (CESEE). Both journals feature related economic outlooks and reports, and both are subject to external peer review and listed in EconLit, a database on economics literature provided by the American Economic Association. The OeNB's third quarterly, *Statistiken*, provides data and analyses on Austrian financial institutions, financial flows and the external sector (in German, with executive summaries in English).

In addition, the OeNB publishes a Working Paper series that features scientific working papers authored by OeNB researchers. On average, the OeNB publishes around ten working papers per year.

Finally, the semiannual *Financial Stability Report* essentially serves as the OeNB's platform for providing an assessment of the yearly results reported by the banking and financial sector (first half of the year) and for presenting selected research evidence on financial stability issues (second half of the year). (See Notes, Periodical publications.)

Knowledge transfer to and from Austria and across Europe

Continuing strong demand for courses at the Joint Vienna Institute

Founded in 1992, the Joint Vienna Institute (JVI) is the oldest regional training center established by the International Monetary Fund (IMF) worldwide. It offers training to central bank experts and public sector officials on a broad range of topics with a focus on economic, fiscal, monetary and financial market policy. The course participants mostly come from CESEE countries and the Commonwealth of Independent States (CIS). The JVI is co-sponsored by the Austrian Federal Ministry of Finance, the IMF and the OeNB. Since its foundation in 1992, the JVI has trained more than 46,000 course participants.

In 2019, the number of course participants increased once more year on year, with 2,410 persons (women: 53%) attending courses during a total of 124 weeks of training programs. In 2019, the OeNB designed and organized eight JVI courses on the following topics: supervision and financial stability, European integration, HR and compliance, cash and payment systems as well as financial translation, editing and terminology with a central bank focus. Some of these courses were offered in cooperation with partners, in particular with the Federal Ministry of Finance, the Deutsche Bundesbank and the ECB. In addition, OeNB experts were invited to give lectures in many other courses offered at the JVI.

The OeNB increasingly provides expertise in the Western Balkans

The OeNB is a member of the ESCB Working Group on Central Bank Cooperation, set up to coordinate the activities of different central banks in an effort to use the resources available as efficiently as possible and to avoid the unnecessary duplication of efforts. In 2019, related

activities concentrated on an EU-funded regional technical assistance program for EU candidates and potential candidates in the Western Balkans. The OeNB hosted the kick-off to this joint ESCB project, which seeks to bring central banks and banking supervisors from the Western Balkans closer to EU standards, in March 2019. As part of this program, the OeNB offered a course on financial stability that had been developed under its auspices and that referred in particular to the Economic Reform Programmes (ERPs). In this context, the OeNB also supported the central bank of Bosnia and Herzegovina in drawing up a bank lending survey. Moreover, OeNB experts participated in an EU twinning project for the Serbian central bank.

The OeNB is committed to its social responsibility

Development aid

Supported by the OeNB's management, dedicated volunteers have been running a development aid group within the OeNB for more than 30 years. In line with the UN Sustainable Development Goals, the group's main objectives are contributing to eradicating extreme poverty and hunger, achieving universal primary education, improving the health of mothers and children, promoting the economic participation of women and ensuring the sustainable use of resources. In 2019, ten development aid projects were supported by donations from OeNB staff.

#PurpleLightUp – International Day of Persons with Disabilities

In 2019, the OeNB for the first time participated in the #PurpleLightUp campaign on the International Day of Persons with Disabilities. On this occasion, enterprises and institutions make symbolic use of the color purple in various activities, thereby expressing their respect and appreciation for the contribution of staff

members with disabilities and making visible their commitment to an inclusive and barrier-free economy. Together with the OeNB's disability representatives, the OeNB's staff also signaled their support for the concerns of people with disabilities during *#PurpleLightUp*.

Shoah memorial at Ostarrichi Park

On behalf of the federal government, the federal facility management company BIG plans to

set up a memorial for the Jewish children, women and men from Austria murdered in World War II. The memorial will be built at Ostarrichi Park, in front of the OeNB's main building. Part of the park is OeNB property. The memorial will be funded by the federal government, regional governments, the Federation of Austrian Industries and private donors. By way of preparation, the OeNB will carry out construction measures on its part of the property.

Table 4

Indicators of knowledge-based output

	Unit	2016	2017	2018	2019
Cooperation and networks					
National bodies with OeNB representatives	number	86	86	84	85
International and European bodies with OeNB representatives (ESCB, etc.)	number	303	364	356	323
Technical assistance activities with CESEE and CIS central banks	days	410	557	451	410
Course participants at the Joint Vienna Institute (JVI)	number	2,060	2,155	2,282	2,410
OeNB-hosted national and international events	days	163	186	209	200
Lectures delivered by OeNB staff to external audiences	number	760	828	870	879
Communication and information					
Queries to OeNB hotlines	number	14,518	13,335	12,449	11,432
Research cooperation projects with external partners	number	83	90	100	150
Visitors to the Money Museum	number	11,703	13,027	11,482	11,019
Cash training course participants (including Euro Shop Tour)	number	8,279	16,159	5,979	16,939
Children and teachers reached through school activities	number	23,546	22,565	29,252	27,914
Seminars for teachers	number	8	7	21	25
Contacts during the Euro Info Tour	number	30,143	45,562	30,208	19,189
Press conferences	number	18	12	13	20
Press releases	number	190	177	187	114
Publications					
Articles published by OeNB staff	number	106	111	119	79
of which: refereed papers	number	35	30	30	36
Confidence and image					
Confidence ratio in the second half of the year	%	61.0	67.0	71.0	76.0
Image index in the second half of the year (values between 5.5 and 10.0 signal a positive image)	value	6.5	6.9	6.9	7.2

Source: OeNB.

The OeNB promotes research, the economy, science, art and culture

Funding research and promoting the economy

Set up in 1966 to celebrate 150 years of central banking in Austria, the OeNB Anniversary Fund for the Promotion of Scientific Research and Teaching has since then supported just over 10,000 basic research projects (up to 2003 also applied research) in Austria, providing about EUR 820 million in funding (reporting date: December 31, 2019).

In 2019, the Governing Board of the OeNB approved funding totaling around EUR 8.75 million for 69 Anniversary Fund research projects in the following areas:

- economics (33 projects):
EUR 4.41 million
- medical sciences (16 projects):
EUR 1.98 million
- social sciences (11 projects):
EUR 1.30 million
- humanities (9 projects):
EUR 1.06 million

A total of EUR 2.19 million were granted to fund research on the focus areas “financial market and financial stability” and “digital change – opportunities and challenges for labor markets, competitiveness and sustainability and related measurement problems” (13 projects altogether).

Looking ahead, the focus of funding support from the OeNB Anniversary Fund was redefined in line with the OeNB’s strategy, mission statement and core tasks in a new guideline targeting central bank-related economic research topics. This strategic focus on promoting research on central banking topics is now based on 19 newly defined research clusters that were presented in roadshows at selected research institutions in late 2019.

Another type of funding is available under the European Recovery Program (ERP, more widely known as the Marshall Plan) that the United States had set up to help rebuild Europe after World War II. The OeNB was instrumen-

tal in implementing the initial program and continues to administer the ERP central bank assets. Most recently, the OeNB was managing 570 ERP loans granted in the industry, trade and services sectors, with an outstanding volume totaling EUR 656 million. In addition, the OeNB is represented on the ERP audit committee in a monitoring capacity and on the ERP expert committees in an advisory capacity.

Committed to Austria’s cultural heritage

Currently, the OeNB’s collection of historical string instruments numbers 45 instruments, all of them crafted by the most renowned violin-makers of the Italian and French schools. The OeNB lends all of these instruments to musicians free of charge, thus making a contribution to Austria’s international reputation as a musical nation. Four violins have been made available since 2019 to outstanding students enrolled at Austria’s music universities, allowing them to prepare for competitions and auditions. An additional violin built by Antonio Stradivari was purchased in 2019 in an international two-stage procurement procedure.

In the course of its long-standing cooperation with the Austrian radio station Ö1, the OeNB organized eight concerts throughout Austria in 2019 at which instruments from the OeNB’s collection were played. Additional concerts were held at Ossiach Abbey in cooperation with the Carinthian Summer Music Festival and at OeNB conferences.

From April to June 2019, 22 valuable Neue Sachlichkeit (New Objectivity) paintings from the OeNB’s collection were displayed in a special exhibition at the Albertina Museum in Vienna, among them works by Albin Egger-Lienz, Greta Freist, Herbert von Reyl-Hanisch, Franz Sedlacek, Rudolf Wacker and Alfons Walde dating to the 1920s and 1930s.

Six art objects from the OeNB’s collection went on loan to the new State Gallery of Lower

Austria that was opened in Krems on May 25, 2019, and will be on display there until mid-2020. Another eight exhibitions both in Austria and abroad also featured artworks from the OeNB's collection in 2019, thus making these works accessible to the public for a while.

New works the OeNB bought in the reporting year were mainly works created by

contemporary artists, such as Herbert Brandl, Svenja Deininger, Helmut Gsöllpointner, Xenia Hausner, Martha Jungwirth, Ulrike Müller and Walter Vopava. These purchases served to strengthen the focus of the OeNB's collection on abstraction in contemporary art.

Environmental Statement 2019 – the OeNB as an ecological organization

The European Green Deal – a unique opportunity for Europe

The OeNB has been committed to environmental protection for more than 20 years and has complied with EMAS criteria since 1998. In 2019, such corporate social responsibility initiatives were getting increased attention in the light of stronger public interest in climate protection and related political action, such as the European Green Deal, adopted by the European Commission in December 2019 with a view to achieving climate neutrality in Europe by 2050. This initiative promotes a sustainable ecological transition that will benefit both the people and the economy of Europe. The envisaged measures range from reducing emissions to investing in research and innovation with respect to green technologies and to reducing environmental pollution. Making such a comprehensive transformation of the European economy happen will require the joint efforts of society, the economy and public administration (see box 4).

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

The EU Eco-Management and Audit Scheme (EMAS) was developed by the European Union as a voluntary management tool for improving the environmental performance of organizations across all economic and service sectors. The OeNB has been an EMAS-registered organization since its EMAS validation in 1999. In 2002 and 2003, the OeNB extended the scope of EMAS compliance to all its sites throughout Austria, and the OeNB's Printing Office was ISO 14001 certified. In 2014, the OeNB's energy management system was ISO 50001 certified. Like EMAS validation, ISO certification is a voluntary tool the use of which has become best practice for environmentally responsible and innovative enterprises.

By applying these instruments, the OeNB documents its effort to continuously improve its corporate environmental performance beyond statutory requirements. The OeNB's environmental management system and related activities and procedures are an integral part of the OeNB's business management. In 2015, the OeNB became entitled to use the Austrian Ecolabel and the EU Ecolabel for the production of brochures and other paper products according to the guideline for printed matter, initially for four years. In 2019, the two certificates were renewed by the then Federal Ministry for Sustainability and Tourism, on the basis of an overall assessment by a qualified independent audit agency. The renewal of the certificates confirms the resource efficiency of the OeNB's printing facilities throughout the production process, from order intake to production and delivery. Today, the OeNB is a modern and efficient organization that remains committed to blending contemporary features such as sustainable process technologies and state-of-the-art waste management with more than 200 years of corporate history and tradition.

Environmental management at the OeNB – clear tasks and responsibilities

Developing the OeNB's ecological strategy and practical guidelines based on its environmental management system is the job of the OeNB's Environmental Officer. Other members of the OeNB's environmental protection team (EPT) include the Environmental Coordinator, energy, waste, water and security experts as well as environmental controllers, i.e. dedicated employees in the various departments. The EPT members contribute to implementing the environmental program and continuously improving the OeNB's environmental performance and its in-house communication on environmental issues. They convene at monthly meetings to update each other on new developments

and coordinate OeNB-wide green initiatives such as participation in the Car-Free Day during the EUROPEAN MOBILITY WEEK. These initiatives also include lectures and documentary film screenings that raise staff awareness for ecological issues, provide specific training and thus create a knowledge advantage for the organization as a whole. The Environmental Officer regularly attends the EMAS conferences of the Federal Ministry of Agriculture, Regions and Tourism. The OeNB has repeatedly been invited to hold presentations on its in-house environmental management system; last year for the fourth time. Moreover, the OeNB participates in the Growth in Transition

initiative of the Federal Ministry of Agriculture, Regions and Tourism.

Environmental controlling at the OeNB creates transparency

To steadily improve its environmental performance, the OeNB has put in place an environmental controlling scheme, which is based on the following principles: regular compilation of consumption figures, analyses based on time series and benchmarks, environmental reviews and regular monitoring of the implementation of the environmental program. The environmental database, which was relaunched in 2019, is paramount for environmental controlling.

Table 5

The OeNB's ecological indicators

	2017	2018	2019	Unit ¹	Benchmark ²		
					+	~	-
Energy							
Electricity consumption per FTE ³	5.95	6.66	6.50	MWh	< 4.5	6	> 8
Heat consumption	54	43	37	kWh per m ²	< 110	130	> 150
District cooling	36	47	43	kWh per m ²	not available		
Total energy consumption (buildings) ⁴	10,992	15,380	14,249	MWh			
of which: renewable energy ⁵	4,957	8,026	7,837	MWh			
Total energy consumption including business travel	15,545	19,664	16,411	MWh			
Water							
Water consumption per FTE ⁶	82	93	87	liters per day	< 60	100	> 120
Consumption of materials and products							
Total paper consumption per FTE ⁷	44	50	44	kg	< 100	200	> 500
Consumption of printing/photocopying paper per FTE	4,745	6,318	4,964	sheets	< 8,000	10,000	> 12,000
Share of recycled photocopying paper	52	54	38	%	> 30%	20%	< 10%
Consumption of cleaning agents ⁸	15	26	16	g per m ²	not available		
Total CO ₂ emissions per FTE ⁹	2.3	3.0	2.8	tons	< 2.8	4	> 4.5

Source: OeNB.

¹ Number of employees: 2017=1,100; 2018=1,079.3; 2019=1,069.6 (full-time equivalents – FTEs). The OeNB's environmental management system according to EMAS covers the following locations: Vienna (main building, Otto-Wagner-Platz 3; northern office building, Rotenhausgasse 4; and the areas in the Money Center that are assigned to the OeNB, Garnisongasse 15; all 1090 Vienna) and OeNB – Western Austria (Adamgasse 2, 6020 Innsbruck).

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

³ All energy data from 2018 concerning buildings include the Money Center but exclude the location OeNB – Western Austria and the Brussels Representative Office (around 20 FTEs).

⁴ High consumption of cooling energy in the summers of 2018 and 2019.

⁵ Since 2010, the OeNB has purchased green electricity from certified providers. From 2018, the share of renewable energy in district heating and district cooling is recorded.

⁶ Excluding the location OeNB – Western Austria and the Brussels Representative Office; increased water consumption in 2018 because of a hot summer.

⁷ Measurement of paper consumption is based on paper purchased and therefore includes stocks. Total consumption: 46,855 kg.

⁸ More precise data from 2018, including Money Center; total consumption in 2019: 3,312 kg.

⁹ Operation of facilities and business travel; total in 2019: 2,956 tons; the increase is due to the inclusion of the Money Center; conversion factors according to the Environment Agency Austria, including indirect greenhouse gas emissions. Including energy consumption for buildings, business travel, transport and emergency generators.

Note: The following indicators required by EMAS are not provided in this table because of negligible levels: biodiversity (land use) as well as greenhouse gases and air pollutants such as CH₄, N₂O, HFC, PFC, SF₆ or SO₂, NO_x and fine dust.

This database records data on energy and material consumption, serves to document environmental audits assessing compliance with regulatory targets and standards as well as corresponding measures and to manage related deadlines. The revised environmental database features faster response times and makes content more accessible through data visualization; in addition, the user-friendliness of existing modules has been improved. The energy accounting system automatically provides the latest water, power and heating meter readings for monitoring purposes. Access to the environmental database is open to all EPT members. Information on green issues is also available from the OeNB's intranet.

The environmental management obligations with which the OeNB must comply by law (e.g. under the Austrian Waste Management Act and the Austrian Energy Efficiency Act) or as a result of voluntary commitments (e.g. under EMAS) are recorded in a legal register that is reviewed and updated regularly. If there are any relevant changes, the business areas concerned are informed accordingly and any action required will be initiated. All recurring tasks are managed via the environmental database and evaluated during internal reviews. So far, the OeNB has been fully compliant with the legal requirements.

Efficient energy management and electricity from renewable sources

Over the past few years, the OeNB managed to continuously improve its ecological core indicators as a result of measures implemented in line with its defined environmental objectives. As in previous years, mild weather conditions kept energy consumption for heating at low levels also in 2019; moreover, further optimization measures helped reduce energy consumption values to levels slightly below those recorded in 2018.

Since 2010, the OeNB has purchased electricity from renewable sources only (hydroelectricity, wind, sunlight, biomass). This move has contributed to reducing the OeNB's CO₂ emissions by 50% compared with the use of

Table 6

Transport mileage

	2017	2018	2019
Business travel by airplane, km	2,919,000	2,791,800	2,609,057
Business travel by car, km	402,000	350,200	356,642
Business travel by train, km	215,000	288,600	250,200
Fuels for transport, liters	34,879	31,028	34,879

Source: OeNB.

conventional electricity. At the OeNB, electricity consumption is highest for ventilation and cooling systems and the IT data center. The OeNB's commitment to economical energy consumption is reflected in the following measures in particular: use of energy-efficient LED lighting, integration of a photovoltaic system into the building facade of the OeNB's Money Center, reduction of standby energy consumption, energy-efficient use of low external temperatures for room and server cooling, heat recovery, optimization of ventilation systems and centralized sunblind control.

While business travel by airplane has decreased slightly year on year, no clear trend is visible for business travel by car or train. To support the use of environmentally friendly transportation, the OeNB subsidizes the purchase of annual tickets for the Vienna public transport system. Moreover, to promote the use of bicycles as a means of transportation and to motivate staff not to use their cars, the OeNB's EPT organized a bicycle maintenance event and added more docking and charging stations (green energy) for e-bikes and e-scooters.

Under a carbon offset agreement signed with the World Wildlife Fund For Nature (WWF) several years ago, the OeNB has been sponsoring projects to support flood control and help reestablish flora and fauna through the renaturation of floodplains and river meadows.

