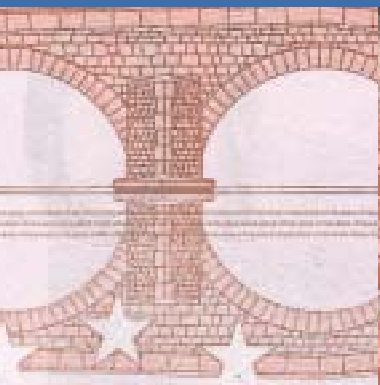
Oesterreichische Nationalbank

Eurosystem

Annual Report 2001




BCE ECB EZB EKT EKP 2002


FÜNF EURO CENT
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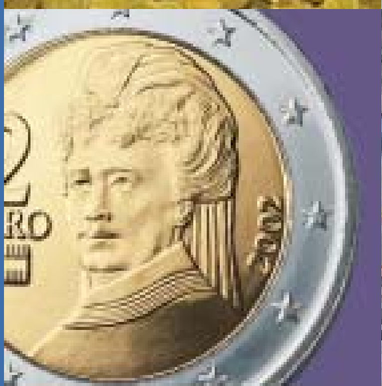
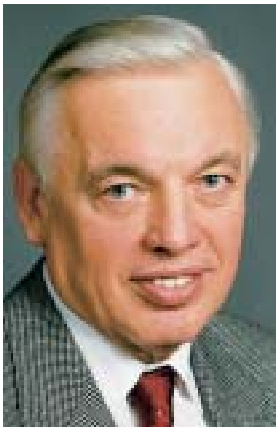


Report on the Financial Year 2001

with Annual Statement of Accounts 2001

Submitted to the General Meeting on May 23, 2002



Now that Europe's monetary union[1]) has been established for three years, we have come to take it almost for granted. However, the gloomier international economic situation and the uncertainty which spread across the globe in the wake of the terrorist incidents in the U.S.A. have impressed on us just how crucial the European integration project is in a globalized world economy.

After the economy had performed especially well in 2000, the reporting year 2001 was marked by a significant cooling. The downturn originated in the U.S.A., where a decade-long expansion came to an end, and spread throughout the world. A hefty and unexpected rise in oil prices triggered a slowdown of economic activity; at the same time, the correction of overinvestment in the IT sector and tumbling stock prices hit the real economy.

Europe, and with it Austria, could not fully escape the effect of the U.S. slowdown. However, stable economic fundamentals and judicious action by economic policymakers prevented the economy from sliding into a full-scale recession. Three years of a robust economic expansion were followed by a deceleration to 1% growth in Austria in 2001, but clues pointing toward a significant recovery were observed again after the beginning of 2002. Despite the slackening, Austrian economic policymakers stayed their stability-oriented course in applying the policy mix. Here, the progress made in budget consolidation was particularly noteworthy.

Developments in Central and Eastern Europe (the CEECs) stood out as especially positive in the overall European economic landscape. In the current economic situation, these countries represent a stabilizing factor. Moreover, the region's stability gains of the past years bear witness to the substantial structural progress the CEECs have already made on the road to EU membership.

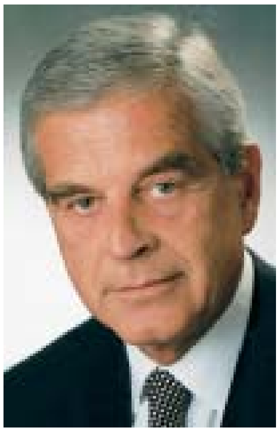
Of course, the CEECs' participation in European integration must be carefully and diligently prepared. For enlargement to work and for the integration of economies at various levels of development to be a lasting success, it is in the interest of the EU and the applicant nations to establish sustainable framework conditions. Quite apparently, decision-makers on all sides are aware of the challenge that enlargement poses. If we succeed in completing this decisive step of EU enlargement, Europe's economic and political position in the world will be strengthened enormously.

In the OeNB as a modern service provider, the year 2001 will be remembered as the final stage of intense preparations for the project of the century, the introduction of euro banknotes and coins. Professional spadework and efficient structures put in place well in advance enabled the OeNB to rise to this challenge. The OeNB's close cooperation with its subsidiaries in the area of payment instruments and with Austrian banks facilitated the smooth transition to the euro for businesses and the general public.

The OeNB fulfills its varied duties at the European level with the same commitment with which it handled the euro project. These responsibilities range from the active role the OeNB plays in the ESCB/Eurosystem to the manifold duties it carries out at the national level. As highlighted by the successful switch to euro cash, serving the interest of the Austrian public and optimizing results for Austria are the prime motives of the OeNB's activities.

Adolf Wala
President

1 *Stage Three of Economic and Monetary Union (EMU) began on January 1, 1999.*



Certainly the most oustanding event of the business year 2001 was the unique organizational, logistical and public relations challenge of introducing euro banknotes and coins on January 1, 2002. We may note with pride and delight that the euro changeover proceeded smoothly in Austria, as it did in all 12 euro area countries, and that the Austrian people have become used to the new currency very quickly. Since March 1, 2002, the euro has been the sole legal tender for roughly 300 million Europeans. Using real euro cash marks the culmination of a long process of monetary integration in Europe and helps make "Europe" a palpable concept for its citizens.

The first three years of Economic and Monetary Union have impressively shown that the European integration process rests soundly on the pillars of a stability-oriented monetary and fiscal policy and a competitiveness-oriented structural policy.

The independent Eurosystem quickly established itself as a stable anchor, and it demonstrated its ability to act and react flexibly in the face of rapid change in the economic environment and the tragedy of September 11, 2001. These circumstances manifestly showed that our country's inclusion in the stability-oriented Economic and Monetary Union has protected it from negative shocks much more adequately than was possible under past regimes. In fulfilling its numerous and varied responsibilities at the European and at the national level, the OeNB contributed actively to overcoming these shocks.

The single monetary policy of the Eurosystem has remained steadfastly focused on the primary objective of price stability and as a result on maintaining the purchasing power of the population of the euro area. Although inflation temporarily rose well over the 2% reference value, forecasts signal that it will soon drop below the 2% target again.

Despite the downturn spreading across the world, the euro area did not slide into recession last year. The business cycle appears to have bottomed out, and the long-term cyclical outlook for the euro area is in fact quite upbeat.

As part of the stepped-up coordination of national economic policies, the most important measures slated for the upcoming years are to continue public sector consolidation in line with the provisions of the Stability and Growth Pact and to redouble efforts on structural reform with the aim of boosting the euro area's international competitiveness.

A further challenge Europe faces in the near future is the enlargement of the European Union over the next few years. A thoroughly prepared enlargement oriented on the EU's well-established quality standards will sustainably enhance Europe's political and economic stability and will thus reinforce the foundation for lasting welfare and peace.

The euro will continue to play a central role as a catalyst for economic and political integration in Europe, as an international stability anchor and, last but not least, as a token of identity for a modern, dynamic, open Europe.

Klaus Liebscher
Governor

Conventions used in the tables

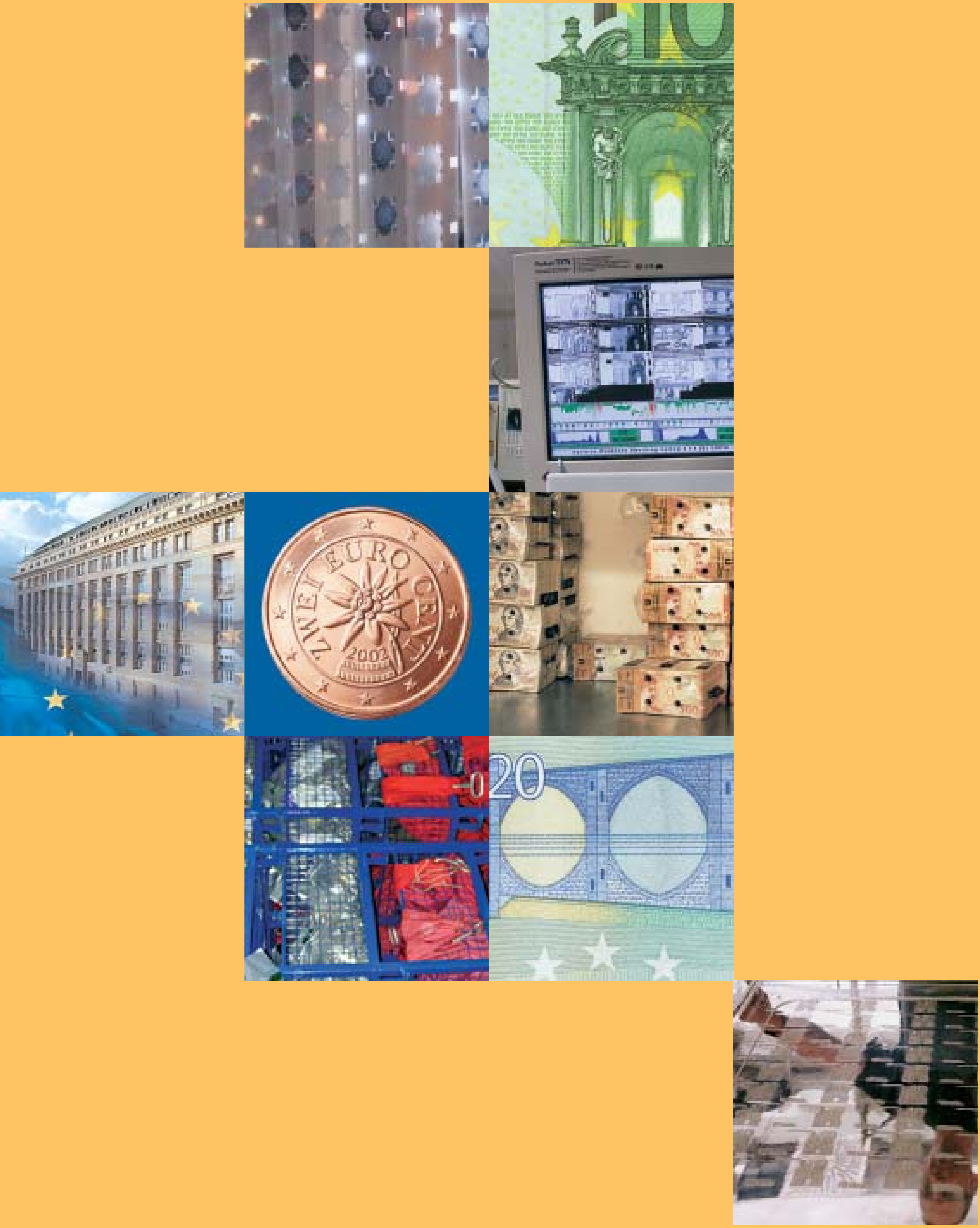
–	=	zero
x	=	not applicable
0	=	negligible

Discrepancies may arise from rounding.