Sustainable use of materials and products

The OeNB's paper consumption has declined considerably over the past few years, not least thanks to information and awareness campaigns among staff on topics like double-sided

Table 7

Waste generation by the OeNB, 2017–2019

	2017	2018	2019
	kg		
Nonhazardous materials	91,265	66,444	72,396
Nonhazardous waste per FTE ¹	84	62	68
Hazardous materials	9,959	2,965	28,611
Hazardous waste per FTE ²	9	3	27
Recyclables	102,840	116,653	102,210
Recyclables per FTE	95	108	96
Total waste	204,064	186,062	203,217

Source: OeNB.

¹ The reduction of nonhazardous waste was attributable to rigorous waste separation and reuse of recyclable materials.

² Increase in 2019 due to the replacement of accumulators. Accumulators are required for safeguarding uninterruptible power supply.

printing and copying and the deployment of an electronic workflow system that replaced paper records. State-of-the-art multifunctional devices for copying, printing, scanning and Follow-You printing help manage processes efficiently, reduce costs, avoid misprints and increase docu-

ment security. The OeNB's cleaning contractor is EMAS-certified and uses only environmentally friendly products. In July 2019, the OeNB's staff restaurant hosted a "terrace open house" event and provided information on raising herbs and flowers in a presentation on urban gardening, which was followed in September by a presentation on cooking with herbs and flowers and on environmental measures such as waste reduction.

Waste generation

Since the introduction of the EMAS environmental management system, the switch from offset to digital printing in 2009 and the resultant disappearance of chemical waste and printing plates have cut back substantially the amount of hazardous waste generated at the OeNB. The overall volume of waste generated at the OeNB remained broadly unchanged in the reporting year, even if special disposal was required for a used battery that was replaced in the uninterruptible power supply (UPS) system.

EMAS validation

This Environmental Statement, published by the Oesterreichische Nationalbank, Otto-Wagner-Platz 3, 1090 Vienna, has been validated in accordance with the EMAS Regulation by Quality Austria Trainings, Zertifizierungs und Begutachtungs GmbH, located at Zelinkagasse 10/3, 1010 Vienna, Austria, AT-V-0004.



The Lead Verifier of Quality Austria Trainings, Zertifizierungs und Begutachtungs GmbH herewith confirms that the OeNB's environmental policy, its environmental program and environmental management system, its environmental review and its environmental audit procedures conform to Regulation (EC) No 1221/2009 of the European Parliament and of the Council of 25 November 2009 (EMAS Regulation), taking into account Commission Regulation (EU) 2017/1505 of 28 August 2017, and validates the relevant information for the Environmental Statement in accordance with Annex IV.

Vienna, January 2020

Martin Nohava, Lead Verifier

The OeNB's next Environmental Statement will be published as part of the OeNB's Sustainability Report in spring 2021.

Table 8

The OeNB’s environmental performance up to 2019 and environmental program for 2020

	Deadline	Status	Responsible
Further greening of procurement			
Hiring a new cleaning contractor with EMAS certification	2019	implemented	specialist division
Austrian Ecolabel (printed matter) and EU Ecolabel recertification	2019	implemented	specialist division
Procuring office material according to ecological criteria	2020	planned	specialist division
Implementing a document management system, aimed i.a. at saving paper	2020	planned	specialist division
Responsible resource use, reduction of emissions, further reduction of electricity consumption by 2% against the year 2014			
Relaunching the environmental database	2019	implemented	EPT
Enhancing energy management, evaluating energy expenditures in the Money Center	2019	implemented	specialist division
Implementing a demand-dependent lighting concept for work lamps	2020	continued	specialist division
Developing the mobility strategy further	2020	continued	EPT
Evaluating the cooling agents used in facility management	2020	planned	specialist division
Electricity saving projects			
Optimization of lighting in cold stores	2019	implemented	specialist division
Transition to LED lighting on service floors in the main building and in the northern office building	2020	continued	specialist division
Modernization of plumbing, cooling and heating installations	2020	continued	specialist division
Modernization of electricity supply with buffer function (security area)	2019	implemented	specialist division
ISO 50001 recertification	2019	implemented	specialist division
Replacement of lighting in the security area, installation of LED lighting	2020	planned	specialist division
Replacement of lighting in the sanitary facilities (main building)	2020	planned	specialist division
Replacement of lighting in elevator cars (main building)	2020	planned	specialist division
Replacement of lighting in printing office floor and ground floor (northern office building)	2020	planned	specialist division
Promoting environmental awareness, training			
Promoting green mobility (bicycle use, including Citybike rental system)	2020	continued	specialist division
Training new staff	2020	planned	EPT
Focusing on mobility (information on the intranet, survey, strategy)	2020	continued	EPT
Urban gardening, information: plants in the city	2020	continued	specialist division
Networking and communication			
Membership in the Central Banks and Supervisors Network for Greening the Financial System (NGFS)	2020	continued	Green Finance Team
Information campaign, including lectures, more information on the intranet	2020	continued	EPT
Cooperating with partners such as the Club of Rome and OEGUT (Austrian Society for Environment and Technology)	2020	continued	EPT
Auditing the waste disposal contractor	2020	planned	waste management officer
Greening the food offered at the OeNB further, reducing plastic material	2020	continued	EPT

Source: OeNB.



Direct and indirect equity interests

Table 9

Direct and indirect equity interests of the OeNB as on December 31, 2019

Share in %	Company	Capital issued
100	Münze Österreich Aktiengesellschaft, Vienna (Austria)	EUR 6,000,000.00
100	Schoeller Münzhandel GmbH, Vienna (Austria)	EUR 1,017,420.00
(100) 100	Schoeller Münzhandel Deutschland GmbH, Freiburg (Germany)	EUR 6,000,000.00
50	PRINT and MINT SERVICES GmbH, Vienna (Austria)	EUR 35,000.00
16.67	World Money Fair Holding GmbH, Berlin (Germany)	EUR 30,000.00
(16.67) 100	World Money Fair Berlin GmbH, Berlin (Germany)	EUR 25,000.00
(16.67) 100	World Money Fair AG, Basel (Switzerland)	CHF 300,000.00
100	Oesterreichische Banknoten- und Sicherheitsdruck GmbH, Vienna (Austria)	EUR 10,000,000.00
50	PRINT and MINT SERVICES GmbH, Vienna (Austria)	EUR 35,000.00
0.25	Europafi S.A.S., Vic-le-Comte (France)	EUR 133,000,000.00
95.34	GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination G.m.b.H., Vienna (Austria)	EUR 3,336,336.14
25	Studiengesellschaft für Zusammenarbeit im Zahlungsverkehr (STUZZA) G.m.b.H., Vienna (Austria)	EUR 100,000.00
100	IG Immobilien Invest GmbH, Vienna (Austria)	EUR 40,000.00
100	Austrian House S.A., Brussels (Belgium)	EUR 5,841,610.91
100	City Center Amstetten GmbH, Vienna (Austria)	EUR 72,000.00
100	EKZ Tulln Errichtungs GmbH, Vienna (Austria)	EUR 36,000.00
100	HW Hohe Warte Projektentwicklungs- und ErrichtungsgmbH, Vienna (Austria)	EUR 35,000.00
100	IG Belgium S.A., Brussels (Belgium)	EUR 19,360,309.87
100	IG Döbling Herrenhaus-Bauträger GmbH, Vienna (Austria)	EUR 40,000.00
100	IG Hungary Irodaközpont Kft., Budapest (Hungary)	EUR 11,852.00
100	IG Immobilien Beteiligungs GmbH, Vienna (Austria)	EUR 40,000.00
100	IG Immobilien M97 GmbH, Vienna (Austria)	EUR 120,000.00
100	IG Immobilien Management GmbH, Vienna (Austria)	EUR 40,000.00
100	IG Immobilien Mariahilfer Straße 99 GmbH, Vienna (Austria)	EUR 72,000.00
100	IG Immobilien O20-H22 GmbH, Vienna (Austria)	EUR 110,000.00
100	IG Netherlands N1 and N2 B.V., Uithoorn (Netherlands)	EUR 91,000.00
100	BLM Betriebs-Liegenschafts-Management GmbH, Vienna (Austria)	EUR 40,000.00
100	BLM-IG Bauträger GmbH, Vienna (Austria)	EUR 35,000.00
(100) 100	OWP5 Betriebs-Liegenschafts-Management GmbH, Vienna (Austria)	EUR 35,000.00
100	BLM New York 43 West 61 st Street LLC, New York (U.S.A.)	USD 10.00

Source: OeNB, subsidiaries.

Note: The OeNB's share of the paid-up capital of the European Central Bank (ECB), Frankfurt (Germany), which totals EUR 10,825,007,069.61, amounted to 2.0325% as at December 31, 2019. The OeNB also holds 8,000 shares (at SDR 5,000 each) and 564 nonvoting shares in the Bank for International Settlements (BIS), Basel (Switzerland), as well as 56 shares (at EUR 125.00 each) in S.W.I.F.T. (Society for Worldwide Interbank Financial Telecommunication), La Hulpe (Belgium).

Table 9 shows the OeNB's direct and indirect equity interests in line with Article 68 paragraph 4 Nationalbank Act.



Stability and Security.

€ ONB

OESTERREICHISCHE NATIONALBANK

EUROSYSTEM

Financial statements
of the Oesterreichische Nationalbank
for 2019

Balance sheet as at December 31, 2019

Assets

	December 31, 2019 EUR	December 31, 2018 EUR
1 Gold and gold receivables	12,189,789,812.09	10,091,011,456.69
2 Claims on non-euro area residents denominated in foreign currency	9,846,950,448.18	10,231,052,302.67
2.1 Receivables from the IMF	2,982,368,161.77	2,836,227,479.19
2.2 Balances with banks and security investments, external loans and other external assets	6,864,582,286.41	7,394,824,823.48
3 Claims on euro area residents denominated in foreign currency	1,302,941,636.99	932,846,792.10
4 Claims on non-euro area residents denominated in euro	1,182,360,130.28	1,304,555,812.59
4.1 Balances with banks, security investments and loans	1,182,360,130.28	1,304,555,812.59
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	17,369,390,000.00	21,114,390,000.00
5.1 Main refinancing operations	480,000,000.00	1,302,000,000.00
5.2 Longer-term refinancing operations	16,889,390,000.00	19,812,390,000.00
5.3 Fine-tuning reverse operations	–	–
5.4 Structural reverse operations	–	–
5.5 Marginal lending facility	–	–
5.6 Credits related to margin calls	–	–
6 Other claims on euro area credit institutions denominated in euro	67,034.17	100,515.38
7 Securities of euro area residents denominated in euro	67,706,706,682.74	67,399,284,639.51
7.1 Securities held for monetary policy purposes	59,574,372,105.63	59,516,224,456.64
7.2 Other securities	8,132,334,577.11	7,883,060,182.87
8 General government debt denominated in euro	394,008,310.44	396,791,618.60
9 Intra-Eurosystem claims	36,175,572,072.96	29,609,213,907.51
9.1 Participating interest in the ECB	271,654,974.47	221,613,272.84
9.2 Claims equivalent to the transfer of foreign reserves	1,177,854,948.49	1,137,636,924.67
9.3 Claims related to the issuance of ECB debt certificates ¹	x	x
9.4 Net claims related to the allocation of euro banknotes within the Eurosystem	34,726,062,150.00	28,249,963,710.00
9.5 Other claims within the Eurosystem (net)	–	–
10 Items in course of settlement	–	–
11 Other assets	8,681,581,970.93	8,871,280,062.85
11.1 Coins of euro area	101,132,383.89	111,346,286.71
11.2 Tangible and intangible fixed assets	129,558,980.99	129,055,954.97
11.3 Other financial assets	6,932,795,143.51	6,967,277,865.81
11.4 Off balance sheet instruments' revaluation differences	–	–
11.5 Accruals and prepaid expenses	706,261,135.42	739,849,254.97
11.6 Sundry	811,834,327.12	923,750,700.39
	154,849,368,098.78	149,950,527,107.90

¹ Only an ECB balance sheet item.

Liabilities

	December 31, 2019 EUR	December 31, 2018 EUR
1 Banknotes in circulation	34,723,050,120.00	31,584,742,770.00
2 Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	40,768,943,352.12	42,290,247,110.34
2.1 Current accounts (covering the minimum reserve system)	36,202,443,352.12	37,521,247,110.34
2.2 Deposit facility	4,566,500,000.00	4,769,000,000.00
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	–	–
4 Debt certificates issued¹	x	x
5 Liabilities to other euro area residents denominated in euro	5,749,577,861.67	6,147,018,111.83
5.1 General government	1,423,992,535.74	1,609,939,690.53
5.2 Other liabilities	4,325,585,325.93	4,537,078,421.30
6 Liabilities to non-euro area residents denominated in euro	1,321,082,517.43	2,065,493,242.09
7 Liabilities to euro area residents denominated in foreign currency	35,163.31	44,136.40
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	2,142,437,666.92	2,110,315,860.58
10 Intra-Eurosystem liabilities	46,463,731,539.72	45,428,115,491.82
10.1 Liabilities equivalent to the transfer of foreign reserves ¹	x	x
10.2 Liabilities related to the issuance of ECB debt certificates	–	–
10.3 Net liabilities related to the allocation of euro banknotes within the Eurosystem	–	–
10.4 Other liabilities within the Eurosystem (net)	46,463,731,539.72	45,428,115,491.82
11 Items in course of settlement	–	–
12 Other liabilities	505,683,304.85	545,322,741.28
12.1 Off balance sheet instruments' revaluation differences	44,513,560.78	153,593,341.94
12.2 Accruals and income collected in advance	169,397,995.50	168,029,089.08
12.3 Sundry	291,771,748.57	223,700,310.26
13 Provisions	6,737,160,283.16	6,446,216,977.70
14 Revaluation accounts	12,136,442,263.41	9,045,788,305.35
15 Capital and reserves	4,277,592,482.03	4,266,760,819.27
15.1 Capital	12,000,000.00	12,000,000.00
15.2 Reserves	4,265,592,482.03	4,254,760,819.27
16 Profit for the year	23,631,544.16	20,461,541.24
	154,849,368,098.78	149,950,527,107.90

¹ Only an ECB balance sheet item.

Profit and loss account for 2019

	Year ending December 31, 2019 EUR	Year ending December 31, 2018 EUR
1.1 Interest income	1,751,425,377.41	1,782,588,295.39
1.2 Interest expense	-1,069,973,655.46	-1,062,963,050.18
1 Net interest income	681,451,721.95	719,625,245.21
2.1 Realized gains/losses arising from financial operations	-39,719,112.48	63,619,044.56
2.2 Writedowns on financial assets and positions	-56,549,081.95	-195,695,340.12
2.3 Transfer to/from provisions for financial risks	-150,000,000.00	-150,000,000.00
2 Net result of financial operations, writedowns and risk provisions	-246,268,194.43	-282,076,295.56
3.1 Fees and commissions income	7,307,916.90	6,784,404.43
3.2 Fees and commissions expense ¹	-5,246,272.41	-4,620,659.88
3 Net income from fees and commissions ¹	2,061,644.49	2,163,744.55
4 Income from equity shares and participating interests	88,329,245.22	98,635,205.52
5 Net result of pooling of monetary income	135,406,739.22	124,364,464.43
6 Other income	34,878,975.96	30,905,607.17
Total net income	695,860,132.41	693,617,971.32
7 Staff costs	-155,976,725.50	-151,767,185.41
8 Expenses for retirement	-98,569,716.92	-138,836,671.50
9 Administrative expenses ¹	-78,249,162.48	-80,930,315.79
10 Depreciation of tangible and intangible fixed assets	-13,911,103.90	-15,842,357.44
11 Banknote production services	-7,556,262.00	-15,226,014.00
12 Other expenses	-13,722,433.36	-7,726,224.89
Total expenses	-367,985,404.16	-410,328,769.03
Operating profit	327,874,728.25	283,289,202.29
13 Corporate income tax	-65,302,015.40	-55,938,744.06
	262,572,712.85	227,350,458.23
14 Transfer to the pension reserve and central government's share of profit	-238,941,168.69	-206,888,916.99
15 Profit for the year	23,631,544.16	20,461,541.24

¹ Following a reclassification, the 2018 values were adjusted.

Notes on the financial statements 2019

General notes on the financial statements

Legal framework

The Oesterreichische Nationalbank (OeNB) is obligated under Article 67 paragraph 2 of the Federal Act on the Oesterreichische Nationalbank 1984¹ (hereinafter Nationalbank Act), Federal Law Gazette No. 50/1984, as amended, to prepare its balance sheet and its profit and loss account in conformity with the rules established by the Governing Council of the ECB under Article 26.4 of the Protocol on the Statute of the European System of Central Banks and of the European Central Bank (Statute of the ESCB and of the ECB). The OeNB has adopted the ESCB's accounting rules² and applied them to these financial statements in their entirety. Activities not covered by these rules are to be treated as regulated by the generally accepted accounting principles referred to in Article 67 paragraph 2 second sentence Nationalbank Act and, according to Article 67 paragraph 3 Nationalbank Act, the provisions of the third volume of the Unternehmensgesetzbuch (Commercial Code) are to be applied in addition. The OeNB is exempt i.a. from Article 199 Commercial Code (contingent liabilities arising from guarantees) and from Articles 244 et seq. Commercial Code (consolidated financial statements). Moreover, Article 68 paragraph 3 Nationalbank Act exempts the OeNB from including specific disclosures under Article 243 Commercial Code. In light of the provisions of Article 72 Nationalbank Act, the OeNB is not required to draw up a balance sheet for taxation purposes. Thus, no differences can arise between the carrying values reported by the OeNB in the balance sheet for commercial and for tax purposes.

Pursuant to the Federal Act governing the National Foundation for Research, Technology and Development (hereinafter National Foundation Act), Federal Law Gazette I No. 81/2017, the OeNB is entitled, from 2018 to 2020, to

transfer up to EUR 66.67 million of the central government's 90% share of profit to the National Foundation for Research, Technology and Development (hereinafter National Foundation). Any annual payout of investment income by the OeNB to the National Foundation under Article 4 paragraph 5 item 2 National Foundation Act must be deducted from this amount. For the subsequent financial year, such transfer from the central government's share of profit reduces the corporate income tax base of the OeNB under Article 72 paragraph 1 Nationalbank Act.

Format of the balance sheet and the profit and loss account

The balance sheet and the profit and loss account in the financial statements 2019 were prepared in the format laid down by the Governing Council of the ECB.

Valuation rules and accounting policies

The OeNB's financial statements are prepared in conformity with valuation rules and accounting policies which are applied by the Eurosystem and which follow accounting principles harmonized by European Union (EU) law and generally accepted international accounting standards. These standards comprise the following accounting principles: economic reality and transparency, prudence, recognition of post-balance sheet events, materiality, going-concern basis, accruals principle, consistency and comparability.

Time of recording

Foreign exchange transactions, financial instruments denominated in foreign currency and related accruals must be recorded at trade date (economic approach) while securities transactions (including transactions with equity instruments) denominated in foreign currency may be recorded according to the cash/settlement approach. Interest accrued in relation to for-

¹ The Nationalbank Act was last amended with effect from June 14, 2018 (Federal Law Gazette I No. 37/2018).

² Guideline of the European Central Bank of 3 November 2016 on the legal framework for accounting and financial reporting in the European System of Central Banks (recast) (ECB/2016/34), as amended on November 28, 2019 (ECB/2019/34).

foreign currency transactions, including premiums or discounts, must be recorded on a daily basis from the spot settlement date. To record euro-denominated transactions, financial instruments and related accruals, either the economic or the cash/settlement approach may be used.

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

Basis of accounting

At year-end, valuation is based on current market prices or rates. This applies equally to transactions that are disclosed in the balance sheet and to transactions that are not.³

The valuation of foreign currency holdings comprises the entire position in a given currency (including off balance sheet instruments). Moreover, holdings of Special Drawing Rights (SDRs), including holdings of specific foreign currencies that serve to hedge the SDR currency risk, are treated as a single holding. Own funds invested in foreign exchange assets are treated as a separate currency item under *other financial assets*, as are any equity instruments (equity shares and equity funds) denominated in foreign currency.

Revaluation of securities and investment fund shares/units takes place on a security-by-security basis, i.e. securities with the same International Securities Identification Number (ISIN) are grouped together.

Securities currently held for monetary policy purposes (debt securities) are accounted for at amortized cost (subject to impairment). Marketable securities (other than securities held for monetary policy purposes and those classified as held-to-maturity⁴) and similar assets are valued either at market prices or on the basis of the relevant yield curve prevailing on the balance sheet date, on a security-by-security

basis. Options embedded in securities are not separated for valuation purposes. For the year ending December 31, 2019, market prices as on December 31, 2019, were used.

Marketable securities classified as held-to-maturity and non-marketable securities are all valued at amortized cost subject to impairment. Illiquid equity shares and any other equity instruments held as permanent investments are valued at cost subject to impairment.

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

Income recognition

Realized gains and losses may only occur in the course of transactions entailing a reduction in securities or currency positions. They correspond to the difference between the transaction value and the acquisition value calculated according to the average cost method and must be included in the profit and loss account.

Unrealized gains and losses arise during revaluation and correspond to the difference between the market price and the acquisition value calculated according to the average cost method. Unrealized gains must not be taken to the profit and loss account but must be 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 or currency are not netted against unrealized gains in other securities or currencies (prohibition of netting).

Premiums or discounts arising on purchased 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 because the Eurosystem's accounting format does not provide for off balance sheet transactions.

⁴ Held-to-maturity securities are securities with fixed or determinable payments and a fixed maturity that the OeNB intends to hold until maturity.

Tangible and intangible fixed assets

Tangible and intangible fixed assets are valued at cost less depreciation. As a rule, depreciation is calculated on a straight-line basis from the quarter after acquisition throughout the expected economic lifetime of the assets. Tangible fixed assets below the cost of EUR 10,000 including value added tax are depreciated in the year of acquisition. Acquisitions of string instruments and art objects as well as additions to the coin collection of the OeNB's Money Museum are excluded from this provision. They are capitalized at cost, and no depreciation according to the straight-line method is carried out as these assets do not lose value on a regular basis. Extraordinary depreciation is required if permanent impairment is expected. In line with the ESCB's accounting rules, no write-ups are added to amortized cost should the reasons for impairment no longer apply. The depreciation periods applicable to the individual assets are listed in table 1.

Table 1

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

Realized gains and losses and valuation differences and their treatment in the financial statements of December 31, 2019

Realized gains and losses as well as valuation differences are shown in table 2.

Banknotes in circulation, intra-Eurosystem balances and interim ECB profit distribution

Banknotes in circulation

The ECB and the 19 euro area national central banks (NCBs), which together comprise the Eurosystem, issue euro banknotes. The banknotes in circulation presented in the balance sheet of the OeNB (and of the other Eurosystem central banks) are calculated as per the last working day of each month in accordance with the banknote allocation key of the Eurosystem.⁵

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

The difference between the value of the euro banknotes allocated to the OeNB in accordance with the banknote allocation key and the value of the euro banknotes that the OeNB actually puts into circulation gives rise to remunerated intra-Eurosystem balances. If the value of the euro banknotes put into circulation

Table 2

	Realized gains profit and loss account item 2.1	Realized losses profit and loss account item 2.1	Unrealized losses profit and loss account item 2.2	Change in unrealized gains liability item 14
	EUR million	EUR million	EUR million	EUR million
Gold	–	–	–	+2,098.778
Foreign currency	3.142	–70.952	–33.632	+176.181
Securities	42.241	–14.150	–22.917	+594.115
Participating interests (investment of own funds)	–	–	–	+7.495
Total	45.383	–85.102	–56.549	+2,876.569

⁵ Banknote allocation key means the percentages that result from taking into account the ECB's share (8%) in the total euro banknote issue and applying the capital key to the NCBs' share (92%) in such total.

exceeds the value of the euro banknotes allocated in accordance with the banknote allocation key, the OeNB records *net liabilities related to the allocation of euro banknotes within the Eurosystem*. Conversely, the OeNB records *net claims related to the allocation of euro banknotes within the Eurosystem*.

From the cash changeover year until five years following the cash changeover year, the intra-Eurosystem balances arising from the allocation of euro banknotes are adjusted in order to avoid significant changes in NCBs' relative income positions as compared to previous years. The adjustments are effected by taking into account the differences between the average value of banknotes 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 will be reduced in annual stages until the first day of the sixth year after the cash changeover year, when income on banknotes (seigniorage) will be allocated fully in proportion to the NCBs' paid-up shares in the ECB's capital. In the year under review, the adjustments resulted from the accession of Lithuania (in 2015) and Latvia (in 2014) to the euro area and will terminate at the end of 2020 and 2019, respectively.

The interest income and expense on these balances is cleared through the accounts of the ECB and is disclosed under the profit and loss account item 1 *Net interest income*. In the year under review, no interest accrued because the interest rate on the main refinancing operations was 0% throughout the year.

Intra-Eurosystem balances

Intra-Eurosystem balances result primarily from cross-border payments in the EU that are settled in central bank money in euro. They are primarily settled in TARGET2 and give rise to bilateral balances in the TARGET2 accounts of EU central banks. These bilateral balances are netted and then assigned to the ECB on a daily basis, leaving each NCB with a single net bilateral position vis-à-vis the ECB only. The OeNB's intra-Eurosystem balances vis-à-vis the ECB

arising from TARGET2, as well as other intra-Eurosystem balances denominated in euro (e.g. interim ECB profit distributions to NCBs, monetary income results), are presented net under liability item 10.4 *Other liabilities within the Eurosystem (net)*. Intra-ESCB balances vis-à-vis non-euro area NCBs not arising from TARGET2 are disclosed either under *claims on non-euro area residents denominated in euro* or *liabilities to non-euro area residents denominated in euro*.

Intra-Eurosystem claims arising from the OeNB's participating interest in the ECB are reported under asset item 9.1 *Participating interest in the ECB*.

Intra-Eurosystem claims arising from the transfer of foreign reserves to the ECB by the OeNB at the time of joining the Eurosystem are denominated in euro and reported under asset item 9.2 *Claims equivalent to the transfer of foreign reserves*.

Intra-Eurosystem balances arising from the allocation of euro banknotes within the Eurosystem are reported net under asset item 9.4 *Net claims related to the allocation of euro banknotes within the Eurosystem*.

Interim ECB profit distribution

The Governing Council of the ECB has decided that the seigniorage income of the ECB, which arises from the 8% share of euro banknotes allocated to the ECB, as well as the income arising from the securities held under the Securities Markets Programme (SMP), the third covered bond purchase programme (CBPP3), the asset-backed securities purchase programme (ABSPP) and the public sector purchase programme (PSPP) is distributed in January of the following year by means of an interim profit distribution, unless otherwise decided by the Governing Council. It is distributed in full unless it is higher than the ECB's net profit for the year, and subject to any decisions by the Governing Council to make transfers to the provision for financial risks. The Governing Council may also decide to reduce the amount of the income on euro banknotes in circulation to be distributed in January by the amount of

the costs incurred by the ECB in connection with the issue and handling of euro banknotes.

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

Provisions for financial risks and loss-absorbing capital

The OeNB's risk provisions are broken down into provisions for financial risks and loss-absorbing capital. They are part of the OeNB's net equity, which is shown in table 5. In line with the principle of universality, the OeNB's financial risks are covered by the designated financial provisions.

The *risk provision* is established for financial risks. As defined by the ECB, it constitutes a central bank-specific provision equivalent to reserves and is to be included in the OeNB's net equity.

To calculate the potential need to adjust the size of the *risk provision*, the OeNB uses bandwidths for all financial risks it incurs, including the risks arising from the Eurosystem's single monetary policy. These bandwidths are based on risk calculations using VaR (value at risk) and ES (expected shortfall) calculations with a

confidence level of 99% over a one-year horizon (plus a three-month horizon for market risk). Taking into account the prohibition of netting, balances on foreign currency revaluation accounts are used as risk-mitigating factors in calculating risk exposure. At the balance sheet date, the level of provisions for financial risks was adequate.

Table 3 shows the provisions for financial risks and loss-absorbing capital.

Related-party transactions

Article 238 paragraph 1 no. 12 Commercial Code stipulates that the notes on the financial statements must include information about material transactions with related parties that were not concluded under normal market conditions. The OeNB has a special reporting system and internal control measures for such instances in place.

Any business the OeNB transacted with related parties in 2019 was at normal market conditions.

In the financial year 2019, the OeNB provided funding to economic research institutions (Austrian Institute of Economic Research (WIFO), Institute for Advanced Studies (IHS), The Vienna Institute for International Economic

Table 3

	December 31, 2018 EUR million	Increase EUR million	Decrease EUR million	December 31, 2019 EUR million
I. Provisions for financial risks				
L 15.2 Reserve for nondomestic and price risks	1,973.263	–	–	1,973.263
L 13 Risk provision (equivalent to reserves)	4,100.000	+150.000	–	4,250.000
	6,073.263	+150.000	–	6,223.263
II. Loss-absorbing capital				
L 15.2 Profit-smoothing reserve	129.229	+9.262	–	138.490
L 15.2 OeNB Anniversary Fund for the Promotion of Scientific Research and Teaching				
OeNB Anniversary Fund National Foundation ¹ endowment	1,452.900	–	–	1,452.900
OeNB Anniversary Fund (initial funding)	37.500	–	–	37.500
	1,619.629	+9.262	–	1,628.890
Total	7,692.892	+159.262	–	7,852.153

¹ National Foundation for Research, Technology and Development.

Note: L = liability item.

Studies (wiiw)), the Austrian Society for European Politics (ÖGfE) and the Joint Vienna Institute (JVI), with total funding running to EUR 5.756 million (2018: EUR 6.049 million).

Information under section 9.2 Corporate Governance Code of the OeNB

The relations maintained by the OeNB with its shareholder as well as with the members of the Governing Board and of the General Council comply with the legal and statutory provisions (see section *Related-party transactions* for information related to Article 238 paragraph 1 no. 12 Commercial Code).

The Republic of Austria is the sole shareholder of the OeNB. Pursuant to Article 69 paragraph 3 Nationalbank Act, the central government's share of profit corresponds to 90% of the OeNB's operating profit after corporate income tax. From the remaining share of the profit for the year, the central government additionally receives, by decision of the General

Meeting, a dividend of up to 10% of its share of the OeNB's capital.

Lending by the OeNB to its employees in the form of advances on salaries and employer loans is reported in asset item 11.6 *Sundry*.

The remuneration received by the members of the Governing Board and of the General Council is reported in the profit and loss account item 7 *Staff costs*.

In 2019, the OeNB did not enter into any transactions with Governing Board members that did not directly concern the latter's tasks as members of the Governing Board.

There are no services and work contracts between members of the General Council and the OeNB in evidence that extend beyond the former's activities as members of the General Council.

The OeNB's net currency position

Table 4 shows the net currency position of the OeNB.

Table 4

	December 31, 2019	December 31, 2018	Change	
	EUR million	EUR million	EUR million	%
Gold and gold receivables	12,189.790	10,091.011	+2,098.778	+20.8
Claims on non-euro area residents denominated in foreign currency	9,846.950	10,231.052	-384.102	-3.8
Claims on euro area residents denominated in foreign currency	1,302.942	932.847	+370.095	+39.7
Other assets	56.426	63.233	-6.807	-10.8
less:				
Liabilities to euro area residents denominated in foreign currency	0.035	0.044	-0.009	-20.3
Counterpart of Special Drawing Rights allocated by the IMF	2,142.438	2,110.316	+32.122	+1.5
Other liabilities	3.003	9.537	-6.534	-68.5
Revaluation accounts ¹	39.435	29.769	+9.666	+32.5
	21,211.197	19,168.477	+2,042.720	+10.7
Transactions not disclosed in the balance sheet (net)	1,728.492	769.223	+959.269	+124.7
Total	22,939.689	19,937.700	+3,001.989	+15.1

¹ Resulting from the change in net unrealized exchange rate gains on foreign currency-denominated securities and off-balance sheet transactions as at the balance sheet date.

Table 5

	December 31, 2018	Increase	Decrease	December 31, 2019
	EUR million	EUR million	EUR million	EUR million
L 13 Risk provision (equivalent to reserves)	4,100.000	+150.000	–	4,250.000
L 14 Revaluation accounts ¹	9,045.788	+3,090.654	–	12,136.442
L 15.1 Capital	12.000	–	–	12.000
L 15.2 Reserves				
Reserve for nondomestic and price risks	1,973.263	–	–	1,973.263
Profit-smoothing reserve	129.229	+9.262	–	138.490
OeNB Anniversary Fund for the Promotion of Scientific Research and Teaching				
OeNB Anniversary Fund National Foundation endowment	1,452.900	–	–	1,452.900
OeNB Anniversary Fund (initial funding)	37.500	–	–	37.500
Net equity	16,750.680	+3,249.915	–	20,000.596

¹ Includes unrealized valuation gains as well as revaluation effects from the revaluation of participating interests recorded in the opening balance sheet of January 1, 1999.

Note: L = liability item.

Net equity

The presentation of net equity by the NCBs of the Eurosystem is in line with that of the ECB (table 5).

Notes on the balance sheet

Assets

1 Gold and gold receivables

Closing balance	EUR million	
December 31, 2019	12,189.790	
December 31, 2018	10,091.011	
Change	+2,098.778	(+20.8%)

The OeNB's gold holdings amounted to 9,002,107.528 fine ounces or 279,996.84 kg of

fine gold on December 31, 2019. Given a valuation price of EUR 1,354.104 per fine ounce (i.e. EUR 43,535.45 per kg of fine gold), the value of the asset item *gold and gold receivables* increased to EUR 12,189.790 million on the balance sheet date.

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

Closing balance	EUR million	
December 31, 2019	9,846.950	
December 31, 2018	10,231.052	
Change	–384.102	(–3.8%)

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

Table 6

	December 31, 2019	December 31, 2018	Change	
	EUR million	EUR million	EUR million	%
Austria's quota equivalent to SDR 3,932.0 million ¹	4,851.695	4,778.953	+72.742	+1.5
less:				
Balances at the disposal of the IMF	4,077.759	4,158.482	–80.723	–1.9
Claim on the participation in the IMF	773.936	620.471	+153.465	+24.7
SDR holdings	2,077.670	2,047.941	+29.729	+1.5
Other claims on the IMF	130.761	167.815	–37.054	–22.1
Total	2,982.368	2,836.227	+146.141	+5.2

¹ Pursuant to Federal Law Gazette No. 309/1971, the OeNB manages the entire quota on its own account on behalf of the Republic of Austria.

The claim on the participation in the IMF increased by EUR 153.465 million to EUR 773.936 million, with EUR 143.896 million of this increase resulting from net credit and debit entries. Moreover, valuation changes and the net effects of exchange rate gains and book value reconciliation totaled +EUR 9.569 million.

The IMF updates its rate of remuneration on a weekly basis. In 2019, this rate hovered between 0.740% and 1.153% per annum, mirroring the prevailing SDR interest rate.

SDR holdings⁶ were recognized in the balance sheet at EUR 2,077.670 million (SDR 1,683.824 million) as at December 31, 2019. The EUR 29.729 million net increase resulted largely from SDR valuation (+EUR 21.332 million), realized net gains (+EUR 9.814 million) as well as interest credited and remuneration received from the IMF (+EUR 7.151 million). Sales of SDRs amounted to EUR 8.567 million.

Under the IMF's Articles of Agreement, the OeNB is obligated to provide currency on demand in exchange for SDRs up to the point at which its SDR holdings are three times as high as its gratuitously allocated SDRs (see liability item 9 *Counterpart of Special Drawing Rights allocated by the IMF*). The OeNB's net cumulative allocation of SDRs totaled SDR 1,736.314 million (EUR 2,142.438 million) at the balance sheet date. See section *Notes on transactions not disclosed in the balance sheet* for information about this obligation to provide currency on demand, which would result in a claim of the same size.

The OeNB's claims arising from the New Arrangements to Borrow (NAB) in connection with IMF assistance programs are shown under

other claims on the IMF. The NAB entered into effect on March 11, 2011, and, in 2016, were renewed until November 2022.