Abbreviations

AG	Aktiengesellschaft (roughly: stock corporation)
ARTIS	Austrian Real-Time Interbank Settlement (the Austrian RTGS system)
APSS	Austrian Payment Systems Services
A-SIT	Zentrum für sichere Informationstechnologie Austria – Center for Secure Information Technology Austria
ATM	automated teller machine
ATX	Austrian Traded Index
BCBS	Basel Committee on Banking Supervision (BIS)
BIS	Bank for International Settlements
BMF	Bundesministerium für Finanzen – Austrian Federal Ministry of Finance
BMPE	Broad Macroeconomic Projection Exercise
BSE	bovine spongiform encephalopathy
CDG	Christian Doppler Research Society
CEECs	Central and Eastern European countries
CIT	cash in transit
CMIT	Committee on Capital Movements and Invisible Transactions (OECD)
CRM	credit risk measurement
ECB	European Central Bank
Ecofin	Council of Economic and Finance Ministers (EU)
EFC	Economic and Financial Committee (EU)
EMAS	Eco-Management and Audit Scheme
EMU	Economic and Monetary Union
EONIA	Euro OverNight Index Average
EPC	Economic Policy Committee (EU)
ERM II	Exchange Rate Mechanism II (EU)
ESCB	European System of Central Banks
EU	European Union
EURIBOR	Euro Interbank Offered Rate
Eurostat	Statistical Office of the European Communities
ECB	European Central Bank
Fed	Federal Reserve System (the central Bank of the United States)
FMA	Financial Market Authority
FOMC	Federal Open Market Committee
GDP	gross domestic product
GSA	GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination G.m.b.H. (cash services company)
HICP	Harmonized Index of Consumer Prices
IFES	Institut für empirische Sozialforschung GesmbH (Institute for Empirical Social Research)
IHS	Institute of Advanced Studies
IMF	International Monetary Fund
IRB	internal ratings-based
IRC	International Relations Committee
IT	information technology
LGD	loss given default
LTRO	longer-term refinancing operation
M3	broad monetary aggregate M3
MFI	monetary financial institution
MÖAG	Münze Österreich AG – Austrian Mint
MPC	Monetary Policy Committee (ECB)
MRO	main refinancing operation
NCBs	national central banks
NIPE	Narrow Inflation Projection Exercise
OECD	Organisation for Economic Co-operation and Development
OeNB	Oesterreichische Nationalbank
OeBS	Oesterreichische Banknoten- und Sicherheitsdruck GmbH – Austrian Banknote and Security Printing Works
ÖBB	Österreichische Bundesbahnen – federal railroad corporation
ORF	Österreichischer Rundfunk – Austrian Broadcasting Corporation
POS	point of sale
RTGS	Real-Time Gross Settlement
STUZZA	Studiengesellschaft für Zusammenarbeit im Zahlungsverkehr G.m.b.H. – Austrian Research Association for Payment Cooperation
SDR	Special Drawing Right (IMF)
TARGET	Trans-European Automated Real-time Gross settlement Express Transfer
Treaty	Treaty establishing the European Community
UMTS	Universal Mobile Telecommunications System
WIFO	Österreichisches Institut für Wirtschaftsforschung – Austrian Institute of Economic Research
WIIW	Wiener Institut für internationale Wirtschaftsvergleiche – The Vienna Institute for International Economic Studies
WKÖ	Wirtschaftskammer Österreich – Austrian Federal Economic Chamber

Editorial close: April 25, 2002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General Council (Generalrat), State Commissioner, Governing Board (Direktorium) and Personnel Changes, Organizational Structure of the Bank

General Council (Generalrat), State Commissioner
on December 31, 2001

Adolf Wala
President

Herbert Schimetschek
Vice President
Chief Executive Director
of UNIQA Versicherungen AG

August Astl
Secretary General of the Board of Presidents
of the Austrian Chamber of Agriculture

Helmut Elsner
Chief Executive Director
of Bank für Arbeit und Wirtschaft AG

Helmut Frisch
Chairman of the Supervisory Board
of Vienna Technical University

Lorenz R. Fritz
Secretary General
of the Federation of Austrian Industry

Rene Alfons Haiden
Retired Chief Executive Director
of Bank Austria AG

Richard Leutner
Secretary
of the Austrian Trade Union Federation

Johann Marihart
Chief Executive Director
of Agrana Beteiligungs-AG

Werner Muhm
Deputy Chief
of the Chamber of Labor of Vienna

Walter Rothensteiner
Chief Executive Director
of Raiffeisen Zentralbank Österreich AG

Karl Werner Rüsch
Former Member of the Government
of Vorarlberg
Former Second Vice President of the OeNB

R. Engelbert Wenckheim
Board Member
of Getränkeindustrie Holding AG

Johann Zwettler
Board Member
of Bank für Arbeit und Wirtschaft AG

Representatives delegated by the Staff Council to attend proceedings
that deal with personnel matters:

Thomas Reindl

Martina Gerharter

State Commissioner
Walter Ruess
Director
in the Ministry of Finance

Deputy State Commissioner
Heinz Handler
Director General
in the Federal Ministry for Economic Affairs
and Labour

Governing Board (Direktorium)

on December 31, 2001

Klaus Liebscher
Governor

Wolfgang Duchatczek
Executive Director

Gertrude Tumpel-Gugerell
Vice Governor

Peter Zöllner
Executive Director

Personnel Changes

between April 19, 2001 and April 25, 2002

General Council member Max *Kothbauer* resigned his seat on the General Council at the ordinary General Meeting of May 17, 2001. Johann *Zwettler,* Board Member of Bank für Arbeit und Wirtschaft AG, was appointed to the General Council as his successor.

Manfred *Frey,* President of the regional finance authority of Vienna, Lower Austria and Burgenland, was appointed to the office of State Commissioner with effect from April 1, 2002, replacing Walter *Ruess* in this position.

In its session of April 9, 2002, the federal government decided to appoint Bernhard *Felderer,* director of the Institute for Advanced Studies, and Herbert *Kofler,* head of the section financial accounting and the tax system of the University of Klagenfurt, to the General Council with effect from April 23, 2002. Moreover, the federal government reappointed Werner *Muhm* to the General Council with effect from April 23, 2002. The terms of office of Rene Alfons *Haiden* and Richard Leutner ended on April 22, 2002.

President
Adolf Wala

Office of the President
Richard Mader, Head

Vice President
Herbert Schimetschek

Governing Board (Direktorium)

Central Bank Policy Department
Klaus Liebscher, Governor

Office of the Governor
Wolfgang Ippisch, Head

Internal Audit Division
Wolfgang Winter, Head

Secretariat of the Governing Board and Public Relations
Wolfdietrich Grau, Head

Planning and Controlling Division
Gerhard Hohäuser, Head

Anniversary Fund
Wolfgang Höritsch, Head

Section

Accounting
Michael Wolf, Director

Financial Statements Division
Friedrich Karrer, Head

Accounts Division
Otto Panholzer, Head

Section

Legal Matters and Management of Equity Interests
Bruno Gruber, Director

Legal Division
Hubert Mölzer, Head

Management of Equity Interests

Economics and Financial Markets Department
Gertrude Tumpel-Gugerell, Vice Governor

Section

Economic Analysis and Research
Peter Mooslechner, Director

Economic Analysis Division
Ernest Gnan, Head

Economic Studies Division
Eduard Hochreiter, Head

European Affairs and International Financial Organizations Division
Franz Nauschnigg, Head

Foreign Research Division
N. N.

Brussels Representative Office
Reinhard Petschnigg, Representative

Paris Representative Office
Andreas Breitenfellner, Representative

Section

Financial Institutions and Markets
Andreas Ittner, Director

Financial Markets Analysis and Surveillance Division
Helga Mramor, Head

Banking Analysis and Inspections Division
Peter Mayerhofer, Head

Credit Division
Franz Richter, Head

Unit

Future Unit
Peter Achleitner, Director

Money, Payment Systems and Information Technology Department
Wolfgang Duchatczek, Executive Director

Section

Payment Systems and Information Technology
Wolfgang Pernkopf, Director

Systems Development Division
Reinhard Auer, Head

Technical Support Division
Rudolf Kulda, Head

Payment Systems Division
Andreas Dostal, Head

Section

Cashier's Division and Branch Offices
Alfred Scherz, Director

Cashier's Division
Stefan Augustin, Head

Printing Office
Gerhard Habitzl, Technical Manager

Coordination of Branches

St. Pölten
Horst Walka, Branch Manager

Bregenz
Helmut Höpperger, Branch Manager

Eisenstadt
Friedrich Fasching, Branch Manager

Graz
Gerhard Schulz, Branch Manager

Innsbruck
Günther Federer, Branch Manager

Klagenfurt
Günter Willegger, Branch Manager

Linz
Axel Aspetsberger, Branch Manager

Salzburg
Elisabeth Kollarz, Branch Manager

Investment Policy and Internal Services Department
Peter Zöllner, Executive Director

Personnel Division
Maria Zojer, Head

Section

Treasury
Rudolf Trink, Director

Treasury – Strategy Division
Rudolf Kreuz, Head

Treasury – Front Office
Walter Sevcik, Head

Treasury – Back Office
Gerhard Bertagnoli, Head

London Representative Office
Elisabeth Antensteiner, Representative

New York Representative Office
Gerald Fiala, Representative

Section

Organization and Internal Services
Albert Slavik, Director

Organization Division
Norbert Weiß, Head[1])

Administration Division
Roland Kontrus, Head

Security Division
Gerhard Valenta, Head

Documentation Management and Communications Services
Alfred Tomek, Head

Section

Statistics
Aurel Schubert, Director

Banking Statistics and Minimum Reserve Division
Alfred Rosteck, Head

Balance of Payments Division
Eva-Maria Nesvadba, Head

1 *Environmental Officer.*

as of April 25, 2002.


1
EURO

Report of the

Governing Board (Direktorium)

for the Financial Year 2001

Smooth Euro Cash Changeover

From Exact Planning to Successful Realization

The euro cash changeover as a unique historic project

With the beginning of Stage Three of Economic and Monetary Union (EMU) on January 1, 1999, the European Union (EU) reached a milestone in its integration policy. Three years on, the introduction of euro banknotes and coins on January 1, 2002, marked the last step toward EMU. The related costs and efforts should be understood as an investment in the common European monetary infrastructure and thus as a contribution to promoting the potential for long-term economic growth. The launch of euro notes and coins proved to be one of the greatest and most demanding challenges the Oesterreichische Nationalbank (OeNB) has had to master in the 185 years since its foundation. While the overall framework for the cash changeover was drawn up in cooperation with the national central banks (NCBs) participating in the Eurosystem and with the European Central Bank (ECB), the NCBs were in charge of the actual implementation.

This is the first time in history that 12 sovereign states have introduced a new, common currency. The realization of this goal was preceded by a vast number of activities, ranging from laying down the political decision on a common currency in the Maastricht Treaty (1992) to naming the new currency "euro" (1995), opting for the banknote design proposed by Robert Kalina (1996), establishing the ECB (1998), determining the irrevocable euro conversion rates to enter into force on January 1, 1999, and, finally, introducing the euro as a means of noncash payment and unit of account with the inception of EMU. The street debut of euro notes and coins was the missing link that completed Stage Three of EMU.