Austria's credit line totaled SDR 1,818.490 million (EUR 2,243.835 million) at the balance sheet date.

So far, a total of SDR 637.400 million have been drawn from the OeNB's credit line under the NAB, while repayments have totaled SDR 531.426 million, which brings net drawings to SDR 105.974 million at the balance sheet date, which is equivalent to EUR 130.761 million.

The OeNB's balance sheet includes a contingent liability to the IMF for its undrawn commitment under the NAB as on December 31, 2019. The IMF could call on these resources for lending purposes against remuneration, which would result in a claim of the same size (see section *Notes on transactions not disclosed in the balance sheet*).

The OeNB has also provided the IMF with a temporary credit line of up to EUR 6.13 billion under a bilateral borrowing agreement with the IMF (as authorized under Federal Law Gazette I No. 101/2013). The bilateral borrowing agreement concluded in 2017 was extended in 2019 until December 31, 2020. To date, the IMF has not drawn on this line of credit.

A contingent liability to the IMF under the bilateral borrowing agreement has been included, which the IMF could call on against remuneration and which would result in a claim of the same size (see section *Notes on transactions not disclosed in the balance sheet*).

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

Table 7

	December 31, 2019	December 31, 2018	Change	
	EUR million	EUR million	EUR million	%
Securities	6,403.247	6,726.379	-323.133	-4.8
Balances with banks	461.336	668.446	-207.110	-31.0
Total	6,864.582	7,394.825	-530.243	-7.2

⁶ Pursuant to Federal Law Gazette No. 440/1969, the OeNB is entitled to participate in the SDR system on its own account on behalf of the Republic of Austria and to enter the SDRs purchased or allocated gratuitously on the asset side of the balance sheet.

3 Claims on euro area residents denominated in foreign currency

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

4 Claims on non-euro area residents denominated in euro

Table 9 shows the composition of asset item 4.1 *Balances with banks, security investments and loans*.

As in the previous year, no impairment losses were recorded for held-to-maturity securities at the balance sheet date. Securities other than held-to-maturity are recognized at market prices.

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

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

Income accruing to the Eurosystem NCBs in their performance of monetary policy oper-

ations is allocated to the NCBs (see profit and loss account item 5 *Net result of pooling monetary income*). In accordance with Article 32.4 of the Statute of the ESCB and of the ECB, losses from monetary policy operations, if they were to materialize, are to be shared in full by the Eurosystem NCBs, in proportion to the prevailing ECB capital key shares.

Losses can only materialize if both the counterparty fails and the recovery of funds received from the realization of the collateral provided by the counterparty is not sufficient. For specific collateral which can be accepted by NCBs at their own discretion, risk sharing has been excluded by the Governing Council of the ECB.

5.1 Main refinancing operations

The Eurosystem's main refinancing operations provide credit institutions in the euro area with liquidity on a weekly basis. They are executed

Table 8

	December 31, 2019	December 31, 2018	Change	
	EUR million	EUR million	EUR million	%
Securities	1,018.012	655.081	+362.932	+55.4
Balances with banks	284.929	277.766	+7.163	+2.6
Total	1,302.942	932.847	+370.095	+39.7

Table 9

	December 31, 2019	December 31, 2018	Change	
	EUR million	EUR million	EUR million	%
Securities	1,036.414	1,093.001	-56.588	-5.2
Held-to-maturity securities	145.946	211.554	-65.608	-31.0
Total	1,182.360	1,304.556	-122.196	-9.4

Table 10

	December 31, 2019	December 31, 2018	Change	
	EUR million	EUR million	EUR million	%
5.1 Main refinancing operations	480.000	1,302.000	-822.000	-63.1
5.2 Longer-term refinancing operations	16,889.390	19,812.390	-2,923.000	-14.8
Total	17,369.390	21,114.390	-3,745.000	-17.7

with a maturity of normally one week, on the basis of standard tenders.⁷ Since October 2008, these operations have been conducted as fixed rate tender procedures with full allotment. These operations play a key role in achieving the aims of steering interest rates, managing market liquidity and signaling the monetary policy stance.

The interest rate on the main refinancing operations has stood at 0% per annum since March 16, 2016.⁸

5.2 Longer-term refinancing operations

Longer-term refinancing operations aim to provide counterparties with longer-term liquidity, in addition to the main refinancing operations. In 2019, these operations were conducted as fixed rate tender procedures with full allotment with a maturity of three months. The interest rate on longer-term refinancing operations (except for targeted longer-term refinancing operations II and III – TLTROs II and III) is equivalent to the interest rate on the main refinancing operations.

In 2016 and 2017, the Governing Council of the ECB decided to launch four TLTROs II. These operations have a four-year maturity, with a possibility of repayment after two years.⁹ According to the decisions taken by the Governing Council of the ECB, the final interest rate applicable to each TLTRO II operation depended on the lending behavior of the counterparties in the period from February 1, 2016, to January 31, 2018.

All in all, the OeNB conducted 63 TLTRO II operations with Austrian credit institutions in the total amount of EUR 20.0 billion (Eurosyst-

tem: EUR 740.2 billion). The maturity periods of these operations are June 29, 2016, to June 24, 2020; September 28, 2016, to September 30, 2020; December 21, 2016, to December 16, 2020, and March 29, 2017, to March 24, 2021. Net of early repayments to the OeNB, the amount of outstanding refinancing operations under TLTRO II as at December 31, 2019, equaled EUR 13.9 billion (Eurosyst-tem: EUR 510.8 billion).

In 2019, the Governing Council of the ECB introduced a new series of seven quarterly targeted longer-term refinancing operations (TLTROs III) starting from September 2019. These operations have a three-year maturity, with a possibility of repayment after two years.¹⁰ According to the decisions taken by the Governing Council of the ECB, the final interest rate applicable to each TLTRO III operation can be as low as the average interest rate on the deposit facility prevailing over the life of the operation and depends on the lending behavior of the counterparties between early April 2019 and end-March 2021. Given that the rate for accruing interest will only be known starting from 2021 and that a reliable estimate is not possible until that time, the deposit facility rate was used for calculating the TLTRO III interest for 2019, as this was deemed a prudent approach. So far, the OeNB has conducted 13 TLTRO III operations with Austrian credit institutions in the total amount of EUR 2.8 billion (Eurosyst-tem: EUR 101.1 billion). These operations will mature on September 28, 2022 (operations running from September 25, 2019) and on December 21, 2022 (operations running from December 18, 2019).

⁷ *Guideline of the ECB of 19 December 2014 on the implementation of the Eurosystem monetary policy framework (ECB/2014/60), as amended on May 10, 2019 (ECB/2019/11).*

⁸ *Decision of the Governing Council of the ECB of March 10, 2016.*

⁹ *Decision of the ECB of 28 April 2016 on a second series of targeted longer-term refinancing operations (ECB/2016/10), as amended on July 22, 2019 (ECB/2019/22).*

¹⁰ *Decision of the ECB of 22 July 2019 on a third series of targeted longer-term refinancing operations (ECB/2019/21), as amended on September 12, 2019 (ECB/2019/28).*

Table 11

	December 31, 2019	December 31, 2018	Change	
	EUR million	EUR million	EUR million	%
7.1 Securities held for monetary policy purposes	59,574.372	59,516.224	+58.148	+0.1
7.2 Other securities	8,132.335	7,883.060	+249.274	+3.2
of which:				
Securities	7,512.952	6,771.290	+741.662	+11.0
Held-to-maturity securities	619.382	1,111.771	-492.388	-44.3
Total	67,706.707	67,399.285	+307.422	+0.5

Table 12

	December 31, 2019	December 31, 2018	Change		December 31, 2019	December 31, 2018	Change	
	Book value				Market price			
	EUR million	EUR million	EUR million	%	EUR million	EUR million	EUR million	%
CBPP2	167.886	276.402	-108.516	-39.3	178.935	293.014	-114.079	-38.9
CBPP3	7,478.944	6,960.862	+518.082	+7.4	7,658.034	7,027.935	+630.098	+9.0
SMP	1,197.185	1,935.447	-738.262	-38.1	1,275.763	2,068.727	-792.964	-38.3
PSPP ¹	50,730.357	50,343.513	+386.844	+0.8	53,064.118	50,983.708	+2,080.410	+4.1
Total	59,574.372	59,516.224	+58.148	+0.1	62,176.850	60,373.385	+1,803.465	+3.0

¹ Government/agency bonds.

7 Securities of euro area residents denominated in euro

Table 13

Table 11 shows the composition of this balance sheet item.

7.1 Securities held for monetary policy purposes

This balance sheet item consists of securities acquired by the OeNB within the scope of the CBPP¹¹, the SMP¹² and the PSPP¹³.

Tables 12 and 13 show the amortized cost (= book value), the market prices (which are provided here for information only) and the nominal value of the securities purchased under the programs mentioned above.

Under the CBPP2, the ECB and the NCBs purchased covered bonds issued in the euro area. The program ended in October 2012.

Under the SMP, the ECB and the NCBs purchased euro area public and private debt

	December 31, 2019	December 31, 2018	Change	
	Nominal value			
	EUR million	EUR million	EUR million	%
CBPP2	168.000	276.600	-108.600	-39.3
CBPP3	7,408.604	6,876.278	+532.326	+7.7
SMP	1,210.900	1,959.767	-748.867	-38.2
PSPP ¹	44,922.504	44,153.424	+769.080	+1.7
Total	53,710.008	53,266.069	+443.939	+0.8

¹ Government/agency bonds.

securities. The Governing Council of the ECB decided to cease further SMP purchases on September 6, 2012.

Since October 2014, the ECB and the NCBs have been making both primary and secondary market purchases of covered bonds denominated in euro and issued in the euro area under the CBPP3.

¹¹ Decision of the ECB of 3 November 2011 on the implementation of the second covered bond purchase programme (ECB/2011/17) and Decision of the ECB of 15 October 2014 on the implementation of the third covered bond purchase programme (ECB/2014/40), as amended on November 20, 2017 (ECB/2017/37).

¹² Decision of the ECB of 14 May 2010 establishing a securities markets programme (ECB/2010/5).

¹³ Decision of the ECB of 4 March 2015 on a secondary markets public sector asset purchase programme (ECB/2015/10), as amended on January 11, 2017 (ECB/2017/1).

Under the PSPP, the ECB and the NCBs have been able, since 2015, to purchase euro-denominated bonds issued by euro area governments or agencies (PSPP government/agency bonds) and by European institutions (PSPP supranational bonds) on the secondary markets.

In 2016, the corporate sector purchase programme (CSPP)¹⁴ was added to the expanded asset purchase programme (APP), which already comprised the CBPP3, the ABSPP¹⁵ and the PSPP. The OeNB does not buy securities under the ABSPP and the CSPP; such purchases are conducted by the ECB and some Eurosystem NCBs.

On November 1, 2019, the Eurosystem restarted its net purchases of securities under the APP at a monthly pace of EUR 20 billion on average. This followed a period of ten months during which the Eurosystem only reinvested, in full, the principal payments from maturing securities purchased under the APP.

Profits or losses on securities held for monetary policy purposes are pooled and redistributed within the framework of the allocation of monetary income within the Eurosystem. For securities purchased under the CBPP1¹⁶ and CBPP2 as well as government/agency bonds purchased under the PSPP, remuneration at the interest rate on the main refinancing operations is assumed. Any losses incurred under these programs are not shared by the Eurosystem NCBs. For securities purchased under the SMP, CBPP3, ABSPP and CSPP as well as supranational bonds purchased under the PSPP, remuneration is based on the actual return. In accordance with the decision of the Governing Council of the ECB taken under Article 32.4 of the Statute of the ESCB and of the ECB, losses from securities held under the SMP, CBPP3, ABSPP and CSPP or from supranational bonds held under the PSPP, if they were to materialize, are shared in full by the Eurosystem NCBs, in proportion

to the ECB capital key shares prevailing in the financial year in which the relevant losses occur.

The Governing Council of the ECB assesses on a regular basis the financial risks associated with the securities held under all the monetary policy asset purchase programs. Impairment tests are conducted on an annual basis, using data as at the year-end and are approved by the Governing Council of the ECB. In these tests, impairment indicators are assessed separately for each program.

In 2019, as a result of an impairment test conducted on the CSPP portfolio, the Governing Council of the ECB deemed it appropriate, in accordance with the principle of prudence, to adjust the provision against losses in monetary policy operations which had been established in 2018 (see liability item 13 *Provisions*).

As a result of an impairment test conducted at the end of 2019 on securities purchased under the CBPP1, CBPP2, CBPP3, SMP, PSPP and ABSPP, the Governing Council of the ECB decided that all future cash flows on these securities are expected to be received. As in the previous year, no losses were recorded for the securities held in any of these programs as at December 31, 2019.

7.2 Other securities

As in the previous year, at the balance sheet date, no impairment losses were recorded for held-to-maturity securities. Securities other than held-to-maturity are recognized at market prices.

8 General government debt denominated in euro

Closing balance	EUR million	
December 31, 2019	394.008	
December 31, 2018	396.792	
Change	-2.783	(-0.7%)

¹⁴ Decision of the ECB of 1 June 2016 on the implementation of the corporate sector purchase programme (ECB/2016/16), as amended on May 18, 2017 (ECB/2017/13).

¹⁵ Decision of the ECB of 19 November 2014 on the implementation of the asset-backed securities purchase programme (ECB/2014/45), as amended on May 18, 2017 (ECB/2017/15).

¹⁶ The last covered bonds the OeNB had purchased under the CBPP1 were repaid in 2017.

This balance sheet item corresponds fully to the claim on the Austrian Federal Treasury from silver commemorative coins issued by the former Austrian State Mint before 1989, based on the 1988 Coinage Act as promulgated in Federal Law Gazette No. 597/1988, as amended; Article 21 paragraph 1 item 2 of this Act authorizes the OeNB to include in its balance sheet an unremunerated claim on the central government in the amount of the face value of the accumulated silver coins. Table 14 shows the changes in 2019.

Table 14

EUR million

Government remuneration for silver commemorative coins returned to Münze Österreich AG	+4.939
Proceeds from metal recovery	-1.909
Redemptions made from the central government's share of profit in 2018	-5.814
Total	-2.783

The central government will have to repay any redeemable amount outstanding on December 31, 2040, in equal annual installments over the five following years (2041 to 2045). The unredeemable amount outstanding (equaling 7.5% of the face value of the silver commemorative coins that are (still) in circulation) is covered by a provision (see liability item 13 *Provisions*).

9 Intra-Eurosystem claims

Closing balance	EUR million
December 31, 2019	36,175.572
December 31, 2018	29,609.214
Change	+6,566.358 (+22.2%)

Table 15 shows the composition of this balance sheet item.

9.1 Participating interest in the ECB

Pursuant to Article 28 of the Statute of the ESCB and of the ECB, the NCBs of the ESCB are the sole subscribers to the capital of the ECB. For the OeNB, this balance sheet item includes the paid-up share in the ECB's subscribed capital and the net amount paid by the OeNB due to the increase in its share in the ECB's equity value resulting from all previous adjustments of the ECB's capital key.

Subscriptions depend on shares which are fixed in accordance with Article 29 of the Statute of the ESCB and of the ECB and are subject to adjustment every five years or whenever there is a change in composition of the ESCB national central banks. Following the regular adjustment effective from January 1, 2019, the OeNB's share in the ECB's capital fully paid up by the Eurosystem NCBs (relative capital key) changed from 2.7888% to 2.9195%.

9.2 Claims equivalent to the transfer of foreign reserves

This balance sheet item represents the OeNB's claims arising from the transfer of foreign reserve assets¹⁷ to the ECB. The claims are presented at the euro value the corresponding assets had at the time they were transferred to the ECB. The remuneration of these claims is calculated daily at the latest available marginal interest rate used by the Eurosystem in its tenders for main refinancing operations, adjusted to reflect a zero return on the gold component. The adjustments to the capital key weightings of the ECB

Table 15

	December 31, 2019	December 31, 2018	Change	
	<i>EUR million</i>	<i>EUR million</i>	<i>EUR million</i>	%
9.1 Participating interest in the ECB	271.655	221.613	+50.042	+22.6
9.2 Claims equivalent to the transfer of foreign reserves	1,177.855	1,137.637	+40.218	+3.5
9.4 Net claims related to the allocation of euro banknotes within the Eurosystem	34,726.062	28,249.964	+6,476.098	+22.9
Total	36,175.572	29,609.214	+6,566.358	+22.2

¹⁷ According to Article 30 of the Statute of the ESCB and of the ECB.

on January 1, 2019, also resulted in the adjustment of the claim of the OeNB with respect to the foreign reserve assets transferred to the ECB. The OeNB does not have a claim on the ECB for retransfer of these foreign reserve assets as the corresponding claims are denominated in euro. See section *Notes on transactions not disclosed in the balance sheet* for information about any additional capital contributions to be transferred to the ECB.

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

This balance sheet item consists of the OeNB's claims vis-à-vis the Eurosystem relating to the allocation of euro banknotes within the Eurosystem (see section *Banknotes in circulation, intra-Eurosystem balances and interim ECB profit distribution*).

11 Other assets

Table 16 shows *other assets*.

Table 16

	December 31, 2019	December 31, 2018	Change	
	EUR million	EUR million	EUR million	%
11.1 Coins of euro area	101.132	111.346	-10.214	-9.2
11.2 Tangible and intangible fixed assets	129.559	129.056	+0.503	+0.4
11.3 Other financial assets	6,932.795	6,967.278	-34.483	-0.5
11.5 Accruals and prepaid expenses	706.261	739.849	-33.588	-4.5
11.6 Sundry	811.834	923.751	-111.916	-12.1
Total	8,681.582	8,871.280	-189.698	-2.1

Table 17

	Purchase and production costs as at January 1, 2019	Purchases	Sales	Transfer	Purchase and production costs as at December 31, 2019
	Accumulated depreciation as at January 1, 2019	Annual depreciation	Depreciation sales	Depreciation transfer	Accumulated depreciation as at December 31, 2019
	Book value as at January 1, 2019				Book value as at December 31, 2019
	EUR million	EUR million	EUR million	EUR million	EUR million
Premises ¹	120.219	0.014	-1.128	-	119.104
	-75.519	-4.644	1.115	-	-79.047
	44.699				40.057
Assets under construction	-	0.638	-	-	0.638
	-	-	-	-	-
	-				0.638
Equipment	92.798	6.717	-3.594	-	95.920
	-59.680	-9.267	3.538	-	-65.409
	33.118				30.511
Tangible real assets	54.317	7.117	-0.002	-	61.432
	-3.078	-	-	-	-3.078
	51.239				58.353
Intangible fixed assets	0.090	-	-	-	0.090
	-0.090	-	-	-	-0.090
	-				-
Total	267.423	14.485	-4.724	-	277.184
	-138.367	-13.911	4.653	-	-147.625
	129.056				129.559

¹ The book value of developed land equals zero. 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 18

	December 31, 2019	December 31, 2018	Change	
	EUR million	EUR million	EUR million	%
Securities	6,230.784	6,276.187	-45.404	-0.7
Participating interests	701.293	690.143	+11.151	+1.6
Other investment	0.718	0.948	-0.230	-24.3
Total	6,932.795	6,967.278	-34.483	-0.5

11.1 Coins of euro area

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

11.2 Tangible and intangible fixed assets

Table 17 shows the composition of this balance sheet item.