After three years of successful participation in EMU, it was the cash changeover that required the greatest adjustment effort from the population, as this was the moment when every single citizen was – maybe for the first time – confronted with the direct implications of monetary union. However, not only the consumers had to adjust to monetary union, but also the global monetary system as such. A few days into 2002, several large countries announced that they would, in the future, strive to balance their foreign reserves between the U.S. dollar and the euro. Some also considered using the euro for trading in commodities such as crude oil.

The implementation of the cash changeover put the OeNB, its participating subsidiaries and all other stakeholders in this operation, e.g. commercial banks and the police forces, in the public eye. Given the enormous dimension of the project, detailed planning had started at a very early stage. As a direct consequence, the cash processing functions at the OeNB and Austrian banks were restructured on a large scale.

Early organizational restructuring at the OeNB

The most prominent activity in the run-up to the cash changeover was the production of euro notes and coins. The Austrian Mint (MÖAG) and the Austrian Banknote and Security Printing Works (OeBS), two of the OeNB's subsidiaries, were responsible for producing Austria's launch stock of euro cash. The MÖAG was established in its current form in 1989, when the OeNB purchased the former Austrian State

Mint from the Federal Ministry of Finance (BMF). As of that date, the Austrian Mint has redoubled its efforts to fulfill market and customer requirements; a case in point is the Vienna Philharmonic Gold Coin, which has become the best-selling gold coin in Europe. The OeBS was established in 1998, when the Securities Printing Works, a division of the OeNB, became a fully independent subsidiary. Part of the motivation behind this spinoff was to furnish the OeBS, an internationally renowned competence center, with the structure and flexibility necessary to position itself on the global market. Aside from the OeNB, five other euro area central banks and six national central banks from the Central and Eastern European countries (CEECs) rank among the customers of the OeBS, which has already gained a firm standing on the market.

An additional step was the foundation of GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination G.m.b.H. (GSA), which was entrusted with providing efficient cash logistics services in Austria[1]) and was thus to become the key operating platform throughout the cash changeover. In the run-up to €-day, the Austrian Research Association for Payment Cooperation (STUZZA) also underwent major changes. While the STUZZA's original mandate had been to simplify and standardize noncash payments, it now became the leading collaboration platform for Austrian commercial banks and the OeNB. The close and constructive cooperation between the OeNB and banks, both in operational areas (GSA) and in coordination (STUZZA), served as a role model for a number of other euro area countries and in particular for the Central and Eastern European accession countries, which took a keen interest in the Austrian model to prepare for challenging tasks ahead.

Detailed project structure

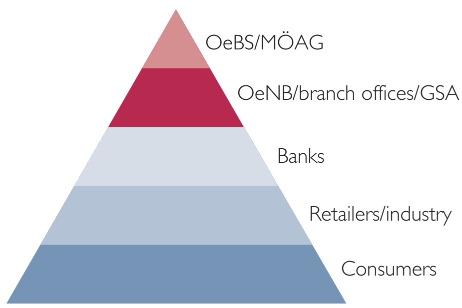
A detailed master plan was worked out to meet the complex challenges of the cash changeover, aimed, inter alia, at building up the necessary capacities in a flexible manner and at gradually integrating the newly assumed tasks into the regular business operations.

The project was divided into 16 subprojects, each with its own project structure and one of a range of topics, such as site-specific construction planning, simulation, IT architecture or frontloading.

Logistical fine-tuning

In Austria, the logistical system used for the initial distribution of euro cash and for all subsequent phases of cash management is structured as follows (see chart): Banknotes and coins were delivered directly from the OeBS and the MÖAG to the OeNB headquarters in Vienna, the regional branch offices of the OeNB and the attached cash centers operated by the GSA.

As a next step, cash in transit (CIT) companies shipped the euro cash to banks.



Banks decided to coordinate their cash shipments during the frontloading phase to optimize CIT route planning. They joined ranks within the

1 See OeNB Annual Report 2000, p. 51.

working group ARGE Geldlogistik for the time of the cash changeover, signing joint contracts for banknote and coin transports. Thanks to this approach, the number of cash shipments in Austria went up by a mere 20% even during the busiest frontloading period.

Gradual frontloading of euro cash to consumers

A number of milestones marked the cash logistics project in the year 2001:

- By the end of April 2001, commercial banks had placed their final orders for euro cash with the OeNB. All further planning was based on this order intake.
- On September 1, 2001, the first euro notes and coins left the OeNB's cash vaults to be delivered to commercial banks. As of this date, banks were theoretically entitled to subfrontload euro cash to enterprises; in practice, however, cash deliveries mainly consisted of very small amounts for training purposes. The great majority of enterprises received euro cash at the end of November or in December.
- As of December 1, 2001, euro cash was also distributed to banks outside the euro area.
- On December 15, 2001, consumers received their first euro coins (mostly starter kits).
- January 1, 2002, marked the official launch of euro notes and coins and the beginning of the dual circulation phase, during which the euro and the schilling were both legal tender. The dual circulation phase ended on February 28, 2002; on March 1, 2002, the euro became the sole legal tender in the euro area. Any remaining schilling stocks of the current series may be exchanged for euro at the OeNB for an unlimited period (see box "Return of Schilling Banknotes" for details).

Return of Schilling Banknotes

Banknotes that can be returned for an unlimited period of time

ATS 5000, 1st motif:	*Wolfgang A. Mozart*
ATS 1000, 5th motif:	*Karl Landsteiner*
ATS 500, 4th motif:	*Rosa Mayreder*
ATS 100, 6th motif:	*Eugen v. Bawerk*
ATS 50, 4th motif:	*Sigmund Freud*
ATS 20, 5th motif:	*Moritz M. Daffinger*

Called-in banknotes and dates at which the exchange period ends[1])

ATS 1000, 3rd motif:	*Bertha v. Suttner*	*August 30, 2005*
ATS 1000, 4th motif:	*Erwin Schrödinger*	*April 20, 2018*
ATS 500, 2nd motif:	*Josef Ressel*	*August 31, 2007*
ATS 500, 3rd motif:	*Otto Wagner*	*April 20, 2018*
ATS 100, 5th motif:	*Angelika Kauffmann*	*November 28, 2006*
ATS 100, 5th motif (2nd print run):	*Angelika Kauffmann*	*November 28, 2006*
ATS 50, 3rd motif:	*Ferdinand Raimund*	*August 31, 2008*
ATS 50, 3rd motif (2nd print run):	*Ferdinand Raimund*	*August 31, 2008*
ATS 20, 4th motif:	*Carl Ritter v. Ghega*	*September 30, 2009*

[1]) These banknotes can be exchanged for euro at the OeNB until the date at which the exchange period ends.

Extensive training for professional cash handlers

It was one of the OeNB's fundamental goals not only to safeguard the early distribution of the new cash but also to provide the Austrian public with timely information. The OeBS and its counterfeit experts at the National Analysis Center were key players in the information chain. In a first step, five staff members of the OeNB headquarters and two staff members of each OeNB branch office completed intensive training as banknote experts and were subsequently responsible for training external partners, so-called multipliers, specifically recruited from commercial banks, the police, labor and industry representatives, and other organizations. In contrast to the initial estimate of offering training for around 1,000 external multipliers, in fact more than 2,500 persons completed this training between end-July and early November 2001.

Only genuine euro banknotes were used in these training sessions. Aside from learning about the euro's security features, multipliers acquired basic knowledge about how to identify counterfeits (seized counterfeit banknotes of the legacy currencies were used for this exercise). In addition, each participant received a kit containing training material (leaflets, CD-ROM, a videotape, etc.). Multipliers were encouraged to pass on their newly acquired knowledge to the cash experts at their respective organizations. Banks' and retail businesses' cash handling staff, police officers and other professionals who regularly handle cash were the end users of this information. All in all, this process involved some 250,000 cash experts, enabling them to act as competent contacts for the broad public.

450,000 foreign currency exchange transactions

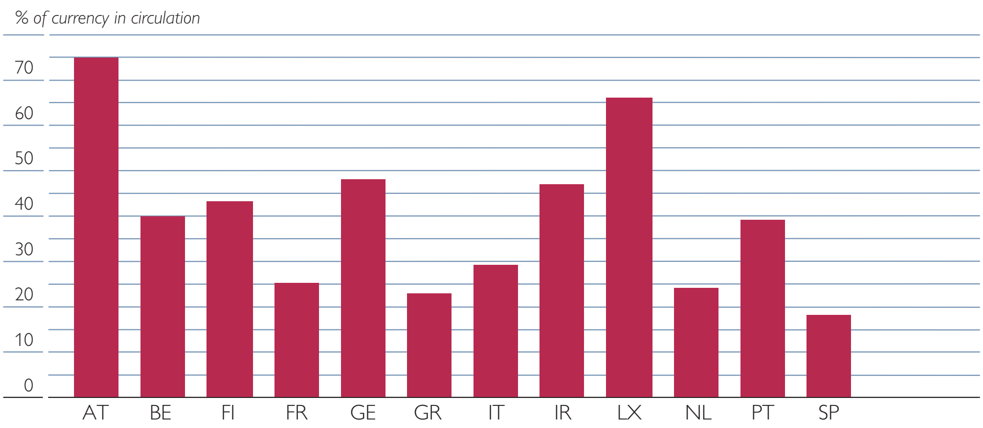
While in the past, central banks had exclusively exchanged banknotes they had issued themselves, the NCBs of the Eurosystem agreed, under Article 52 ESCB/ECB Statute, to exchange banknotes (of the most recent series) of other euro area countries free of charge during the period from January 1, 1999, when the euro was introduced for noncash payments, to March 31, 2002. By end-March 2002, the exchange facilities set up at the OeNB headquarters in Vienna and at those at the OeNB branch offices had handled more than 450,000 foreign exchange transactions totaling EUR 388 million.

Austria reports highest frontloading rate

Owing to detailed planning and the OeNB's excellent cooperation with the commercial banks, Austria recorded the highest relative frontloading volume in the euro area. Compared to the average value of schilling notes and coins in circulation of around EUR 13.6 billion, the value of frontloaded euro notes and coins totaled EUR 10.3 billion, i.e. approximately 75% of the value of schillings in circulation. The high frontloading level resulted from the fact that economic agents were informed about the changeover at an early stage and that retailers were provided with calculators (EuroCalculus) to determine their euro cash requirements. Also, banks had taken precautions to deal with possible euro cash outflows to neighboring countries.

Using an inhouse data base, the OeNB managed the frontloading process without incident and in a high security environment. Only 12.4% of the total frontloaded volume were distributed to businesses which, as a

Frontloading of Euro Notes and Coins in the Euro Area



Source: OeNB.

precaution, had apparently opted for stocking up mainly smaller denominations to be able to give change. By the beginning of 2002, more than 60% of the overall frontloaded amount of some coin denominations were already safely stored in the cash drawers of retailers.