Equipment contains, inter alia, office equipment, the art collection, IT hardware and software as well as motor vehicles.

Tangible real assets comprise the coin collection of the OeNB's Money Museum and the OeNB's collection of historical string instruments. In 2019, one violin was added to the collection of historical string instruments, which as at December 31, 2019, comprised 36 violins, six violoncellos and three violas. The string instruments are on loan to musicians under the OeNB's cultural promotion program.

11.3 Other financial assets

Table 18 shows *other financial assets*.

EUR 1,808.420 million of the OeNB's total securities portfolio represent investments of *pension reserve assets*, another EUR 1,597.230 million reflect investments of the *OeNB Anni-*

versary Fund for the Promotion of Scientific Research and Teaching (of which EUR 1,551.707 million were earmarked as an endowment for the National Foundation). Under its own funds management, the OeNB had invested EUR 2,825.134 million.¹⁸

Of the participating interests, EUR 400.438 million formed part of the own funds portfolio and EUR 300.856 million part of the investment portfolio relating to the investment of the pension reserve assets. Table 19 shows the changes in participating interests.

Table 19

	EUR million
Net asset value on December 31, 2018	690.143
Purchases in 2019	+3.627
Sales in 2019 (at book value)	-
Annual depreciation in 2019	-
Revaluation in 2019	+7.524
Net asset value on December 31, 2019	701.293

11.5 Accruals and prepaid expenses

Table 20 shows the composition of this balance sheet item.

Table 20

	December 31, 2019	December 31, 2018	Change	
	EUR million	EUR million	EUR million	%
Accrued income	11.889	11.562	+0.327	+2.8
Prepaid expenses	694.373	728.288	-33.915	-4.7
Total	706.261	739.849	-33.588	-4.5

¹⁸ The OeNB's own funds shown under liabilities include its capital, the reserve for non-domestic and price risks, the profit-smoothing reserve, earmarked capital funded with net interest income from ERP loans and the risk provision.

11.6 Sundry

Table 21 shows the composition of this balance sheet item.

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 663.439 million on December 31, 2019). The ERP loan portfolio managed by the OeNB thus totaled EUR 1,005.394 million on December 31, 2019. The provisions governing the extension of loans from this portfolio are laid down in Article 83 Nationalbank Act.

The residual terms of almost all advances on salaries exceed one year. All advance pay-

ments and employer loans are secured by life insurance or credit default insurance contracts.

Liabilities

1 Banknotes in circulation

Closing balance	EUR million	
December 31, 2019	34,723.050	
December 31, 2018	31,584.743	
Change	+3,138.307	(+9.9%)

This item consists of the OeNB's share of total euro banknotes in circulation (table 22).

See section *Banknotes in circulation, intra-Eurosystem balances and interim ECB profit distribution* for further explanations on this item.

Table 21

	December 31, 2019	December 31, 2018	Change	
	EUR million	EUR million	EUR million	%
Claims arising from ERP loans to companies	655.826	615.617	+40.209	+6.5
Balancing item relating to forward sales or purchases	60.491	181.634	-121.143	-66.7
Claims on Münze Österreich AG in respect of				
prepaid dividends for 2019 and 2018, respectively	33.079	54.752	-21.673	-39.6
unsettled schilling coin returns	–	0.015	-0.015	-100.0
Employer loans	18.743	20.869	-2.126	-10.2
Advances	15.892	4.368	+11.524	n.a.
Accounts receivable	12.983	13.367	-0.384	-2.9
Advances on salaries	8.904	9.310	-0.407	-4.4
Schilling coins	5.169	4.537	+0.632	+13.9
Other accounts receivable	0.748	2.247	-1.499	-66.7
Claims on the tax authorities arising from corporate income tax prepayment	–	17.034	-17.034	-100.0
Total	811.834	923.751	-111.916	-12.1

Table 22

	December 31, 2019	December 31, 2018	Change
	EUR million	EUR million	EUR million
Total value of euro banknotes put into circulation	-3.012	3,334.779	-3,337.791
Adjusted for: net claims related to the allocation of euro banknotes within the Eurosystem	34,726.062	28,249.964	+6,476.098
of which:			
Claims related to the allocation of euro banknotes within the Eurosystem	37,745.411	30,996.703	+6,748.708
less:			
Liabilities resulting from the ECB's share in euro banknotes in circulation ¹	-3,019.349	-2,746.740	+272.609
Total²	34,723.050	31,584.743	+3,138.307

¹ This corresponds to the OeNB's share in the 8% of the total value of euro banknotes in circulation that is recorded in the balance sheet of the ECB.

² This corresponds to 2.6860% of the total amount of euro banknotes in circulation as at December 31, 2019, and to 2.5655% as at December 31, 2018.

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

Table 23 shows the composition of this balance sheet item.

2.1 Current accounts (covering the minimum reserve system)

This balance sheet item contains the credit balances on 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 latest available marginal interest rate used by the Eurosystem in its tenders for main refinancing operations. Since June 2014, the reserves held in excess of minimum requirements were remunerated at the lower rate of either 0% or the deposit facility rate. Starting on October 30, 2019, the Governing Council of the ECB introduced a two-tier system for reserve remuneration, which exempts part of credit institutions' excess liquidity holdings from negative remuneration at the rate applicable on the deposit facility. This part is remunerated at the annual rate of 0%. The volume of reserve holdings in excess of minimum reserve requirements that was exempt at year-end from the deposit facility rate – the exempt tier – was determined as a multiple of six¹⁹ on an institution's minimum reserve requirement. The non-exempt tier of excess liquidity holdings continues to be remunerated at the lower of either 0% or the deposit facility rate.

2.2 Deposit facility

The item *deposit facility* refers to overnight deposits placed with the OeNB by credit institutions that access the liquidity-absorbing stand-

ing facility at a prespecified rate. The interest rate on the deposit facility was lowered from –0.40% per annum to –0.50% per annum, with effect from September 18, 2019.

5 Liabilities to other euro area residents denominated in euro

Closing balance	EUR million	
December 31, 2019	5,749.578	
December 31, 2018	6,147.018	
Change	–397.440	(–6.5%)

This balance sheet item comprises general government deposits of EUR 1,423.993 million (2018: EUR 1,609.940 million) and current account holdings to the amount of EUR 4,325.585 million (2018: EUR 4,537.078 million) of credit institutions not required to hold minimum reserves and of enterprises.

6 Liabilities to non-euro area residents denominated in euro

Closing balance	EUR million	
December 31, 2019	1,321.083	
December 31, 2018	2,065.493	
Change	–744.411	(–36.0%)

This balance sheet item consists of balances of central banks, credit institutions and supranational financial institutions resident outside the euro area.

9 Counterpart of Special Drawing Rights allocated by the IMF

Closing balance	EUR million	
December 31, 2019	2,142.438	
December 31, 2018	2,110.316	
Change	+32.122	(+1.5%)

Table 23

	December 31, 2019	December 31, 2018	Change	
	EUR million	EUR million	EUR million	%
2.1 Current accounts (covering the minimum reserve system)	36,202.443	37,521.247	–1,318.804	–3.5
2.2 Deposit facility	4,566.500	4,769.000	–202.500	–4.2
Total	40,768.943	42,290.247	–1,521.304	–3.6

¹⁹ The multiplier may be adjusted by the Governing Council of the ECB over time in line with changing levels of excess liquidity holdings.

This balance sheet item represents the euro equivalent of the SDR 1,736.314 million allocated gratuitously to the OeNB by the IMF, measured at current market prices. The OeNB was allocated SDRs on each January 1, from 1970 to 1972 and from 1979 to 1981 as well as on August 28 and September 9, 2009 (see asset item 2.1 *Receivables from the IMF*). The increase in this item results from valuation effects as well as realized exchange rate differences and book value reconciliation.

10 Intra-Eurosystem liabilities

Closing balance	EUR million
December 31, 2019	46,463.732
December 31, 2018	45,428.115
Change	+1,035.616 (+2.3%)

This balance sheet 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 liabilities to the ECB resulting from EUR/USD swap transactions between the ECB and the

OeNB. Moreover, this item covers the Eurosystem balance arising at year-end from the monetary income reallocation and the balances arising from the interim ECB profit distribution.

Intra-Eurosystem liabilities with the ECB (excluding the above-mentioned swap transactions) are remunerated on a daily basis at the prevailing interest rate on the Eurosystem's main refinancing operations.

12 Other liabilities

Table 24 shows the composition of *other liabilities*.

12.3 Sundry

Table 25 shows the composition 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 and after transfers to the pension reserve.

The item *earmarked funds of the OeNB Anniversary Fund* refers to the funds not yet disbursed at the balance sheet date.

Table 24

	December 31, 2019	December 31, 2018	Change	
	EUR million	EUR million	EUR million	%
12.1 Off balance sheet instruments' revaluation differences	44.514	153.593	-109.080	-71.0
12.2 Accruals and income collected in advance	169.398	168.029	+1.369	+0.8
12.3 Sundry	291.772	223.700	+68.071	+30.4
Total	505.683	545.323	-39.639	-7.3

Table 25

	December 31, 2019	December 31, 2018	Change	
	EUR million	EUR million	EUR million	%
Central government's share of profit of 90% under Article 69 paragraph 3 Nationalbank Act	212.684	184.154	+28.530	+15.5
Earmarked funds of the OeNB Anniversary Fund				
OeNB Anniversary Fund (initial funding)	37.929	34.909	+3.020	+8.7
OeNB Anniversary Fund National Foundation endowment	36.363	-	+36.363	n.a.
Sundry	4.796	4.637	+0.159	+3.4
Total	291.772	223.700	+68.071	+30.4

13 Provisions

Table 26 shows *provisions*.

The Governing Board determines the adjustment of the size of the *risk provision* every year on the basis of the risk bandwidths, giving due consideration to monetary policy, macro-economic and financial stability considerations. In the financial statements for 2019, EUR 150 million were allocated to the *risk provision*.

The OeNB's retirement plan for employees recruited up to April 30, 1998, is based on internally funded pensions. The legal basis of this plan is the Nationalbank Act. It obligates the OeNB to hold a *pension reserve* to cover its liability under this retirement plan. All employees recruited from May 1, 1998, are covered by the pension system under the General Social Security Act (Allgemeines Sozialversicherungsgesetz – ASVG). With effect from May 1, 1999, a contract between the OeNB and a pension

fund was concluded for these employees. This means that the OeNB's direct liability to pay retirement benefits is limited to staff recruited before May 1, 1998, and that, as a result, the pension reserve set up to secure this liability has become a closed system.

Since January 1, 2015, staff members employed under the first and second generations of the OeNB's Conditions of Service have been obliged, pursuant to the Act to Limit Specific Pension Benefits (Sonderpensionenbegrenzungsgesetz – SpBegrG), to pay pension contributions to the OeNB (first generation: 10.25% as from 2018; second generation: 10.25% of basic salaries up to the earnings cap as defined in the General Social Security Act, and as from 2017, 5% for any part of salaries in excess of this earnings cap). Retired staff who are entitled to pension or supplementary pension payments under the first and second generations of

Table 26

	December 31, 2018	Release/use	Allocation	December 31, 2019
	EUR million	EUR million	EUR million	EUR million
Risk provision	4,100.000	–	+150.000	4,250.000
Pension reserve	2,001.714	–0.056	+81.864	2,083.522
Personnel provisions				
Severance payments	64.872	–6.632	+5.109	63.348
Supplementary contributions to pension plans	61.783	–0.868	+49.177	110.092
Anniversary bonuses	16.549	–0.957	+2.302	17.894
Residual leave entitlements	14.245	–0.541	+0.596	14.300
Death gratuity payments	2.664	–	+0.563	3.227
One-off contributions for employees on secondment or leave	1.267	–0.440	+0.277	1.104
Overtime entitlements	0.832	–	+0.027	0.859
Prepaid salaries in 2018 and 2019, respectively	0.455	–0.455	+0.465	0.465
Compulsory social security contributions	0.086	–0.086	+0.094	0.094
Sabbaticals	0.100	–0.032	–	0.069
Other provisions				
Schilling banknotes without an exchange deadline	133.798	–1.496	–	132.302
Estimated unredeemable amount outstanding from the Austrian Federal Treasury for silver commemorative coins issued before 1989	34.231	–	+6.591	40.822
Corporate income tax	–	–	+7.126	7.126
Accounts payable	3.093	–1.343	+2.890	4.641
Accounts payable to subsidiaries	4.786	–4.786	+3.405	3.405
Provision against losses in monetary policy operations	4.492	–4.492	+2.493	2.493
Sundry	1.250	–0.792	+0.941	1.398
Total	6,446.217	–22.976	+313.920	6,737.160

the OeNB's Conditions of Service have been obliged to make a special pension contribution (of between 3.3% and 25%) to the OeNB from their monthly pension benefits as well as from special payments they are entitled to.

The actuarial present value of projected pension benefits amounted to EUR 3,011.885 million on December 31, 2019; it was not fully covered by the pension reserve and hidden reserves in the real estate portfolio. The EUR 393.221 million funding gap as at December 31, 2019, was recorded as a contingent liability (see section *Notes on transactions not disclosed in the balance sheet*).

In line with the average cost method, the discount rate is derived from the seven-year moving average of the interest rate (discount interest rates pursuant to Article 253 paragraph 2 of the German Commercial Code based on the last 84 month-end values) applied to an average residual maturity of 15 years as published by the Deutsche Bundesbank on November 30, 2019, i.e. 2.00% (2018: 2.36%). It was assumed that the relevant assessment bases in the qualifying period increase by 2.3% per annum (2018: 2.1%) and that current pension payments, like in 2018, increase by 1.8%.

The actuarial present value of projected pension benefits was calculated by applying the actuarial basis for pension insurance published by the Actuarial Association of Austria AVÖ (AVÖ 2018-P – Rechnungsgrundlagen für die Pensionsversicherung). The reasons that entitle employees or their dependents to receive benefits from the pension reserve are death, disability or withdrawal from employment upon attainment of pension entitlement age. Fluctuations are not taken into account. The pension entitlement age is governed by the provisions in the applicable Conditions of Service and service contracts, in observance of the Act to Limit Specific Pension Benefits. The pension scheme liabilities for beneficiaries are stated pro rata. The net present value is used for prospective beneficiaries that have attained pension entitlement age and for those who have qualified for benefits. The change in the discount rate and in the assumed increase of the assessment bases

caused the projected pension benefits to rise by EUR 162.705 million and EUR 6.927 million, respectively, in 2019.

Provisions for severance payments, anniversary bonuses, residual leave entitlements, death gratuity payments and supplementary contributions to pension plans are calculated according to actuarial principles. The discount rate used for calculating the provisions for severance payments and the provisions for sabbaticals is the seven-year moving average of the interest rate (discount interest rates pursuant to Article 253 paragraph 2 of the German Commercial Code based on the last 84 month-end values) applied to an average residual maturity of eight years as published by the Deutsche Bundesbank on November 30, 2019, i.e. 1.38% (2018: 1.72%). Assuming an average residual maturity of nine years, this discount rate as applied to the calculation of the provisions for anniversary bonuses equals 1.50% (2018: 1.84%). The relevant assessment bases were all assumed to increase by 2.3% per annum in 2019 (2018: 2.1%).

The change in the discount rate and the higher assessment base growth raised the provisions for severance payments by EUR 0.770 million and EUR 0.453 million, respectively. The provisions for anniversary bonuses rose by EUR 0.246 million in line with the change in the discount rate and by EUR 0.144 million on account of the higher assessment base growth.

The provisions for death gratuity payments and for supplementary contributions to pension plans are calculated in the same way as the pension reserve. The provisions for supplementary contributions to the pension plans increased by EUR 2.489 million as a result of the change in the discount rate and by EUR 0.937 million due to the higher assessment base growth. Following the principle of prudence, the assumption underlying the future average investment income on the pension fund was lowered, triggering additional transfers in the amount of EUR 30.558 million.

The changes in the provisions for anniversary bonuses and other long-term personnel provisions are recorded in the profit and loss

account item 7 *Staff costs* under *salaries*; the change in the provisions for severance payments is recorded under *expenses for severance payments and contributions to severance funds*. The change in the provisions for supplementary contributions to pension plans is recorded in the profit and loss account item 8 *Expenses for retirement*. If the netting of transfers to and transfers from the respective provisions yields a positive balance, this amount is recorded as other income.

The level of the provision for schilling banknotes without an exchange deadline, which were not recognized in the profit and loss account in 2002, relates to the amount of schilling banknote exchanges estimated on the basis of past annual exchange amounts. The reduction in the provision in 2019 is due to exchanges of schilling banknotes.

In accordance with the decision of the Governing Council of the ECB taken under Article 32.4 of the Statute of the ESCB and of the ECB, the provision against losses in monetary policy operations is allocated between the national central banks of the Eurosystem in proportion to their subscribed capital key shares in the ECB prevailing in the year when the initial impairment occurred. As a result of the annual impairment test of the CSPP portfolio, the Governing Council of the ECB reviewed the appropriateness of the volume of the provision against losses in monetary policy operations

established in 2018 and decided to reduce this provision from a total amount of EUR 161 million as at December 31, 2018, to an amount of EUR 89 million as at December 31, 2019. The OeNB's share in this provision amounts to EUR 2.493 million. The respective adjustment is reflected in the OeNB's profit and loss account. In the case of the OeNB, the resulting income amounted to EUR 1.999 million (see also profit and loss account item 5 *Net result of pooling of monetary income*).