EUR 500 million frontloaded to neighboring countries

Given Austria's geographical position, the question of frontloading had not only a national, but also an international dimension. As the Central and Eastern European accession countries were holding relatively large stocks of euro area countries' national currencies (in particular Deutsche mark and Austrian schilling banknotes), it was to be expected that they would be quick to exchange these stocks for euro. As for many of these countries, Austria was the nearest place to go in order to exchange legacy currencies free of charge, adequate measures had to be taken. In the run-up to the cash changeover, therefore, numerous bilateral contacts took place between representatives of the OeNB and the respective NCBs. Furthermore, in order to be able to respond quickly to possible bottlenecks in Austria caused by the outflow of euro cash to neighboring countries, the OeNB arranged for additional euro allocations from the ECB and signed a bilateral cooperation agreement with the Deutsche Bundesbank. To meet the immediate cash requirements expected in early 2002, Austria frontloaded more than EUR 500 million to its neighbors. Such transactions were settled mainly via the existing channels of commercial banks.

Extensive activities to promote the return of the schilling

By launching a joint campaign in spring 2001, the OeNB, the Austrian charity organization "Licht ins Dunkel" (A Light in the Dark) and the Austrian Youth Red Cross set off a series of campaigns promoting the early return of schilling coins. The campaign "Gib dem Schilling eine Chance – Spende für Kinder in Not" (Give the Schilling a Chance – Give for Children in Need), for example, was aimed at collecting small change from Austrian schools. These collection programs and the corresponding public relations campaign helped to gradually reduce the number of coins in circulation. Moreover, the public increasingly realized that it was sensible to return schilling coins as early as possible. In the fall of 2001, the OeNB started an extensive campaign, encouraging consumers to return their schilling coins with the slogan "Ich will nachhause" (I Want to Go Home). This campaign was scheduled around World Thrift Day so as to benefit, in cooperation with the commercial banks, from the time of year when most people traditionally take their hoarded coins to banks to pay them into savings accounts. Another measure to promote schilling return was the campaign "Betragsgenaues Zahlen" (Give Exact Change), which was organized together with the Austrian Federal Economic Chamber (WKÖ).

The volume of banknotes in circulation as at December 31, 2000, was defined as the reference value for the expected return of banknotes. The OeNB expected that around 95% of schilling banknotes in circulation – the equivalent of EUR 13.2 billion – would be returned.

For coins, by contrast, the piece count served as a reference value. On December 31, 2000, around 6.5 billion coins were in circulation.

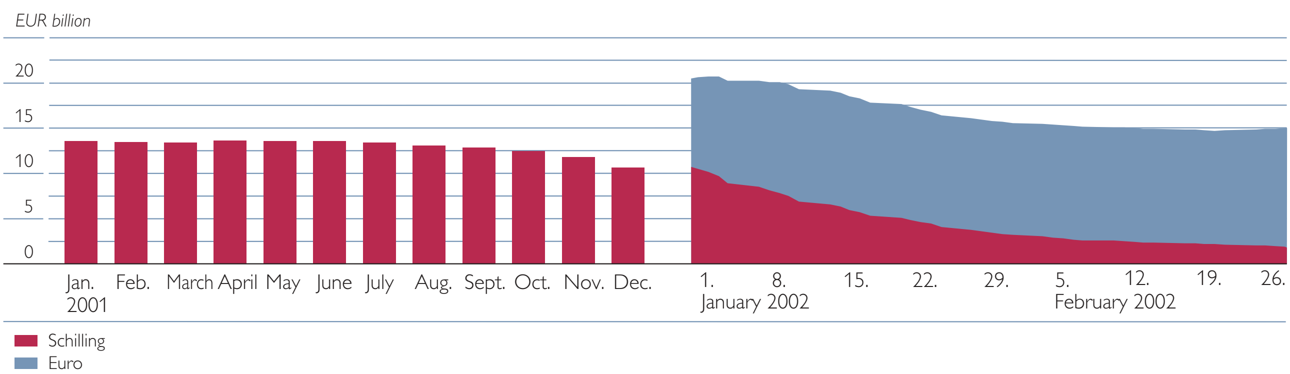
Given the fact that Austrian coins had remained more or less unchanged since the 1960s and that around 3 billion 10 groschen coins and 1.5 billion schilling coins were in circulation, the OeNB pegged the number of coins to be returned at around 3 billion.

The effective return of the schilling began in summer 2001. While currency in circulation normally increases during the summer months, it contracted in 2001. At the beginning of 2002, around 25% of the return volumes calculated for banknotes and 35% of coins had already been returned to the OeNB. On January 1, 2002, when the front-loaded euro banknotes and coins became legal tender, currency in circulation soared. During the dual cash circulation period, the number of schilling notes and coins in circulation went down drastically, however.

Old schilling banknotes recycled as insulation material, old schilling coins reminted as euro coins

In the past, banknotes withdrawn from circulation were shredded and then burnt. As it was clear that the return of the schilling would drive up the volume of shredded banknote material, the OeNB searched for environmentally friendly ways of reprocessing shredded banknotes. Since experiments in paper recycling and composting had not been successful,

Currency in Circulation in 2001 and in January and February 2002



Source: OeNB.

experts were looking into methods for using shredded banknotes as a resource for producing insulation material. Live operation was taken up after extensive testing, and so far the entire volume of shredded schilling banknotes has been reused as insulation material in construction. In addition, organizational processes were optimized to ensure that the shredded material was transported mostly by railway, i.e. in an environmentally friendly manner.

Returned coins are decoined (i.e. bent beyond recognition) by the Austrian Mint and then sold on the waste metal market classified by alloy. Thus, the various raw materials can be reused to produce new goods. Recycled 5 and 10 schilling coins, for example, are reused for euro coins, and 10 groschen coins are turned into aluminum products.

The OeNB – Making the Euro Yours: Intensive and Broadly Based Information Activities

A challenge to communications policy

The euro cash changeover was both an enormous logistics challenge and an external communication venture. Changes of such magnitude – like adopting a new currency – are wont to evoke skepticism and uncertainty. The OeNB therefore initiated a comprehensive information campaign addressed to all members of the society. As early as in spring 2001, a campaign was launched to build up a positive attitude toward the euro; this was the forerunner to the OeNB's main campaign, which started in fall 2001 under the heading "Mit der Nationalbank zum Euro" (The OeNB – Making the Euro Yours). These intensive preparations and comprehensive information activities helped prevent potential problems and thus contributed essentially to the smooth transition to the new cash. The greatest challenge for the OeNB's external communication was to address the entire population, no matter whether people were actually interested in the euro and to select suitable communication channels to meet a vast range of information needs.

Thus, the OeNB directly addressed individual target groups with programs designed to help them get a feel for the euro and familiarize themselves with the new cash and its security features. These efforts were backed up by the euro area-wide campaign *"the* EURO. *"OUR* money," which the ECB had developed in collaboration with the NCBs of the Eurosystem. In this context, the ECB and the OeNB cooperated closely with a network of partners including government offices, public authorities, interest groups, businesses, the Austrian Broadcasting Corporation (ORF), the media, and credit institutions. The cooperation with the ORF spanned a wide range of information and entertainment programs, which helped extend the reach of the euro campaign and thus contributed essentially to making this campaign a success. By bundling these efforts, the OeNB ensured that all Austrians had access to the existing information in manifold ways.

Broad offer of OeNB services

Aside from large-space advertising, the OeNB directly informed the Austrian public in a series of euro-related events. For this purpose, the OeNB set up a hotline together with the Federal Economic Chamber and the ORF and increased the capacities of its own internal call center, which handled around 9,000 calls in the period from June to December 2001 alone. The number of e-mail queries processed in 2001 amounted to just under 8,000.

Presentation of euro banknotes

The media were mainly interested in the security precautions for shipping euro notes and coins. It was therefore a special challenge to strike the right balance between meeting the necessary security standards and satisfying the public's information requirements, or, put differently, to provide the public with detailed information while maintaining high security levels. For this reason, the final appearance of the euro banknotes and coins and their security features were not presented to the public before August 30, 2001 (at the ECB in Frankfurt) and August 31, 2001 (at the OeNB in Vienna).

Broad range of information products

Moreover, a wide range of information products covered the various aspects of the euro cash changeover.

- Altogether 30.1 million information leaflets were produced, handed out, distributed by mail or made available at credit institutions, various public authorities and businesses.
- In addition, 4 million miniposters were distributed, providing information on the final appearance of the euro banknotes and on the security features of the new currency.
- 620,000 posters depicting euro banknotes and coins and their security features were printed and distributed to make information on the new cash accessible in public and to help raise public awareness of euro banknotes and coins in general.
- The brochure "Der Euro – unser neues Geld" (The Euro – Our New Cash) was created in cooperation with the STUZZA, the Federal Economic Chamber, the euro initiative of the Austrian federal government and banks. It was published in German and English as well as in eight EU accession country languages.
- A special emphasis is placed on the requirements of older persons, youths, and the blind and visually impaired. In this context, the so-called Euro CashTest, a credit card-sized banknote and coin gauge, was distributed in cooperation with the Austrian Blind Union. This device enables blind and visually impaired persons to quickly and determine the exact value of the respective euro banknote or coin.
- Special information material for children and youths was provided in a euro kit for schools; in addition, the competition "Be a Euro SuperStar" was initiated for eight- to twelve-year-olds in cooperation with the ECB.
- Moreover, the OeNB website provided updates on the national changeover process (www.oenb.at/geldlogistik).
- The OeNB also cooperated with the producers of education material to help create multimedia euro information material for children.
- The OeNB issued leaflets and organized a traveling exhibition to inform ten- to fourteen-year-olds about the euro.
- Together with the federal government's euro initiative, the OeNB staged "Euroinfotage" (Euro Info Days) in spring 2001, a series of events that provided an important source of information for many Austrian citizens.

Euro cockpit served as crisis committee

In the course of the cash changeover, a special crisis committee, the so-called euro cockpit, was set up at the OeNB from September 2001 to February 2002 to elaborate detailed action plans. This unit's main task was to respond quickly and effectively to incidents and crisis situations.

The public's first contact with the euro cash

From September 17 to December 14, 2001, the "Eurotrain" crisscrossed Austria, stopping in around 60 train stations to provide first-hand information and consultation services. In cooperation with the federal government's euro initiative, the federal railroad corporation ÖBB, the Federal Economic Chamber and credit institutions, the OeNB established a communication platform offering information and expert consultation for all age and target groups. On the occasion of the Eurotrain's arrival at its final destination at Westbahnhof, Vienna, on the night from December 14 to 15, 2001, Austrians could acquire their first euro starter kits for ATS 200.

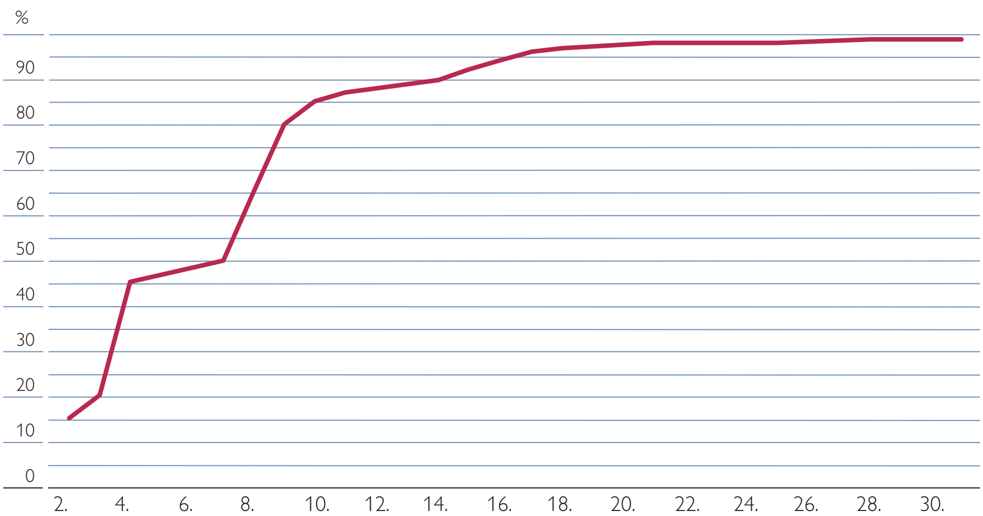
Starter kits containing both euro banknotes and coins (equivalent to ATS 500) were distributed to the public in the first hours of 2002. In Vienna, these kits were given out by OeNB Governor Klaus Liebscher, while in the regional capitals the heads of the OeNB's branch offices performed this symbolic gesture at mobile euro cash kiosks installed along the traditional "Silvesterpfade" (New Year's Trails).[1]) The changeover to the euro in the early hours of 2002 went smoothly; euro cash was available across the nation from 2,660 outdoor ATMs and 3,300 cash dispensers in bank lobbies.

Swift Acceptance of Euro Cash and Great Confidence in the OeNB

Two weeks after the cash changeover 90% of transactions were already settled in euro

During the first days of January 2002, Austrians' chief interest was to familiarize themselves with the new money. After a relatively short period it became clear that the switch to the euro would be very swift. The great majority of consumers and businesses

Use of the Euro in Cash Transactions in January 2002



Source: OeNB.

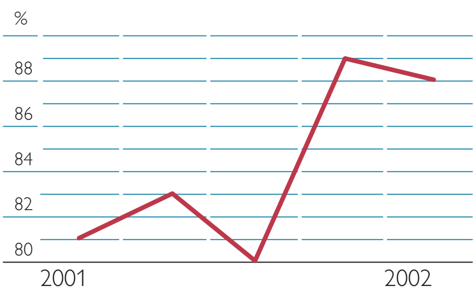
1 *The OeNB donated EUR 5 per starter kit to the charity A Light in the Dark.*

reacted positively to the new cash: Two weeks after the changeover, around 90% of cash transactions were already settled in euro.

Public confidence in the OeNB at record high

With the smooth cash changeover, the OeNB delivered an impressive performance. A study completed by the Institute for Empirical Social Research (IFES) confirms the OeNB's success: in the fourth quarter of 2001, 89% of the population cited the OeNB as an institution they had great confidence in. This corresponds to an increase by 9 percentage points compared to the third quarter of 2001 – an all-time high that was clearly reconfirmed in the first quarter of 2002, when the corresponding figure stood at 88%.

Public Confidence in the OeNB



Source: OeNB.

Monetary Policy Secures Stability

Eurosystem Monetary Policy: Looking Back on Three Successful Years

The OeNB's active role in the Eurosystem

The independent European System of Central Banks (ESCB) is the organization behind Monetary Union. It is composed of the ECB and the NCBs of all 15 EU Member States. The 12 NCBs (including the OeNB) of the countries which have adopted the euro together with the ECB make up the Eurosystem. The Eurosystem and the ESCB are governed by the decision-making bodies of the ECB: the Governing Council and the Executive Board. As long as the euro has not become legal tender in all 15 EU Member States, it will be necessary to differentiate between the ESCB and the Eurosystem; currently, Denmark, Sweden and the United Kingdom have not yet adopted the euro. During this transitional period the ESCB has another decision-making body, the General Council, consisting of the President and the Vice-President of the ECB as well as the governors of the participating and nonparticipating Member States.

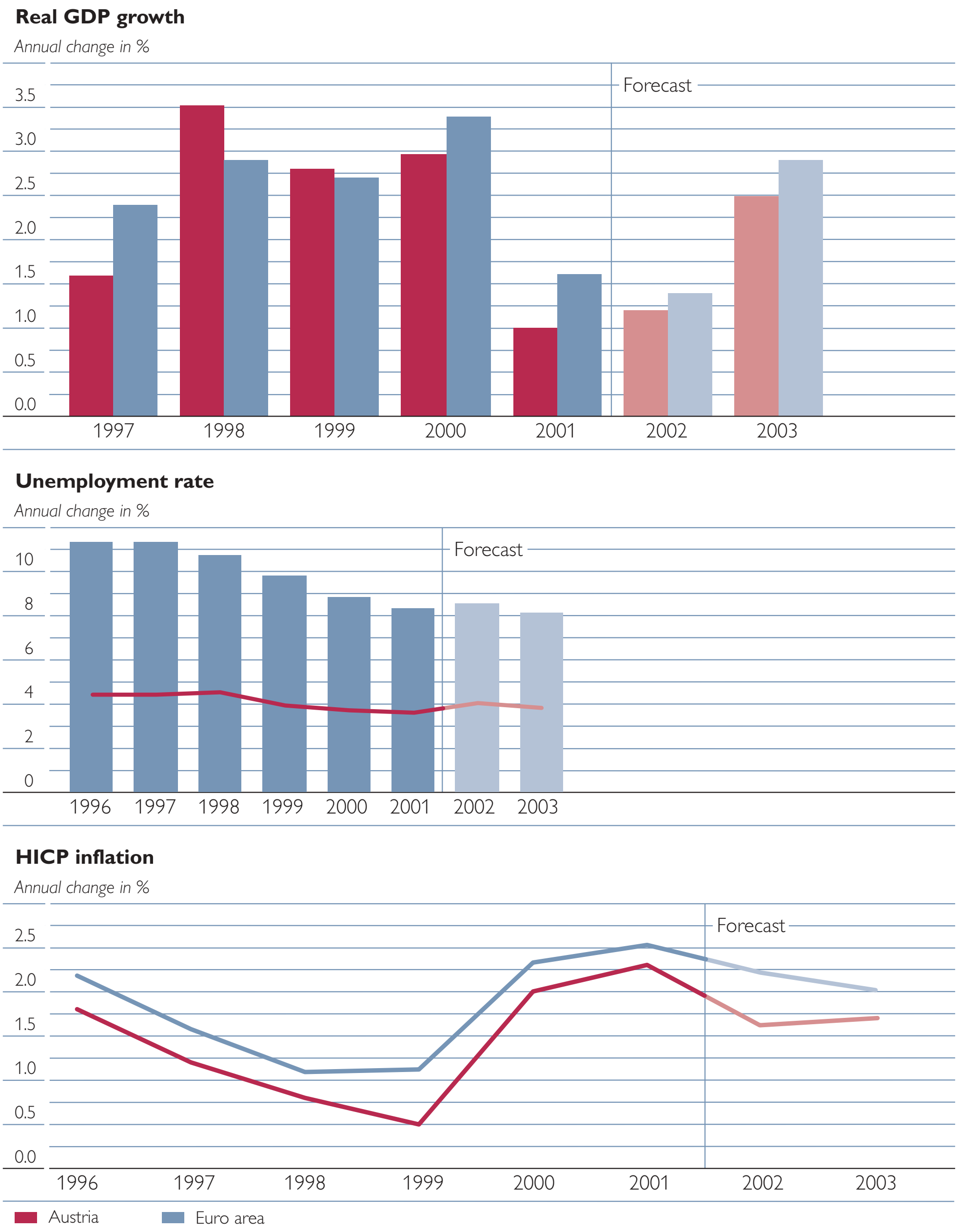
The Eurosystem has been in charge of the single monetary policy of the euro area since January 1, 1999. The OeNB has been actively taking part in this key area of integration, and the Governor of the OeNB is a voting member of the Governing Council of the ECB ("one member, one vote"). In this capacity, the Governor is independent and not bound by any instructions. Apart from being an integral part of the Eurosystem, the OeNB is also a link to the decision makers in Austrian economic policy. The experience gathered in the three years of EMU membership has played a crucial role in the successful fulfillment of tasks like contributing to monetary policy or the introduction of euro cash.

Robust economic growth, stable prices, declining unemployment

Monetary Union and the single currency have had a favorable impact on economic developments in the 12 participating Member States. Inflation is running low. The single monetary policy with its primary objective of price stability makes the euro a highly stable currency. General government budget balances have improved considerably, and stepped-up structural reforms have fostered economic convergence among the Member States. At 2.5%, average economic growth was higher between 1999 and 2001 than in the 1990s. Despite difficult economic conditions, unemployment dropped to a record low in 2001.

The Austrian economy has also benefited greatly from EMU membership; low inflation, high productivity gains, wage moderation and healthy employment growth helped improve its competitiveness in the European context.

Key Indicators for the Euro Area and Austria



Source: Eurostat, Statistics Austria, European Commission's spring 2002 forecast.

Greece becomes 12th member of EMU

2001 saw the enlargement of the euro area: Greece became the 12th member of EMU on January 1. Accession was well prepared: the drachma's exchange rate had started to converge towards its central parity in the ERM in 1999 and continued to do so throughout the following years, so that the drachma easily joined the euro at its central parity rate. By the end of 2000, differences in short-term interest rates between Greece and the euro area had also vanished. The accession of Greece increased the population of the euro area by 3.4% and its GDP by 1.9%.

Euro area tackled the challenges of 2001

The euro area showed good resilience in the difficult year 2001. It largely fended off the economic slowdown triggered by the cooling of the U.S. economy and aggravated by the terrorist attacks of September 11, 2001. The launch of the single currency was key to effective crisis management in the participating Member States. Thanks to EMU, the crisis of 2001 did not spark off divergence processes and exchange rate turmoil within the EU, which had repeatedly been the case in the 1990s in the wake of external upheaval.

In a period of external uncertainty, Austria's participation in EMU proved to be extremely valuable. The euro area served as a framework largely shielding its Member States from the negative impact of the global economy. Furthermore, the Austrian economy may have not exploited the full profit potential of European integration yet: Like in 2000, real GDP growth was slightly below the euro area average in 2001 (+1.0% against 1.5%).

Difficult Global Economic Conditions in 2001

U.S. slowdown triggers global economic cooling

After 2000 had seen the highest global growth rates since the mid-1980s (4.6%), the world economy faltered in 2001. The global downturn was sparked in the U.S.A, where, after almost a decade of continuous expansion, growth started to decelerate in the first quarter of 2001. This slowdown marked the end of a historically long period of buoyant growth, which had even triggered discussions on the existence of a New Economy.

In this environment of ongoing loss of momentum, the terrorist attacks of September 11, 2001, came as a shock which temporarily shook economic agents' confidence.