14 Revaluation accounts

Table 27 shows the composition of this balance sheet item. The amounts on the *revaluation accounts* reflect the valuation gains established in the course of the valuation of assets (by individual valuation units) as on December 31, 2019. These gains are realizable in the context of future transactions in the respective categories or may be used to reverse revaluation losses that may arise in future years. Any other use is inadmissible.

15 Capital and reserves

According to Article 8 Nationalbank Act, the *capital* of the OeNB is EUR 12 million and is divided equally into 150,000 shares. The Republic of Austria has been the sole shareholder of the OeNB since May 27, 2010, with the Ministry of Finance acting as the shareholder's representative.

Table 27

	December 31, 2019	December 31, 2018	Change	
	EUR million	EUR million	EUR million	%
Revaluation accounts				
Gold	9,971.960	7,873.181	+2,098.778	+26.7
Foreign currency	285.992	109.811	+176.181	+160.4
Securities	1,499.181	691.010	+808.171	+117.0
Participating interests	107.277	99.754	+7.524	+7.5
Coin collection of the OeNB's Money Museum	9.269	9.269	–	–
	11,873.679	8,783.025	+3,090.654	+35.2
Valuation gains from January 1, 1999				
Participating interests	262.764	262.764	–	–
Total	12,136.442	9,045.788	+3,090.654	+34.2

Table 28

	December 31, 2019	December 31, 2018	Change	
	EUR million	EUR million	EUR million	%
Profit-smoothing reserve	138.490	129.229	+9.262	+7.2
Reserve for nondomestic and price risks	1,973.263	1,973.263	–	–
OeNB Anniversary Fund for the Promotion of Scientific Research and Teaching	1,490.400	1,490.400	–	–
Earmarked capital funded with net interest income from ERP loans	663.439	661.869	+1.570	+0.2
Total	4,265.592	4,254.761	+10.832	+0.3

Table 28 shows *reserves*.

The *profit-smoothing reserve* may be used to smooth the annual result. The change resulted from allocations out of the profit for the year 2018, which were made according to the General Meeting's decision of March 28, 2019.

The *reserve for nondomestic and price risks* serves to cover the OeNB's financial risks.

The capital of the *OeNB Anniversary Fund for the Promotion of Scientific Research and Teaching* consists of its initial funding (EUR 37.5 million) and an endowment to support the National Foundation (EUR 1,452.9 million).

Funds earmarked for appropriation by the Anniversary Fund to the National Foundation may be used to obtain a balanced annual result,

and funds from the initial funding of the Anniversary Fund may be used to cover any loss for the year.

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

Notes on transactions not disclosed in the balance sheet

Table 29 shows *transactions not disclosed in the balance sheet*.

Table 29

	December 31, 2019	December 31, 2018
	EUR million	EUR million
Obligation under the IMF's Articles of Agreement to provide currency for SDRs up to the point at which the OeNB's SDR holdings are three times as high as its gratuitously allocated SDRs ¹	4,349.643	4,283.007
Contingent liabilities to the IMF under the NAB ¹	2,113.073	2,042.377
Contingent liabilities to the IMF under the bilateral borrowing agreement ¹	6,130.000	6,130.000
Obligation to make supplementary contributions to the stake in the capital of the BIS (8,564 shares of SDR 5,000 each)	39.627	39.033
Forward purchases (euro- and foreign currency-denominated forward transactions and swaps)	2,287.485	3,258.817
Forward sales (euro- and foreign currency-denominated forward transactions and swaps)	2,287.485	3,258.817
Liabilities from foreign currency investments effected in the OeNB's name for third account	64.737	40.965
Repayment obligation upon termination of employment equivalent to the interest accrued on pension contributions paid by OeNB staff	16.707	16.269
Contingent liabilities relating to the funding gap in the pension reserve	393.221	471.822
Contingent liabilities equivalent to the OeNB's share of the maximum of EUR 50 billion of reserve assets that the ECB may call up under Article 30.1 of the Statute of the ESCB and of the ECB	1,016.250	981.550
Contingent liabilities arising from bank guarantees given	–	111.000
Contingent assets arising from bank guarantees received	10.076	0.733
Contingent asset from a guarantee of the OeKB in respect of payment transactions	1,000.000	1,000.000
Financial assistance granted under the ERP Fund	7.422	7.553

¹ These contingent liabilities may be activated by the IMF against remuneration, giving rise to a corresponding claim of the same size.

Notes on the profit and loss account

Table 30 shows the *profit and loss account*.

1 Net interest income

Net interest income represents the balance of interest income and interest expense (table 31).

2 Net result of financial operations, writedowns and risk provisions

Table 32 shows *realized gains/losses arising from financial operations*.

Table 30

	2019	2018	Change ¹	
	EUR million	EUR million	EUR million	%
1 Net interest income	681.452	719.625	-38.174	-5.3
2 Net result of financial operations, writedowns and risk provisions	-246.268	-282.076	-35.808	-12.7
3 Net income from fees and commissions ²	2.062	2.164	-0.102	-4.7
4 Income from equity shares and participating interests	88.329	98.635	-10.306	-10.4
5 Net result of pooling of monetary income	135.407	124.364	+11.042	+8.9
6 Other income	34.879	30.906	+3.973	+12.9
Total net income	695.860	693.618	+2.242	+0.3
7 Staff costs	-155.977	-151.767	+4.210	+2.8
8 Expenses for retirement	-98.570	-138.837	-40.267	-29.0
9 Administrative expenses ²	-78.249	-80.930	-2.681	-3.3
10 Depreciation of tangible and intangible fixed assets	-13.911	-15.842	-1.931	-12.2
11 Banknote production services	-7.556	-15.226	-7.670	-50.4
12 Other expenses	-13.722	-7.726	+5.996	+77.6
Total expenses	-367.985	-410.329	-42.343	-10.3
Operating profit	327.875	283.289	+44.586	+15.7
13 Corporate income tax	-65.302	-55.939	+9.363	+16.7
	262.573	227.350	+35.222	+15.5
14 Transfer to the pension reserve and central government's share of profit	-238.941	-206.889	+32.052	+15.5
15 Profit for the year	23.632	20.462	+3.170	+15.5

¹ Absolute increase (+) or decrease (-) in the respective item.

² Following a reclassification, the 2018 values were adjusted.

Table 31

	2019	2018	Change	
	EUR million	EUR million	EUR million	%
Monetary policy instruments	402.671	421.283	-18.612	-4.4
Net interest income from foreign currency investments	182.715	170.769	+11.946	+7.0
Net interest income from euro investments	69.128	95.004	-25.875	-27.2
Sundry	26.936	32.569	-5.632	-17.3
Total	681.452	719.625	-38.174	-5.3

Table 32

	2019	2018	Change	
	EUR million	EUR million	EUR million	%
Realized gains/losses arising from exchange/interest rate changes of				
currencies (gold and foreign currency)	-67.811	78.953	+146.764	+185.9
securities	28.092	-15.334	+43.426	n.a.
Total	-39.719	63.619	+103.338	+162.4

Table 33 shows *writedowns on financial assets and positions*.

In 2019, EUR 150 million were transferred to the *risk provision* (2018: EUR 150 million).

4 Income from equity shares and participating interests

Table 34 shows *income from equity shares and participating interests*.

The Governing Council of the ECB decided to transfer EUR 1,431 million of the ECB's profit for the year 2019 as an interim profit distribution to the NCBs; the OeNB's share amounted to EUR 41.776 million.

5 Net result of pooling of monetary income

Table 35 shows the OeNB's *net result of pooling of monetary income* in the Eurosystem.

Table 33

	2019	2018	Change	
	EUR million	EUR million	EUR million	%
Writedowns on				
foreign currency	-33.632	-183.787	-150.155	-81.7
securities	-22.917	-11.908	+11.009	+92.4
Total	-56.549	-195.695	-139.146	-71.1

Table 34

	2019	2018	Change	
	EUR million	EUR million	EUR million	%
Dividends				
BIS	2.573	2.433	+0.140	+5.8
Münze Österreich AG	33.079	54.752	-21.673	-39.6
Profit distribution by GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination G.m.b.H. (GSA)	0.191	0.164	+0.027	+16.7
Distribution of ECB profit				
Interim profit distribution	41.776	33.225	+8.551	+25.7
Profit distribution for the previous year	10.710	8.005	+2.705	+33.8
Other income	-	0.057	-0.057	-100.0
Total	88.329	98.635	-10.306	-10.4

Tabella 35

	2019	2018	Change	
	EUR million	EUR million	EUR million	%
Monetary income	42.832	65.629	-22.798	-34.7
Deductible items (in particular interest on the liability base) ¹	153.248	155.864	-2.616	-1.7
Monetary income to be pooled (net)	196.080	221.493	-25.414	-11.5
Redistribution of monetary income	329.933	340.420	-10.487	-3.1
Net result for monetary income reallocation for the reporting year	+133.853	+118.927	+14.926	+12.6
Net income/loss from the revision of monetary income of the previous years	-0.446	+8.009	-8.455	-105.6
Provision against losses in monetary policy operations				
Establishment	-2.493	-4.492	-1.999	-44.5
Use/release	+4.492	+1.921	+2.571	+133.9
Total	+135.407	+124.364	+11.042	+8.9

¹ Due to negative interest rates, the OeNB recorded net income in both 2018 and 2019.

This profit and loss account item comprises the OeNB's net result from the reallocation of monetary income within the Eurosystem. This item also contains the OeNB's share in the provision against losses in monetary policy operations (see liability item 13 *Provisions*).

In 2018, the provision against losses in monetary policy operations comprised the OeNB's share in the realized loss in relation to a security held by an NCB of the Eurosystem in its CSPP portfolio. The loss arising from the sale of this security was covered by the usage of the respective provision established in 2017.

In 2018, securities in the CSPP portfolio were again deemed to be impaired. The Governing Council of the ECB therefore deemed it appropriate, in accordance with the principle of prudence, to establish a provision against losses in monetary policy operations. As a result of the 2019 impairment test, this provision was adjusted (on December 31, 2019, the provision established in 2018 was fully released and a new provision of an adequate size was established).

The ECB calculates monetary income annually 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 annual income that it derives from the earmarkable assets held against its liability base. The liability base consists of banknotes in circulation, liabilities to euro area credit institutions related to monetary policy operations denominated in euro and net intra-Eurosystem liabilities resulting from TARGET2 transactions. Any interest paid on these liabilities is deducted from the monetary income to be pooled.

The earmarkable assets consist of the following items: lending to euro area credit institutions related to monetary policy operations denominated in euro, securities held for monetary policy purposes, net intra-Eurosystem claims equivalent to the transfer of foreign reserve assets to the ECB and net intra-Eurosystem claims related to the allocation of euro banknotes within the Eurosystem as well as accrued interest recorded at quarter-end on monetary

policy assets the maturity of which is one year or longer. Moreover, a limited amount of the OeNB's gold holdings in proportion to its capital key share is included (gold is considered to generate no income).

Securities acquired by the OeNB under the CBPP2 and government/agency bonds acquired under the PSPP generate income at the latest available marginal interest rate used by the Eurosystem in its tenders for main refinancing operations. Where the value of the OeNB's earmarkable assets exceeds, or falls short of, the value of its liability base, the difference is offset by applying to the difference the latest available marginal interest rate for the Eurosystem's main refinancing operations.

The monetary income pooled by the Eurosystem is allocated among NCBs according to their share in the fully paid-up capital.²⁰ The pooling and reallocation of monetary income leads to certain net reallocation effects. One reason is that the yields earned on certain earmarkable assets and the interest expense paid on certain liability base items may differ to a varying degree among the Eurosystem NCBs. In addition, usually each Eurosystem NCB's share of earmarkable assets and in the liability base deviates from its share in the subscribed capital of the ECB. The difference between the monetary income pooled by the OeNB (EUR 196.080 million) and the income reallocated to the OeNB (EUR 329.933 million) results from the calculation of monetary income.

6 Other income

Other income comprises e.g. rental income and income from transactions with OeNB subsidiaries or the ECB amounting to EUR 16.805 million. The FMA's reimbursement to the OeNB for the direct costs resulting from banking supervision and the costs related to bank recovery and resolution amounts to the statutory maximum of EUR 8 million and EUR 2 million, respectively. Moreover, this item comprises income on property sales in the amount of EUR 3.629 million.

²⁰ Under Article 33.2 of the Statute of the ESCB and of the ECB, income will not be reallocated if the pooled amount is fully or partially retained by the ECB to cover an annual loss incurred by the ECB.

7 Staff costs

Staff costs comprise the cost of current employees. These costs are reduced by recoveries of salaries.

Salaries increased by EUR 2.749 million net to EUR 127.337 million against the previous year (2018: EUR 124.588 million). The OeNB's outlays were reduced by recoveries of salaries totaling EUR 4.768 million (2018: EUR 4.985 million) for staff members on secondment to affiliates and other institutions.

The members of the OeNB's Governing Board received emoluments (table 36) totaling EUR 1.177 million in 2019 (2018: EUR 1.148 million). As the previous Governing Board members' terms of office expired in 2019, all four positions were newly filled that year.

Table 36

	Emoluments EUR million
Governor Robert Holzmann (from September 1, 2019)	0.1042
Vice Governor Gottfried Haber (from July 11, 2019)	0.1394
Executive Director Eduard Schock (from July 11, 2019)	0.1333
Executive Director Thomas Steiner (from May 1, 2019)	0.1878
Governor Ewald Nowotny (until August 31, 2019)	0.2083
Vice Governor Andreas Ittner (until July 10, 2019)	0.1551
Executive Director Kurt Pribil (until July 10, 2019)	0.1483
Executive Director Peter Mooslechner (until April 30, 2019)	0.1006

The remuneration of Governing Board members is regulated by the Federal Constitutional Act on the Limitation of Remunerations for Public Officials; it stipulates, inter alia, 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. Pursuant to Article 3 paragraph 1 Federal Constitutional Act on the Limitation of Remunerations for Public Officials, the emoluments were increased by 2% with effect from January 1, 2019. Remuneration in kind (tax value of the private use of company cars, insurance subsidies), pay for outstanding leave and other benefits totaled EUR 0.247 million (2018: EUR 0.046 million). The changes in Governing Board membership in 2019 entailed severance payments totaling EUR 1.034 million.

The emoluments due to the OeNB's current President and Vice President pursuant to Article 24 Nationalbank Act were set by the General Meeting with effect from January 1, 2019. The President has foregone any remuneration (payments in cash and in kind). The Vice President received remuneration in the amount of EUR 0.044 million in 2019. In 2018, the former President and Vice President, whose terms of office ended on August 31, 2018, received remuneration totaling EUR 0.081 million, and the current Vice President (appointed from September 1, 2018) received remuneration worth EUR 0.014 million. The other members of the General Council perform their duties of office without remuneration. They receive an attendance fee of EUR 250 for donation to charity for every day they participate in a meeting of the General Council or one of its subcommittees. Travel expenses associated with the exercise of General Council members' functions are appropriately reimbursed.

Table 37 shows staff in full-time equivalents (FTEs).

Table 37

	Reporting date December 31 ¹			Annual average ¹		
	2019	2018	Change	2019	2018	Change
FTEs ²	1,069.6	1,079.3	-9.7	1,082.1	1,086.8	-4.7
Total	1,183.2	1,209.3	-26.1	1,205.7	1,227.7	-22.0

¹ Figures include part-time employees on a pro rata basis.

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

Expenses for severance payments and contributions to severance funds came to EUR 5.564 million (2018: EUR 5.492 million) and EUR 0.943 million (2018: EUR 0.856 million), respectively. Expenses for severance payments for management officials (Governing Board members) totaled EUR 0.062 million in 2019 (2018: EUR 0.032 million) and contributions to severance funds for management officials came to a total of EUR 0.012 million (2018: EUR 0.005 million).

Expenses for compulsory social security contributions as well as compulsory contributions and charges related to wages and salaries totaled EUR 23.231 million in 2019 (2018: EUR 22.104 million). Of this amount, EUR 14.792 million (2018: EUR 13.884 million) were social security contributions, EUR 4.595 million (2018: EUR 4.507 million) were contributions to the Family Burden Equalization Fund, and EUR 3.673 million (2018: EUR 3.558 million) were municipal tax payments.

8 Expenses for retirement

All pension expenses relate to the OeNB's defined benefit retirement plan based on internally funded pensions for employees recruited up to April 30, 1998. Pension expenses came to EUR 125.103 million (2018: EUR 126.190 million), of which EUR 81.310 million were covered by investment income on the pension reserve (2018: no coverage). Pension expenses include the remuneration of retired Governing Board members or their dependents (totaling EUR 4.226 million; 2018: EUR 4.173 million).

The OeNB's other legal and contractual obligations (pension plan contributions and supplementary contribution to pension plans) totaled EUR 54.776 million in 2019 (2018: EUR 12.647 million). The increase is essentially due to the reduction in the assumed future

average investment income on the pension fund (see also liability item 13 *Provisions*).

9 Administrative expenses

Administrative expenses include, inter alia, rent, operating expenses, maintenance and repair costs of EUR 32.794 million (2018: EUR 37.033 million) as well as banknote processing expenses of EUR 10.768 million (2018: EUR 10.693 million). The headline figure also includes expenses that the OeNB charges entirely to subsidiaries or the ECB (in particular rent, operating costs and security-related service costs) in the amount of EUR 4.669 million (2018: EUR 4.746 million). Administrative expenses for auditing the OeNB's financial statements came to EUR 0.090 million (2018: EUR 0.090 million), those for other certification services to EUR 0.030 million (2018: EUR 0.071 million).

Pursuant to Article 238 paragraph 1 item 14 Commercial Code, material obligations arising from the use of tangible fixed assets not disclosed in the balance sheet must be recorded separately. These obligations amount to EUR 11.216 million in the subsequent financial year (2018: EUR 10.829 million). In the subsequent five financial years, these obligations total EUR 55.879 million (2018: EUR 55.187 million).