Overinvestment, oil price shock

The key driving forces behind the nine-year expansion in the U.S.A. were high productivity gains, a boost in technological development, substantial credit-financed consumer demand and continued overinvestment. The huge amount of capital seeking investment unleashed a boom on the stock markets, especially in the IT sector, which witnessed high expectations of growth and profit. Buoyed by the bull market, stock prices of IT enterprises soared.

The vigorous expansion went hand in hand with powerful employment growth. However, owing to the widely deregulated U.S. labor market, productivity gains and stiff competition on the product markets, these two phenomena did not generate wage-induced price pressures. U.S. growth was driven chiefly by private demand.

In the course of 2001, the upswing petered out. After growth rates of 4.1% in 1999 and 2000, real GDP increased by a mere 1.2% in the U.S.A. in 2001. The realization dawned that profit expectations in the IT sector were overstated, and the oil price hikes of 2000 finally had a dampening effect on the economy. Economic agents started to lose confidence in 2001, even more so after the terrorist attacks; as a consequence, the expansion on the stock markets and real growth decelerated. When capital spending in the IT sector turned out to be overinvestment, it stalled. Surprisingly stable consumption underpinned U.S. economic growth in the months after September 11, 2001. In light of the unfavorable economic conditions, the Federal Open Market Committee (FOMC) of the Federal Reserve decided to significantly cut interest rates. In several moves over the course of the year, the federal funds rate was slashed by a total of 475 basis points to an unprecedented low of 1.75% in December 2001.

International synchronization of the business cycle

As the U.S. economy cooled, so did economies in all parts of the world. It was the first time that all major economies slipped into such a synchronized slowdown. It is widely assumed that the simultaneity can be traced to the increasing globalization of the economy. Yet there is still considerable uncertainty about the role that the individual transmission channels play. Obviously, the global economy was hit by one and the same shock – the oil price hikes of 2000. Besides, the growing number of multinational groups and globally dispersed production sites may be the reason why economic ups and downs are transmitted from one part of the world to another via the trade channel. The growing diversification of portfolios may also cause developments in individual countries to affect the disposable income of investors in other economic regions. Finally, crises of confidence may spill over into other economies as investors mimic the behavior of their counterparts in other areas.

The Forward-Looking Monetary Policy of the Eurosystem Is Effective and Secures Price Stability

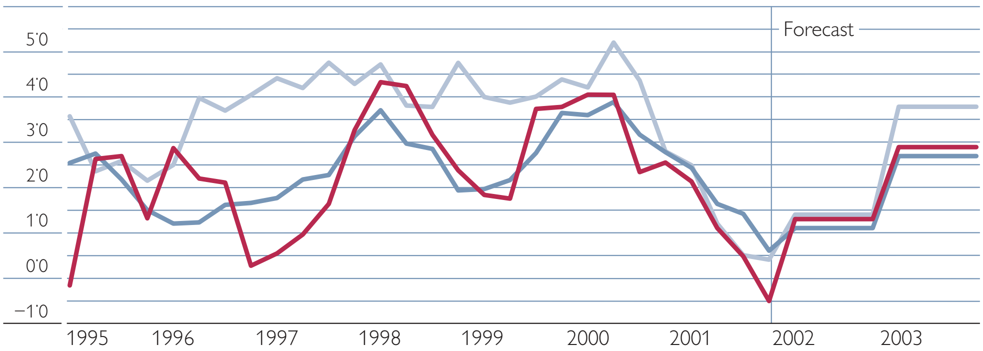
Economic cooling spills over to the euro area, oil and food prices push up inflation

The transmission channels mentioned above might explain why the euro area was hit by the U.S. downswing despite solid fundamentals and the absence of macroeconomic imbalances. Household debt in the euro area had not reached as worrisome a level as in the U.S.A.; besides, there had been no signs of overinvestment in the euro area. These factors suggest that the setback of 2001 – GDP growth came to 1.5% – was attributable to external dynamics.

The euro area recorded a decline in exports and a slowdown in investment growth in the course of 2001. Towards the end of the year, confidence indicators also trended downwards. The downswing of 2001 hit

Real Gross Domestic Product

Quarterly change annualized in % (seasonally adjusted)



Source: OeNB, Austrian Institute of Economic Research (WIFO), Eurostat, IMF forecast of March 2002.

the entire euro area, but its impact varied from region to region. Posting negative growth rates in two consecutive quarters, the German economy by definition slipped into recession. In Austria, real GDP growth leveled off especially in the second half; growth came to 1.0% in the entire year 2001 (see section "Key Developments in Austria: The Economy – the Budget – the Current Account").

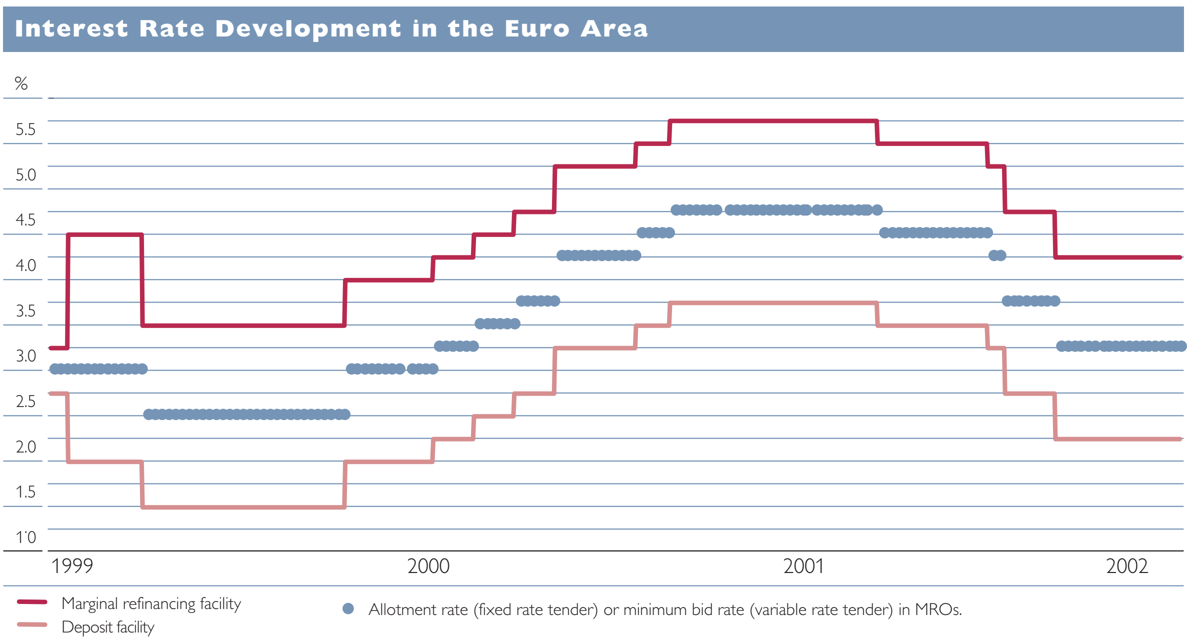
In the first half of 2001, difficult economic conditions worsened further as oil and food prices climbed (also as a result of the BSE crisis) and exchange rate developments pushed up import prices.

ECB Governing Council cuts interest rates by a total of 50 basis points in May and August 2001

The minimum bid rate on the main refinancing operations (MROs) of the Eurosystem was 4.75% (unchanged since October 5, 2000) in early 2001; at this time, the indicators of the first and the second pillars of the monetary policy strategy pointed towards mounting inflationary pressures. M3 growth, the key indicator of the first pillar, which had been running high throughout 2000, dropped below the reference value of 4½% in the first half of 2001.

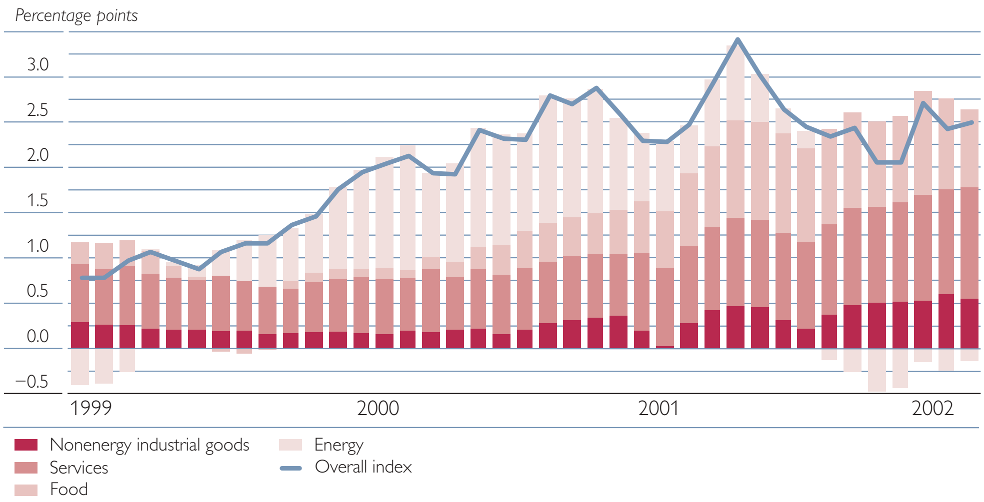
With aggregate demand contracting and wages increasing only moderately, the indicators of the second pillar pointed towards a cyclical easing of inflationary pressures.

Taking into account these developments, the ECB Governing Council stated that the risks to price stability in the medium term had decreased and decided to cut key interest rates (minimum bid rate on MROs, marginal lending rate, deposit rate) by 25 basis points on May 10, 2001. Developments in the following months confirmed the assessment of waning inflationary pressures in the medium term, and the ECB Governing Council reduced key interest rates by another 25 basis points on August 30, 2001.



Source: ECB.

HICP Inflation and Contributions to Inflation in the Euro Area



Source: OeNB, Statistics Austria, ECB.

Effective crisis management at central banks after the events of September 11, 2001

The terrorist attacks of September 11, 2001, had far-reaching implications for the international financial system. System breakdowns briefly prevented several enterprises and organizations from meeting their credit obligations, causing recipient institutions to face temporary payment defaults.

Stock markets slumped; at the New York Stock Exchange, trading was suspended for a few days. At the same time, the bond markets turned bullish (flight to quality). The gold price rose from some USD 273 prior to the attacks to more than USD 290/ounce, and the U.S. dollar temporarily dropped by 3 cents against the euro.

Thanks to effective crisis management measures and international cooperation, the central banks successfully tackled these challenges. On the day of the terrorist attacks, the Fed and the Eurosystem already signaled that they would inject additional liquidity into the market if necessary. The banks readily accepted this offer. The Fed made available additional liquidity through discount window loans and significantly extended open market operations. Following its announcement on September 11, the ECB executed one-day fine tuning operations on the basis of quick tenders on September 12 and 13, allotting EUR 69.3 billion and EUR 40.5 billion, respectively.