11 Banknote production services

These expenses result from the purchase of euro banknotes from the OeBS.

13 Corporate income tax

Pursuant to Article 72 paragraph 1 Nationalbank Act, the operating profit of the financial statements drawn up pursuant to Article 67 Nationalbank Act and in accordance with Article 69 paragraph 1 Nationalbank Act constitutes the OeNB's taxable income within the meaning

of Article 22 paragraph 1 of the Corporate Income Tax Act 1988. Table 38 shows the calculation of the *corporate income tax*.

14 Transfer to the pension reserve and central government's share of profit

The *transfer to the pension reserve* and the *central government's share of profit* are shown in table 39.

Profit for the year and proposed profit appropriation

With the statutory allocations having been made in line with Article 69 paragraphs 2 and 3

Nationalbank Act (see profit and loss account item 14 *Transfer to the pension reserve and central government's share of profit*), the balance sheet and the profit and loss account show a profit for the year 2019 of EUR 23,631,544.16 (2018: EUR 20,461,541.24).

In its meeting of February 10, 2020, the Governing Board decided to submit the profit appropriation proposal shown in table 40 to the General Council.

The appropriation of profit is made according to the General Meeting's decision.

Table 38

	2019	2018	Change	
	EUR million	EUR million	EUR million	%
Operating profit	327.875	283.289	+44.586	+15.7
Reduction of the corporate income tax base under Article 20 paragraph 3 National Foundation Act ¹	-66.667	-59.534	+7.132	+12.0
Corporate income tax base	261.208	223.755	+37.453	+16.7
Corporate income tax	65.302	55.939	+9.363	+16.7

¹ See also section *Legal framework*.

Table 39

	2019	2018	Change	
	EUR million	EUR million	EUR million	%
Transfer to the pension reserve under Article 69 paragraph 2 Nationalbank Act	26.257	22.735	+3.522	+15.5
Central government's share of profit of 90% under Article 69 paragraph 3 Nationalbank Act	212.684	184.154	+28.530	+15.5
of which:				
Annual redemption under Article 21 paragraph 2 Coinage Act	5.814	5.814	–	–
Transfer to the National Foundation under Article 4 paragraph 5 no. 3 National Foundation Act	30.304	66.667	-36.363	-54.5
Transfer to the central government	176.566	111.673	+64.893	+58.1
Total	238.941	206.889	+32.052	+15.5

Table 40

	Proposal 2019	Appropriation 2018
	EUR	EUR
Payout of the maximum dividend (10%) on the OeNB's capital stock of EUR 12 million under Article 69 Nationalbank Act	1,200,000.00	1,200,000.00
Allocation of funds to the <i>OeNB Anniversary Fund for the Promotion of Scientific Research and Teaching</i>		
Funds earmarked for promotion by the OeNB	10,000,000.00	10,000,000.00
Transfers to the Anniversary Fund reserve	2,500,000.00	–
Transfers to the profit-smoothing reserve	9,931,544.16	9,261,541.24
Profit for the year	23,631,544.16	20,461,541.24

Post-balance sheet events

Brexit

Adjustment of the capital key

As a result of the departure of the United Kingdom from the European Union and consequent withdrawal of the Bank of England from the ESCB, the weightings assigned to the remaining NCBs in the key for subscription to the ECB's capital were adjusted with effect from February 1, 2020 (table 41).

The ECB kept its subscribed capital unchanged at EUR 10,825 million after the Bank

of England's withdrawal from the ESCB. The share of the Bank of England in the ECB's subscribed capital, which stood at 14.3%, was reallocated among the remaining NCBs. As a result, the OeNB's share in the ECB's subscribed capital increased from EUR 220.0 million to EUR 257.7 million.

The ECB's paid-up capital will also remain unchanged at EUR 7,659.4 million in the year of the United Kingdom's departure from the EU, i.e. in 2020, as the remaining NCBs will cover the Bank of England's paid-up capital of

Table 41

Shares in the ECB's capital as from February 1, 2020

	Subscribed capital		Paid-up capital	
	EUR	%	EUR	%
Nationale Bank van België/Banque Nationale de Belgique	320,744,959.47	2.9630	276,290,916.71	3.6432
Deutsche Bundesbank	2,320,816,565.68	21.4394	1,999,160,134.91	26.3615
Eesti Pank	24,800,091.20	0.2291	21,362,892.01	0.2817
Banc Ceannais na hÉireann/Central Bank of Ireland	149,081,997.36	1.3772	128,419,794.29	1.6934
Bank of Greece	217,766,667.22	2.0117	187,585,027.73	2.4735
Banco de España	1,049,820,010.62	9.6981	904,318,913.05	11.9246
Banque de France	1,798,120,274.32	16.6108	1,548,907,579.93	20.4243
Banca d'Italia	1,495,637,101.77	13.8165	1,288,347,435.28	16.9885
Central Bank of Cyprus	18,943,762.37	0.1750	16,318,228.29	0.2152
Latvijas Banka	34,304,447.40	0.3169	29,549,980.26	0.3897
Lietuvos bankas	50,953,308.28	0.4707	43,891,371.75	0.5788
Banque centrale du Luxembourg	29,000,193.94	0.2679	24,980,876.34	0.3294
Bank Ċentrali ta' Malta/Central Bank of Malta	9,233,731.03	0.0853	7,953,970.70	0.1049
De Nederlandsche Bank	515,941,486.95	4.7662	444,433,941.02	5.8604
Oesterreichische Nationalbank	257,678,468.28	2.3804	221,965,203.55	2.9269
Banco de Portugal	206,054,009.57	1.9035	177,495,700.29	2.3405
Banka Slovenije	42,390,727.68	0.3916	36,515,532.56	0.4815
Národná banka Slovenska	100,824,115.85	0.9314	86,850,273.32	1.1452
Suomen Pankki - Finlands Bank	161,714,780.61	1.4939	139,301,721.39	1.8369
Share of the NCBs of the Eurosystem	8,803,826,699.60	81.3286	7,583,649,493.38	100.0000
Bulgarian National Bank	106,431,469.51	0.9832	3,991,180.11 ¹	
Česká národní banka	203,445,182.87	1.8794	7,629,194.36 ¹	
Danmarks Nationalbank	190,422,699.36	1.7591	7,140,851.23 ¹	
Hrvatska narodna banka	71,390,921.62	0.6595	2,677,159.56 ¹	
Magyar Nemzeti Bank	167,657,709.49	1.5488	6,287,164.11 ¹	
Narodowy Bank Polski	653,126,801.54	6.0335	24,492,255.06 ¹	
Banca Națională a României	306,228,624.99	2.8289	11,483,573.44 ¹	
Sveriges Riksbank	322,476,960.60	2.9790	12,092,886.02 ¹	
	2,021,180,369.98	18.6714	75,794,263.89	
Total²	10,825,007,069.61	100.0000	7,659,443,757.27	100.0000

¹ Corresponds to 3.75% of the subscribed capital to cover the ECB's costs (ECB/2010/28).

² Discrepancies may arise from rounding.

EUR 58.201 million. The euro area NCBs will pay up in full their increased subscriptions to the ECB capital in two additional annual installments. As a result, the OeNB will transfer to the ECB an amount of EUR 1.947 million in 2020 and EUR 17.857 million each in 2021 and 2022.

Foreign reserve assets transferred to the ECB

Pursuant to Article 30.2 of the Statute of the ESCB and of the ECB, the contributions of the NCBs to the transfer of foreign reserve assets to the ECB are fixed in proportion to their share in the ECB's subscribed capital. The

claim to the foreign reserve assets transferred to the ECB was marginally adjusted following the increase in the weighting of the euro area NCBs in the ECB's subscribed capital, reflecting the Bank of England's withdrawal from the ESCB and a decision of the Governing Council of the ECB to reduce the proportion of the euro area NCBs' contributions so that the total amount of foreign reserve assets already transferred by the euro area NCBs will remain at the current level. This resulted in a minor increase in the OeNB's claim by EUR 3.0 million to EUR 1,180.8 million.

GOVERNING BOARD (DIREKTORIUM)

Governor Ewald Nowotny (until August 31, 2019)
 Governor Robert Holzmann (from September 1, 2019)
 Vice Governor Andreas Ittner (until July 10, 2019)
 Vice Governor Gottfried Haber (from July 11, 2019)
 Executive Director Kurt Pribil (until July 10, 2019)
 Executive Director Eduard Schock (from July 11, 2019)
 Executive Director Peter Mooslechner (until April 30, 2019)
 Executive Director Thomas Steiner (from May 1, 2019)

GENERAL COUNCIL (GENERALRAT)

President Harald Mahrer
 Vice President Barbara Kolm
 Bettina Glatz-Kremsner
 Gottfried Haber (until July 10, 2019)
 Stephan Koren
 Franz Maurer
 Gabriele Payr (until February 28, 2019)
 Walter Rothensteiner (until January 31, 2020)
 Peter Sidlo
 Christoph Traunig
 State Commissioner Harald Waiglein
 Deputy State Commissioner Alfred Lejsek

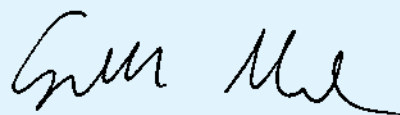
In accordance with Article 22 paragraph 5 Nationalbank Act, the following representatives of the Central Staff Council participated in discussions on personnel, social and welfare matters:

Robert Kocmich (until September 30, 2019)
 Birgit Sauerzopf
 Christian Schrödinger (from October 11, 2019)

Vienna, March 5, 2020



Robert Holzmann



Gottfried Haber



Eduard Schock



Thomas Steiner

Bestätigungsvermerk der Abschlussprüfungsgesellschaft

Oesterreichische Nationalbank, Wien

31. Dezember 2019

BESTÄTIGUNGSVERMERK

Bericht zum Jahresabschluss

Prüfungsurteil

Wir haben den Jahresabschluss der

Oesterreichische Nationalbank, Wien,

bestehend aus der Bilanz zum 31. Dezember 2019, der Gewinn- und Verlustrechnung für das an diesem Stichtag endende Geschäftsjahr und dem Anhang, geprüft.

Nach unserer Beurteilung entspricht der beigefügte Jahresabschluss den gesetzlichen Vorschriften und vermittelt ein möglichst getreues Bild der Vermögens- und Finanzlage zum 31. Dezember 2019 sowie der Ertragslage der Gesellschaft für das an diesem Stichtag endende Geschäftsjahr in Übereinstimmung mit den österreichischen unternehmensrechtlichen Vorschriften und den sondergesetzlichen Bestimmungen des Nationalbankgesetzes 1984 in der geltenden Fassung sowie den 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 "Leitlinie der Europäischen Zentralbank" vom 3. November 2016 über die Rechnungslegungsgrundsätze und das Berichtswesen im Europäischen System der Zentralbanken (EZB/2016/34), zuletzt geändert mittels der „Leitlinie der Europäischen Zentralbank“ vom 28. November 2019 (EZB/2019/34), erlassenen Vorschriften.

Grundlage für das Prüfungsurteil

Wir haben unsere Abschlussprüfung in Übereinstimmung mit den österreichischen Grundsätzen ordnungsmäßiger Abschlussprüfung durchgeführt. Diese Grundsätze erfordern die Anwendung der International Standards on Auditing (ISA). Unsere Verantwortlichkeiten nach diesen Vorschriften und Standards sind im Abschnitt "Verantwortlichkeiten des Abschlussprüfers für die Prüfung des Jahresabschlusses" unseres Bestätigungsvermerks weitergehend beschrieben. Wir sind von der Gesellschaft unabhängig in Übereinstimmung mit den österreichischen unternehmensrechtlichen und berufsrechtlichen Vorschriften, und wir haben unsere sonstigen beruflichen Pflichten in Übereinstimmung mit diesen Anforderungen erfüllt. Wir sind der Auffassung, dass die von uns erlangten Prüfungsnachweise ausreichend und geeignet sind, um als Grundlage für unser Prüfungsurteil zu dienen.

Oesterreichische Nationalbank, Wien

31. Dezember 2019

Verantwortlichkeiten der gesetzlichen Vertreter und des Unterausschusses des Generalrates für Rechnungslegung und interne Kontrollsysteme für den Jahresabschluss

Die gesetzlichen Vertreter sind verantwortlich für die Aufstellung des Jahresabschlusses und dafür, dass dieser in Übereinstimmung mit den österreichischen unternehmensrechtlichen Vorschriften und den sondergesetzlichen Bestimmungen des Nationalbankgesetzes 1984 in der geltenden Fassung sowie den 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 "Leitlinie der Europäischen Zentralbank" vom 3. November 2016 über die Rechnungslegungsgrundsätze und das Berichtswesen im Europäischen System der Zentralbanken (EZB/2016/34), zuletzt geändert mittels der „Leitlinie der Europäischen Zentralbank“ vom 28. November 2019 (EZB/2019/34), erlassenen Vorschriften ein möglichst getreues Bild der Vermögens-, Finanz- und Ertragslage der Gesellschaft vermittelt. Ferner sind die gesetzlichen Vertreter verantwortlich für die internen Kontrollen, die sie als notwendig erachten, um die Aufstellung eines Jahresabschlusses zu ermöglichen, der frei von wesentlichen - beabsichtigten oder unbeabsichtigten - falschen Darstellungen ist.

Bei der Aufstellung des Jahresabschlusses sind die gesetzlichen Vertreter dafür verantwortlich, die Fähigkeit der Gesellschaft zur Fortführung der Unternehmenstätigkeit zu beurteilen, Sachverhalte im Zusammenhang mit der Fortführung der Unternehmenstätigkeit - sofern einschlägig - anzugeben, sowie dafür, den Rechnungslegungsgrundsatz der Fortführung der Unternehmenstätigkeit anzuwenden, es sei denn, die gesetzlichen Vertreter beabsichtigen, entweder die Gesellschaft zu liquidieren oder die Unternehmenstätigkeit einzustellen oder haben keine realistische Alternative dazu.

Der Unterausschuss des Generalrates für Rechnungslegung und interne Kontrollsysteme ist verantwortlich für die Überwachung des Rechnungslegungsprozesses der Gesellschaft.

Verantwortlichkeiten des Abschlussprüfers für die Prüfung des Jahresabschlusses

Unsere Ziele sind, hinreichende Sicherheit darüber zu erlangen, ob der Jahresabschluss als Ganzes frei von wesentlichen - beabsichtigten oder unbeabsichtigten - falschen Darstellungen ist, und einen Bestätigungsvermerk zu erteilen, der unser Prüfungsurteil beinhaltet. Hinreichende Sicherheit ist ein hohes Maß an Sicherheit, aber keine Garantie dafür, dass eine in Übereinstimmung mit den österreichischen Grundsätzen ordnungsmäßiger Abschlussprüfung, die die Anwendung der ISA erfordern, durchgeführte Abschlussprüfung eine wesentliche falsche Darstellung, falls eine solche vorliegt, stets aufdeckt. Falsche Darstellungen können aus dolosen Handlungen oder Irrtümern resultieren und werden als wesentlich angesehen, wenn von ihnen einzeln oder insgesamt vernünftigerweise erwartet werden könnte, dass sie die auf der Grundlage dieses Jahresabschlusses getroffenen wirtschaftlichen Entscheidungen von Nutzern beeinflussen.

Als Teil einer Abschlussprüfung in Übereinstimmung mit den österreichischen Grundsätzen ordnungsmäßiger Abschlussprüfung, die die Anwendung der ISA erfordern, üben wir während der gesamten Abschlussprüfung pflichtgemäßes Ermessen aus und bewahren eine kritische Grundhaltung.

Darüber hinaus gilt:

- Wir identifizieren und beurteilen die Risiken wesentlicher – beabsichtigter oder unbeabsichtigter – falscher Darstellungen im Abschluss, planen Prüfungshandlungen als Reaktion auf diese Risiken, führen sie durch und erlangen Prüfungsnachweise, die ausreichend und geeignet sind, um als Grundlage für unser Prüfungsurteil zu dienen. Das Risiko, dass aus dolosen Handlungen resultierende wesentliche falsche Darstellungen nicht aufgedeckt werden, ist höher als ein aus Irrtümern resultierendes, da dolose Handlungen betrügerisches Zusammenwirken, Fälschungen, beabsichtigte Unvollständigkeiten, irreführende Darstellungen oder das Außerkraftsetzen interner Kontrollen beinhalten können.
- Wir gewinnen ein Verständnis von dem für die Abschlussprüfung relevanten internen Kontrollsystem, um Prüfungshandlungen zu planen, die unter den gegebenen Umständen angemessen sind, jedoch nicht mit dem Ziel, ein Prüfungsurteil zur Wirksamkeit des internen Kontrollsystems der Gesellschaft abzugeben.
- Wir beurteilen die Angemessenheit der von den gesetzlichen Vertretern angewandten Rechnungslegungsmethoden sowie die Vertretbarkeit der von den gesetzlichen Vertretern dargestellten geschätzten Werte in der Rechnungslegung und damit zusammenhängende Angaben.
- Wir ziehen Schlussfolgerungen über die Angemessenheit der Anwendung des Rechnungslegungsgrundsatzes der Fortführung der Unternehmenstätigkeit durch die gesetzlichen Vertreter sowie, auf der Grundlage der erlangten Prüfungsnachweise, ob eine wesentliche Unsicherheit im Zusammenhang mit Ereignissen oder Gegebenheiten besteht, die erhebliche Zweifel an der Fähigkeit der Gesellschaft zur Fortführung der Unternehmenstätigkeit aufwerfen kann. Falls wir die Schlussfolgerung ziehen, dass eine wesentliche Unsicherheit besteht, sind wir verpflichtet, in unserem Bestätigungsvermerk auf die dazugehörigen Angaben im Jahresabschluss aufmerksam zu machen oder, falls diese Angaben unangemessen sind, unser Prüfungsurteil zu modifizieren. Wir ziehen unsere Schlussfolgerungen auf der Grundlage der bis zum Datum unseres Bestätigungsvermerks erlangten Prüfungsnachweise. Zukünftige Ereignisse oder Gegebenheiten können jedoch die Abkehr der Gesellschaft von der Fortführung der Unternehmenstätigkeit zur Folge haben.
- Wir beurteilen die Gesamtdarstellung, den Aufbau und den Inhalt des Jahresabschlusses einschließlich der Angaben sowie ob der Jahresabschluss die zugrunde liegenden Geschäftsvorfälle und Ereignisse in einer Weise wiedergibt, dass ein möglichst getreues Bild erreicht wird.