In addition, the ECB and the Fed agreed on a swap arrangement to facilitate the functioning of financial markets and to provide liquidity in U.S. dollars. Under the agreement, the ECB was eligible to draw up to USD 50 billion and to make these dollar deposits available to the national central banks of the Eurosystem, which, in turn, would use them to help banks meet their U.S. dollar obligations. Servicing open U.S. dollar obligations was the acute problem of banks in the euro area at this point. It should be noted that the events led to a fragmented U.S. dollar money market: Even though the Fed had provided sufficient liquidity to American banks, they were reluctant to pass on liquidity to European banks in the face of uncertain conditions. Default systems worked well and effectively, but some telecommunications systems failed.

Concerted interest rate cuts on September 17, 2001

The terrorist attacks of September 11, 2001, heightened uncertainty about the economic outlook in the U.S.A. and the rest of the world. After the Fed had cut the federal funds rate on September 17, 2001, the ECB Governing Council – in accordance with the U.S. central bank – decided to reduce key interest rates by 50 basis points. Central banks of other countries (Japan, Canada, New Zealand, Switzerland, the United Kingdom, Sweden and Denmark) followed suit.

Slashing key interest rates and injecting liquidity helped calm the nervous markets and restore normality after the terrorist attacks. Therefore, no new fine-tuning operations were deemed necessary; two days later, banks no longer required the U.S. dollar facility provided by the ECB.

In emergency situations, decisive central bank action is key to stabilizing markets quickly. Efficient and effective operational structures (e.g. default systems) are required to support these measures. The events of September 2001 demonstrated that the central bank systems of the U.S.A. and of Europe are capable of managing crises.

Eurosystem cuts interest rates for the fourth time by 50 basis points on November 8, 2001

Thanks to the central banks' concerted action to calm international and European financial markets, monetary policy in the euro area returned to normal relatively quickly. After weeks of crisis management, maintaining macroeconomic stability in the euro area shifted back in focus. On November 8, 2001, the ECB Governing Council reduced key interest rates by another 50 basis points, which marked the last of four interest rate cuts in 2001; all in all, interest rates were slashed by 150 basis points in 2001.

M3 growth accelerated considerably in the second half of 2001 (June 2001: +5.6%, November 2001: +7.8%), chiefly because of temporary factors. In particular, uncertainty in stock markets and the relatively flat yield curve until August caused private investors to shift their portfolios from longer-term assets towards shorter-term assets included in M3. At the same time, lending slowed down markedly. On the whole, the ECB Governing Council stated that current monetary developments did not entail risks to price stability.

Information under the second pillar increasingly hinted at declining inflation rates on account of weakening aggregate demand. The inflationary effects of higher energy and food prices abated notably.

At its meeting on November 8, 2001, the ECB's Governing Council agreed on a change in procedure: From this meeting on, monetary policy decisions were generally to be taken only at the first Governing Council meeting of the month. At the second meeting of the month, the Governing Council would focus on questions related to other tasks and responsibilities of the ECB and the Eurosystem. Obviously, the Governing Council is still free to change key interest rates regardless of the previously agreed schedule of meetings.

The Eurosystem and the Federal Reserve System (Fed) – A Comparison

Decision-Making Bodies

Eurosystem

The Eurosystem is the monetary policymaking body of the euro area, consisting of the Frankfurt-based ECB and the 12 participating NCBs, including the OeNB. The highest decision-making body within the Eurosystem is the Governing Council of the ECB, which comprises the six members of the Executive Board of the ECB and the twelve NCB governors, including the governor of the OeNB. The Governing Council convenes every two weeks; monetary policy decisions are made usually in the first meeting of the month.

The Executive Board of the ECB comprises the President, the Vice President and four other board members. It executes the monetary policy decisions of the Governing Council.

Fed

The Federal Reserve System (Fed) – the monetary policymaking authority of the United States – consists of the Federal Reserve Board (located in Washington, D.C.) and the12 regional Federal Reserve Banks). Its highest decision-making bodies are the Board of Governors and the Federal Open Market Committee (FOMC).

The Board of Governors consists of seven governors, including a chair and a vice chair.

The FOMC, the Fed's principal monetary policymaking body, is composed of the seven members of the Board of Governors, the President of the Federal Reserve Bank of New York and a rotating roster of four of the presidents of the other eleven regional reserve banks. The FOMC convenes eight times a year.

Independence of the Decision-Making Bodies

Eurosystem

The Treaty stipulates that, when exercising the powers and carrying out the tasks and duties conferred upon them, neither the ECB nor the NCBs, nor any members of their decision-making bodies shall seek or take instructions from Community institutions or bodies, from any government of a Member State or from any other body. The Community institutions and bodies and the governments of the Member States shall not seek to influence the members of the decision-making bodies of the Eurosystem in the performance of their tasks (Article 108). The President of the ECB is required to appear before the European Parliament several times a year; similarly, the NCB governors are required to appear before their national parliaments.

Fed

The independence of the Fed is stipulated less explicitly. The Chairman of the Fed will appear before the U.S. Congress at least twice a year to report on issues of monetary policy.

Monetary Policy Strategy

Eurosystem

The Treaty stipulates that the primary objective of the Eurosystem is to maintain price stability. Without prejudice to the objective of price stability, the ESCB undertakes to support the general economic policies in the Community with a view to contributing to the achievement of the objectives of the Community as laid down in Article 2 of the Treaty. It was up to the Eurosystem to determine how to achieve those aims in practice. The Eurosystem defined price stability as a year-on-year increase in the Harmonized Index of Consumer Prices (HICP) of below 2%, which is to be maintained over the medium term. The Eurosystem formulated a two-pillar monetary policy strategy to accomplish this objective. The first pillar refers to the broad monetary aggregate M3. As a benchmark for monitoring M3 annual growth in the medium term, a reference value of 4½% was laid down in December 1998 and has since been reconfirmed annually. The second pillar consists of a broadly based assessment of the outlook for price developments on the basis of a wide range of economic indicators (e.g. measures of real activity, bond prices, yield curves, exchange rates, fiscal policy indicators and business and consumer surveys). Deviations from the medium-term objectives do not entail "mechanistic" responses by the Eurosystem; decisions are based on the General Council's assessment.

Fed

The Federal Reserve Act requires the Fed to influence the availability and cost of money as a means of helping to promote full employment, price stability and moderate long-term interest rates. There is no explicitly formulated monetary policy strategy; rather, the Fed analyzes a host of current economic data.

At its meeting on December 6, 2001, the Governing Council confirmed the reference value for annual M3 growth at 4½%. The decision was based on the assessment that empirical evidence continued to support the assumptions for the medium-term trend in potential output growth and the velocity of circulation of M3 from which the reference value had been derived in 1999 and 2000.

Monetary Policy Aspects of the Euro Cash Changeover

Frontloading of euro cash and collateralization

The euro cash changeover also had an impact on the monetary policy framework. The ECB guideline of January 10, 2001, set out the relevant provisions for the changeover. The OeNB and the five Austrian credit institutions associations entered into an agreement to safeguard the implementation of these provisions.

One key feature of the changeover was the requirement that banks deposit adequate collateral with the OeNB for the euro banknotes and coins frontloaded to them. The collateral to be provided had to consist either of cash or of securities compliant with the General Documentation on Eurosystem monetary policy instruments and procedures, i.e. essentially tier one or tier two assets. The following dates marked key steps in the run-up to the cash changeover in 2001:

– From September 1, 2001, banks were entitled to subfrontload euro banknotes and coins to professional partners. The banks were required to deposit collateral for these amounts en bloc with the OeNB at several predefined dates (between September 3 and December 17).
– The frontloaded euro banknotes and coins that remained with the banks had to be sufficiently collateralized en bloc at the OeNB on December 28, 2001.

Banks that required more frontloaded cash had the opportunity to deposit collateral on a day-to-day basis between the prescheduled dates.

The amount of euro banknotes and coins frontloaded in Austria totaled EUR 10.3 billion, EUR 1.7 billion thereof were subfrontloaded to businesses, which implied that banks had to provide an additional EUR 8.6 billion in collateral at the last date of the predefined schedule. The banks collateralized the cash frontloaded by securities worth EUR 9.2 billion and by EUR 1.1 billion in cash.

The issue of collateral had been discussed with bank representatives, and potential issues of concern – such as the large volume, which significantly surpassed the usual refinancing needs – had already been identified early in the run-up to the changeover. These preparations contributed to a smooth collateralization process.

To make it easier for banks to cope with the changeover costs, it had been agreed beforehand that the banks' current accounts should be debited for the frontloaded euro banknotes with a third of the amounts outstanding each at January 2, January 23 and January 30 and that the collateral would be unfrozen in tranches on the same dates. Hence the cost to banks of participating in the changeover process was offset by the debiting of frontloaded euro amounts in tranches and by the full crediting to banks' OeNB accounts of schilling cash returned.

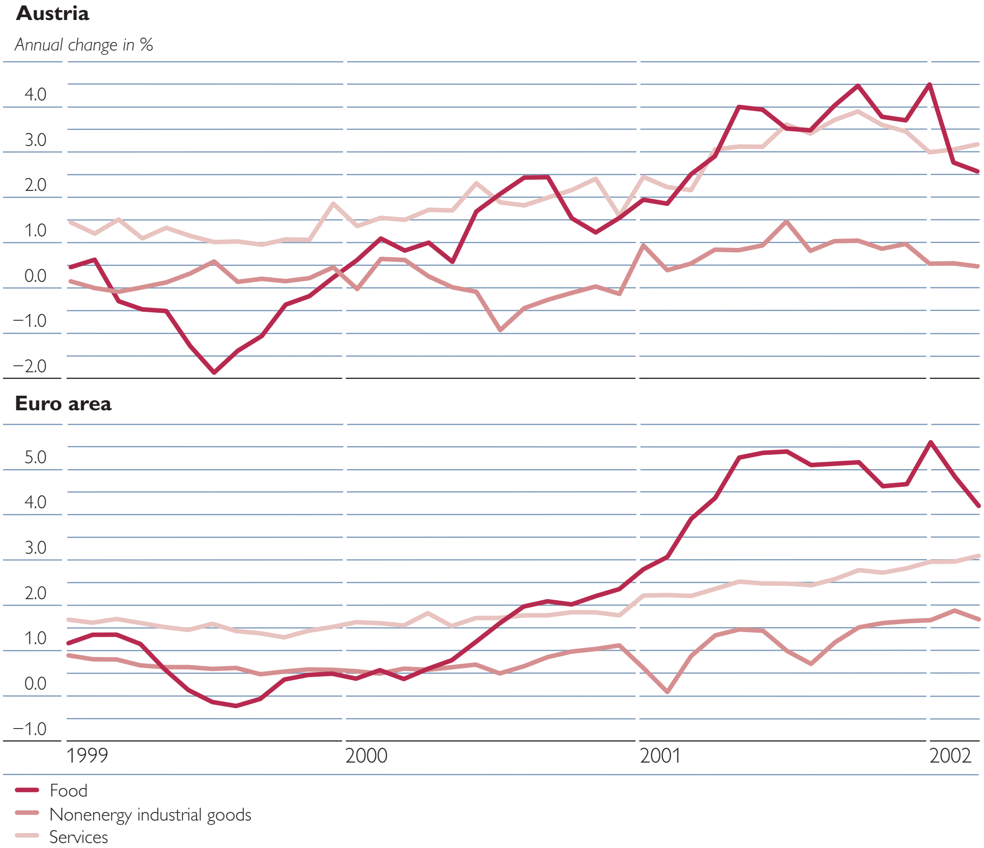
The fact that Austrian banks did not resort to the two standing facilities, i.e. the deposit facility and the marginal lending facility, confirms that the changeover was orchestrated meticulously and thoroughly.