Wir tauschen uns mit dem Unterausschuss des Generalrates für Rechnungslegung und interne Kontrollsysteme unter anderem über den geplanten Umfang und die geplante zeitliche Einteilung der Abschlussprüfung sowie über bedeutsame Prüfungsfeststellungen, einschließlich etwaiger bedeutsamer Mängel im internen Kontrollsystem, die wir während unserer Abschlussprüfung erkennen, aus.

Oesterreichische Nationalbank, Wien

31. Dezember 2019

Bericht zum Geschäftsbericht gemäß § 68 NBG

Auf den gemäß § 68 Abs 1 NBG zu erstellenden Geschäftsbericht finden die Bestimmungen des § 243 Abs 1 bis 3 UGB (Lagebericht), mit Ausnahme von Abs 2 letzter Satz und Abs 3 Z 1, 2 und 5 UGB, Anwendung.

Die gesetzlichen Vertreter sind verantwortlich für die Aufstellung des Geschäftsberichts in Übereinstimmung mit den gesetzlichen Vorschriften.

Wir haben unsere Prüfung in Übereinstimmung mit den Berufsgrundsätzen zur Prüfung des Geschäftsberichts durchgeführt.

Die im Geschäftsbericht enthaltenen Jahresabschlussinformationen (Lagebericht) sind auf Grund der österreichischen unternehmensrechtlichen Vorschriften darauf zu prüfen, ob sie mit dem Jahresabschluss in Einklang stehen und ob sie nach den geltenden rechtlichen Anforderungen aufgestellt wurden.

Unser Prüfungsurteil zum Jahresabschluss deckt die im Geschäftsbericht enthaltenen anderen (sonstigen) Informationen, die nicht den Jahresabschluss und die gemäß § 68 NBG geforderte Darstellung der direkten und indirekten Beteiligungen und den Lagebericht betreffen, nicht ab und wir geben keine Art der Zusicherung darauf.

In Verbindung mit unserer Prüfung des Jahresabschlusses ist es unsere Verantwortung, diese sonstigen Informationen zu lesen und zu überlegen, ob es wesentliche Unstimmigkeiten zwischen den sonstigen Informationen und dem Jahresabschluss gibt oder mit unserem, während der Prüfung erlangten Wissen gibt oder diese sonstigen Informationen sonst wesentlich falsch dargestellt erscheinen. Falls wir, basierend auf den durchgeführten Arbeiten, zur Schlussfolgerung gelangen, dass die sonstigen Informationen wesentlich falsch dargestellt sind, müssen wir dies berichten. Wir haben diesbezüglich nichts zu berichten.

Urteil

Nach unserer Beurteilung sind die im Geschäftsbericht zu § 243 Abs 1 bis 3 UGB (Lagebericht), mit Ausnahme von Abs 2 letzter Satz und Abs 3 Z 1, 2 und 5 UGB enthaltenen Jahresabschlussinformationen und die Darstellung der direkten und indirekten Beteiligungen nach den geltenden rechtlichen Anforderungen aufgestellt worden und stehen in Einklang mit dem Jahresabschluss.

Oesterreichische Nationalbank, Wien

31. Dezember 2019

Erklärung

Angesichts der bei der Prüfung des Jahresabschlusses gewonnenen Erkenntnisse und des gewonnenen Verständnisses über die Gesellschaft und ihr Umfeld wurden wesentliche fehlerhafte Angaben im Geschäftsbericht nicht festgestellt.

Wien, am 5. März 2020

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Ernst Schönhuber
Wirtschaftsprüfer

Mag. Andrea Stippl
Wirtschaftsprüferin

External auditor's opinion

Oesterreichische Nationalbank, Vienna

December 31, 2019

TRANSLATION

4. AUDITOR'S REPORT *)

Report on the Financial Statements

Audit Opinion

We have audited the financial statements of

Oesterreichische Nationalbank, Vienna.

These financial statements comprise the balance sheet as of December 31, 2019, the income statement for the fiscal year then ended and the notes.

Based on our audit the accompanying financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Company as of December 31, 2019 and its financial performance for the year then ended in accordance with Austrian Generally Accepted Accounting Principles and the statutory requirements of the 1984 Federal Act on the Oesterreichische Nationalbank (Nationalbank Act), as amended, and the requirements of the rules adopted by the Governing Council of the European Central Bank in accordance with Article 26 paragraph 4 of the Protocol on the Statute of the European System of Central Banks and of the European Central Bank by means of the Guideline of the European Central Bank of November 3, 2016 on the legal framework for accounting and reporting in the European System of Central Banks (ECB/2016/34), as amended on November 28, 2019 (ECB/2019/34).

Basis for Opinion

We conducted our audit in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing (ISA). Our responsibilities under those regulations and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the Austrian General Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

TRANSLATION**Responsibilities of the Management and the Subcommittee of the General Council on Accounting and Internal Control Systems for the Financial Statements**

Management is responsible for the preparation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles and the statutory requirements of the National Bank Act, as amended, and the requirements of the rules adopted by the Governing Council of the European Central Bank in accordance with Article 26 paragraph 4 of the Protocol on the Statute of the European System of Central Banks and of the European Central Bank by means of the Guideline of the European Central Bank of November 3, 2016 on the legal framework for accounting and reporting in the European System of Central Banks (ECB/2016/34), as amended on November 28, 2019 (ECB/2019/34), for them to present a true and fair view of the assets, the financial position and the financial performance of the Company and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Subcommittee of the General Council on Accounting and Internal Control Systems is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Austrian Standards on Auditing, which require the application of ISA, always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Austrian Standards on Auditing, which require the application of ISA, we exercise professional judgment and maintain professional scepticism throughout the audit.

TRANSLATION

We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Subcommittee of the General Council on Accounting and Internal Control Systems regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Annual Report according to Article 68 Nationalbank Act

The Annual Report to be prepared pursuant to Article 68 paragraph 1 Nationalbank Act is subject to the requirements of Article 243 paragraphs 1 to 3 of the Commercial Law (management report) with the exception of paragraph 2 last sentence and paragraph 3 nos. 1, 2 and 5 Commercial Law.

Management is responsible for the preparation of the annual report in accordance with statutory requirements.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the Annual Report.

According to the relevant rules under Austrian Generally Accepted Accounting Principles, financial information contained in the Annual Report (management report) is to be audited as to whether it is consistent with the financial statements and whether it has been drawn up in accordance with the applicable statutory requirements.

TRANSLATION

Our audit opinion on the annual financial statements does not cover the other information contained in the Annual Report that does not relate to the annual financial statements and the presentation of direct and indirect investments and the Annual Report required by Article 68 Nationalbank Act, and therefore does not imply any assurance in this regard.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, to consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion

In our opinion, the financial information contained in the Annual Report in line with Article 243 paragraphs 1 to 3 of the Commercial Law (management report) with the exception of paragraph 2 last sentence and paragraph 3 nos. 1, 2 and 5 Commercial Law, as well as the presentation of information on direct and indirect investments are in line with the applicable statutory requirements and are consistent with the financial statements.

Statement

Based on the findings during the audit of the financial statements and due to the thus obtained understanding concerning the Company and its circumstances no material misstatements in the management report came to our attention.

Vienna, March 5, 2020

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Ernst Schönhuber mp Mag. Andrea Stippl mp
Wirtschaftsprüfer / Certified Public Accountant Wirtschaftsprüferin / Certified Public Accountant

*) This report is a translation of the original report in German, which is solely valid. Publication or sharing with third parties of the financial statements together with our auditor's opinion is only allowed if the financial statements and the annual report are identical with the German audited version.

Report of the General Council on the Annual Report and the financial statements for 2019

The General Council (Generalrat) fulfilled the duties incumbent on it under the 1984 National-bank Act by holding its regular meetings, by convening subcommittees to examine specific issues and by making informed decisions. The Governing Board (Direktorium) periodically reported to the General Council on the OeNB's operations and results, on the conditions in the money, capital and foreign exchange markets, on important day-to-day management issues, on all developments of significance for an appraisal of monetary and economic developments, on the arrangements made for auditing the OeNB's finances, and on any other significant dispositions

and events affecting the OeNB's operations. The financial statements for 2019 were given an unmodified auditor's opinion after examination by the auditors elected at the General Meeting of March 27, 2018, Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., on the basis of the OeNB's books and records as well as the information and evidence provided by the Governing Board. In its meeting of March 20, 2020, the General Council approved the Annual Report of the Governing Board and the financial statements for 2019. The General Council submits the Annual Report and the financial statements to the General Meeting for adoption.

9., Otto-Wagner-Platz



Notes

Abbreviations

ABSPP	asset-backed securities purchase programme	HR	human resources
APP	(expanded) asset purchase programme	ICAS	in-house credit assessment system
ASTI	Austrian Settlement & Transaction Interface	IHS	Institute for Advanced Studies
ATM	automated teller machine	IMF	International Monetary Fund
BIS	Bank for International Settlements	ISO	International Organization for Standardization
CBPP	covered bond purchase programme	IT	information technology
CCyB	countercyclical capital buffer	JVI	Joint Vienna Institute
CEEI	Conference of European Economic Integration (OeNB)	MÜNZE	Münze Österreich Aktiengesellschaft
CESEE	Central, Eastern and Southeastern Europe(an)	NAB	New Arrangements to Borrow
CET1	common equity tier 1	NCB	national central bank
CoCAS	Common Credit Assessment System	NFC	near field communication
CRR	Capital Requirements Regulation	NGFS	Central Banks and Supervisors Network for Greening the Financial System
CS.A	Clearing Service Austria	NPL	nonperforming loan
CS.I	Clearing Service International	OeBS	Oesterreichische Banknoten- und Sicherheitsdruck GmbH
CSPP	corporate sector purchase programme	OeKB	Oesterreichische Kontrollbank Aktiengesellschaft
EA	euro area	OeNB	Oesterreichische Nationalbank
EBA	European Banking Authority	O-SII	other systemically important institution
ECB	European Central Bank	PIN	personal identification number
ECMS	Eurosystem Collateral Management System	POS	point of sale
EDIS	European deposit insurance scheme	PSD2	Payment Services Directive 2
EMAS	Eco-Management and Audit Scheme	PSPP	public sector purchase programme
EONIA	euro overnight index average	SDR	Special Drawing Right
ERM II	exchange rate mechanism II	SEPA	Single Euro Payments Area
ERP	European Recovery Program	SMP	Securities Markets Programme
EPT	environmental protection team (OeNB)	SREP	supervisory review and evaluation process
ES	expected shortfall	SRM	Single Resolution Mechanism
ESCB	European System of Central Banks	SSM	Single Supervisory Mechanism
ESG	environmental, social and governance (criteria)	SyRB	systemic risk buffer
ESRB	European Systemic Risk Board	T2S	TARGET2-Securities
€STR	euro short-term rate	TARGET2 (T2)	second generation of the Trans-European Automated Real-time Gross settlement Express Transfer system
EU	European Union	TIPS	TARGET Instant Payment Settlement
EUR	euro	TLTRO	targeted longer-term refinancing operation
EURIBOR	euro interbank offered rate	UN	United Nations
FMA	Austrian Financial Market Authority	U.S.(A.)	United States (of America)
Fed	U.S. Federal Reserve System	USD	U.S. dollar
FMSB	Financial Market Stability Board	VaR	value at risk
FTE	full-time equivalent	WIFO	Austrian Institute of Economic Research
GDP	gross domestic product	wiiw	The Vienna Institute for International Economic Studies
GSA	GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination G.m.b.H.		
HICP	Harmonised Index of Consumer Prices		

Legend

- x = no data can be indicated for technical reasons
- .. = not available
- 0 = the numerical value is zero or smaller than half of the unit indicated

Legend entries in the financial statements:

- = the numerical value is zero
- 0 = the numerical value is smaller than half of the unit indicated
- n.a. = not applicable

Discrepancies may arise from rounding.

Periodical publications

Starting from 2016, the OeNB's periodical publications are available in electronic format only. They can be downloaded at <https://www.oenb.at/en/Publications.html>. If you would like to be notified about new issues by e-mail, please register at <https://www.oenb.at/en/Services/Newsletter.html>.

Geschäftsbericht (Nachhaltigkeitsbericht) Annual Report (Sustainability Report)

German | annually
English | annually

This report informs readers about the Eurosystem's monetary policy and underlying economic conditions as well as about the OeNB's role in maintaining price stability and financial stability. It also provides a brief account of the key activities of the OeNB's core business areas. The OeNB's financial statements are an integral part of the report.

<https://www.oenb.at/en/Publications/Oesterreichische-Nationalbank/Annual-Report.html>

Immobilien aktuell

German | quarterly

This publication analyzes developments on real estate markets given their importance for both price and financial stability. Two issues per year focus on Austria and the other two issues on EU countries.

<https://www.oenb.at/Publikationen/Volkswirtschaft/immobilien-aktuell.html>

Inflation aktuell

German | quarterly

This publication presents the OeNB's analysis of recent inflation developments in Austria and its inflation outlook for Austria for the current and next year. In addition, it provides in-depth analyses of topical issues.

<https://www.oenb.at/Publikationen/Volkswirtschaft/inflation-aktuell.html>

Konjunktur aktuell

German | seven times a year

This publication provides a concise assessment of current cyclical and financial developments in the global economy, the euro area, Central, Eastern and Southeastern European countries, and in Austria. The quarterly releases (March, June, September and December) also include short analyses of economic and monetary policy issues.

<https://www.oenb.at/Publikationen/Volkswirtschaft/konjunktur-aktuell.html>

Monetary Policy & the Economy

English | quarterly

This publication assesses cyclical developments in Austria and presents the OeNB's regular macroeconomic forecasts for the Austrian economy. It contains economic analyses and studies with a particular relevance for central banking and summarizes findings from macroeconomic workshops and conferences organized by the OeNB.

<https://www.oenb.at/en/Publications/Economics/Monetary-Policy-and-the-Economy.html>

Fakten zu Österreich und seinen Banken Facts on Austria and Its Banks

German | twice a year
English | twice a year

This publication provides a snapshot of the Austrian economy based on a range of structural data and indicators for the real economy and the banking sector. Comparative international measures enable readers to put the information into perspective.

<https://www.oenb.at/en/Publications/Financial-Market/Facts-on-Austria-and-Its-Banks.html>

Financial Stability Report

English | twice a year

The reports section of this publication analyzes and assesses the stability of the Austrian financial system as well as developments that are relevant for financial stability in Austria and at the international level. The special topics section provides analyses and studies on specific financial stability-related issues.

<https://www.oenb.at/en/Publications/Financial-Market/Financial-Stability-Report.html>

Focus on European Economic Integration

English | quarterly

This publication presents economic analyses and outlooks as well as analytical studies on macroeconomic and macro-financial issues with a regional focus on Central, Eastern and Southeastern Europe.

<https://www.oenb.at/en/Publications/Economics/Focus-on-European-Economic-Integration.html>

Statistiken – Daten & Analysen

German | quarterly

This publication contains analyses of the balance sheets of Austrian financial institutions, flow-of-funds statistics as well as external statistics (English summaries are provided). A set of 14 tables (also available on the OeNB's website) provides information about key financial and macroeconomic indicators.

<https://www.oenb.at/Publikationen/Statistik/Statistiken---Daten-und-Analysen.html>

Statistiken – Daten & Analysen: Sonderhefte Statistiken – Daten & Analysen: Special Issues

German | irregularly
English | irregularly

In addition to the regular issues of the quarterly statistical series “Statistiken – Daten & Analysen,” the OeNB publishes a number of special issues on selected statistics topics (e.g. sector accounts, foreign direct investment and trade in services).

<https://www.oenb.at/en/Publications/Statistics/Special-Issues.html>

CESEE Research Update

English | quarterly

This online newsletter informs readers about research priorities, publications as well as past and upcoming events with a regional focus on Central, Eastern and Southeastern Europe. Subscribe to the newsletter at:

<https://www.oenb.at/en/Publications/Economics/CESEE-Research-Update.html>

Workshops – Proceedings of OeNB Workshops

German, English | irregularly

This series, launched in 2004, documents contributions to OeNB workshops with Austrian and international experts (policymakers, industry experts, academics and media representatives) on monetary and economic policymaking-related topics.

<https://www.oenb.at/en/Publications/Economics/Workshops.html>

Working Papers

English | irregularly

This series provides a platform for discussing and disseminating economic papers and research findings. All contributions are subject to international peer review.

<https://www.oenb.at/en/Publications/Economics/Working-Papers.html>

Proceedings of the Economics Conference

English | annually

The OeNB's annual Economics Conference provides an international platform where central bankers, economic policymakers, financial market agents as well as scholars and academics exchange views and information on monetary, economic and financial policy issues. The proceedings serve to document the conference contributions.

<https://www.oenb.at/en/Publications/Economics/Economics-Conference.html>

Proceedings of the Conference on European Economic Integration

English | annually

The OeNB's annual Conference on European Economic Integration (CEEI) deals with current issues with a particular relevance for central banking in the context of convergence in Central, Eastern and Southeastern Europe as well as the EU enlargement and integration process. For an overview see:

<https://www.oenb.at/en/Monetary-Policy/focus-area-central-eastern-and-southeastern-europe/events/conference-on-european-economic-integration.html>

The proceedings have been published with Edward Elgar Publishing, Cheltenham, U.K., Northampton, MA, since the CEEI 2001 (www.e-elgar.com).

Publications on banking supervisory issues

German, English | irregularly

<https://www.oenb.at/en/Publications/Financial-Market/Publications-of-Banking-Supervision.html>

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The *Annual Report* of the OeNB provides information about the Eurosystem's monetary policy and reviews developments in the economy, in financial markets and payment systems. Furthermore, it details the OeNB's national and international responsibilities as well as the broad range of services the OeNB offers. The OeNB's financial statements and the notes on the financial statements are an integral part of the Annual Report. Since 2006, the OeNB's Annual Report, Intellectual Capital Report and Environmental Statement have been combined to form the OeNB's Sustainability Report.

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