Since acceptance of the euro had been swift and the return of national banknotes rather sluggish (as described in the chapter "Smooth Euro Cash Changeover"), the volume of banknotes in circulation surged euro area-wide. This situation prompted the ECB to conduct a quick tender to supply the market with additional liquidity of EUR 25 billion. Three Austrian banks took part in the tender, but owing to the low interest rate levels, only one of them was in fact allotted liquidity (a very small amount), which confirms that the Austrian market did not face any liquidity constraints.

Euro cash changeover did not generate price effects

An analysis of price developments for individual goods and services at the beginning of 2002 did not reveal significant inflationary effects triggered by the introduction of euro cash. This confirms the expectations voiced in a study drawn up by the OeNB in the summer of 2001[1]), according to which the two potential price drivers in the changeover process (the pass-through of costs and the establishment of new psychological price points) exerted no or only moderate inflationary pressures. In particular, market forces and a number of institutional factors ensured that no price increases occurred during the changeover to the euro; they include:

Inflation Rates in Selected Sectors



Source: ECB.

1 *Economic Aspects of the Euro Cash Changeover in Austria, Focus on Austria 2/2001.*

- the high degree of competition in exposed, but increasingly also in protected sectors;
- the absorption of changeover costs for enterprises by a temporary decrease in profit margins;
- the slowdown of economic activity, higher unemployment and, consequently, subdued consumer demand;
- the Euro-Related Pricing Act, which mandates the dual display of prices and stipulates that sanctions may be imposed in the case of unjustified price hikes during the changeover;
- the close monitoring of prices by the Euro Price Commission and other consumer protection organizations, which also monitored rounding practices; and
- consumers' heightened price awareness.

In other words, the switch to the euro did not entail a wave of price hikes. The acceleration of inflation in the euro area and in Austria since 1999 was chiefly attributable to higher raw material prices, the lower exchange rate of the euro, tighter supplies on agricultural markets (following the animal disease epidemics) as well as tax and fee hikes as part of the efforts to balance the general government budget. Fears that the currency conversion might stir inflation as companies adapt their psychological prices (odd-even pricing) did not materialize.

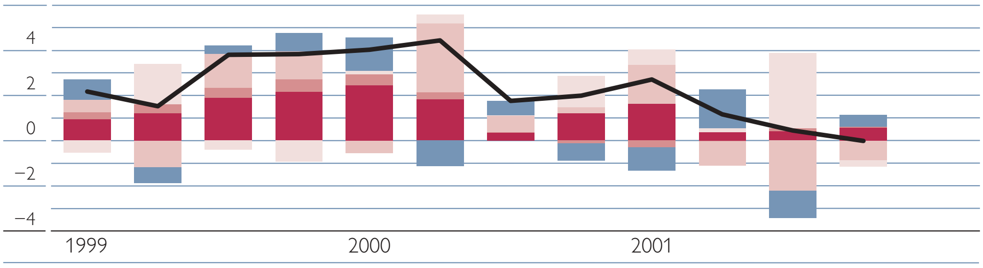
Key Developments in Austria: The Economic Background – the Budget – the Current Account

Growth slows down to 1.0% in 2001

Having recorded robust growth rates in 2000, the Austrian economy lost steam in 2001 as the global economy cooled down. Real GDP growth came to 1.0% in 2001, after 3.0% in 2000. The year 2001 was characterized by a marked slowdown in economic activity. While the first two quarters still showed some growth (0.1% quarter on quarter, seasonally adjusted), the Austrian economy shrank by –0.4% in the third and by –0.2% in the fourth quarter.

The economic cooling is ascribable to both international and domestic factors. Adverse international economic conditions and the consequent uncertainty caused companies to noticeably cut back on investment; real gross capital formation plummeted by 2.6%. Private consumption growth, generally the backbone of economic development, decelerated sharply as real wages declined and, at 0.9% in 2001, reached only half the average rates measured in the three previous years. The decline in real income was attributable to a surge of consumer prices in 2001 and to budget consolidation measures. The latter also brought down government consumption, which decreased by –0.2%. Despite a sharp drop in export growth, net exports contributed 1.0 percentage points to GDP growth, given an even weaker import development. Thus, foreign trade was the mainstay of GDP growth, even more so than private consumption with its contribution of 0.7 percentage point. Austrian industrial production contracted by 0.3% in 2001 against 2000. A breakdown by sectors shows that output growth was highest in manufacturing (+0.4%). Construction was still mired in crisis in 2001, with output shrinking by 2.1%.

Quarterly Contributions to Real GDP in Austria



Source: OeNB, Austrian Institute of Economic Research (WIFO).

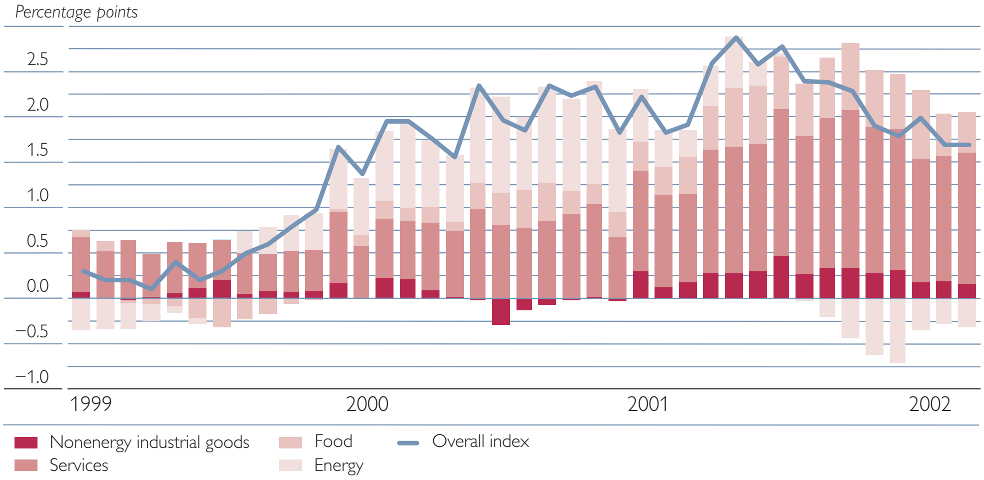
HICP inflation at 2.3%

Inflation accelerated slightly in 2001. The increase in the HICP came to 2.3% (2000: +2.0%). Price growth reached its peak in May (2.9%) and slowed down subsequently; the December inflation rate was 1.8%. This trend continued in early 2002. Oil and food prices as well as fiscal measures had the largest impact on inflation in 2001. At 1.7% year on year, Austria posted the lowest inflation rate in the euro area in both February and March 2002. The euro cash changeover did not generate price effects in 2001 and in the first few months of 2002 (see the section "Economic Aspects of the Euro Cash Changeover").

Modest employment growth, rising unemployment

The economic slowdown also fed through to the labor market, in particular in the second half of 2001. Employment growth lost momentum in the course of the year; in December, employment slipped below the previous year's figure. The number of job vacancies declined dramatically. At the same time, unemployment surged from mid-2001 on.

HICP Inflation and Contributions to Inflation in Austria



Source: OeNB, Statistics Austria, ECB.

Thanks to the healthy employment growth recorded in the first half, at 3.15 million on average payroll employment was 0.5% higher in the entire year of 2001 than in the previous year. However, the number of jobless people increased by 4.9% to 204,000, whereas job vacancies decreased markedly by 16.4%.

At 3.6% on the year, unemployment according to the Eurostat definition – which is subject to ongoing revision – was lower than in 2000 (3.7%). By comparison, unemployment according to the national definition climbed from 5.8% (2000) to 6.1% (2001).

Federal government budget outturn for 2001 outstrips expectations

According to the provisional central government outturn, the administrative net deficit came to EUR 1.4 billion or 0.7% of GDP in 2001. Compared to the final budget accounts 2000, revenues mounted by 6.5% to EUR 59.0 billion and expenditure advanced by 3.7% to EUR 60.4 billion. Both actual revenues and expenditure exceeded the estimate for 2001 (estimate for 2001 compared to final budget accounts 2000: revenues: +1.8%, expenditure: +0.9%).

Tax receipts were up 11.6% on the year 2000, amounting to EUR 56.2 billion (gross). Receipts in assessed personal income tax (+41.5%), corporate tax (+61.3%) and transport taxes (+12.9%) increased above average. Government expenditure exceeded the budget estimate because welfare spending had risen as a result of worsening economic conditions and other administrative expenses had also mounted significantly. By contrast, both interest expenses and staff costs remained below the budget estimate.

Austrian stability program envisages a balanced budget for 2001 to 2003

The update of the EU Member States' stability and convergence programs

Budgetary Notification of February 2002

	1998	1999	2000	2001[1])	2002[2])
	EUR billion				
General government budget balance	– 4.5	– 4.3	– 3.0	0.1	0.0
Central government	– 5.8	– 4.9	– 3.4	– 1.2	– 1.7
Regional government	0.8	0.5	0.5	1.2	1.3
Local government	0.3	0.1	0.1	0.3	0.3
Social security funds	0.2	0.0	– 0.2	– 0.1	0.0
Debt service costs	7.2	7.0	7.2	7.1	7.1
Primary balance	2.6	2.6	4.2	7.3	7.1
Public debt	121.4	127.5	130.2	130.1	130.1
	% of GDP				
General government budget balance	– 2.4	– 2.2	– 1.5	0.1	0.0
Central government	– 3.1	– 2.5	– 1.6	– 0.6	– 0.8
Regional government	0.4	0.3	0.2	0.6	0.6
Local government	0.1	0.1	0.1	0.1	0.2
Social security funds	0.1	– 0.0	– 0.1	– 0.1	0.0
Debt service costs	3.8	3.5	3.5	3.4	3.3
Primary balance	1.4	1.3	2.0	3.4	3.3
Public debt	63.9	64.9	63.6	61.7	60.2

Source: Statistics Austria, Federal Ministry of Finance.

[1]) Figures given for central government and regional government are final; figures given for local government and social security institutions are partly based on estimates.

[2]) Estimates by the Federal Ministry of Finance.

towards the end of 2001 had to take into account the worsening economic environment. The budget balances in a few EU Member States deteriorated for the first time in the history of the Stability and Growth Pact. The European Commission noted the existence of an excessive deficit in Germany, Portugal and Italy and commended Austria for its budget consolidation efforts.

The Federal Ministry of Finance published the updated Austrian stability program for 2001 to 2005 in November 2001. According to the projections, the general government budget will be balanced from 2001 to 2003 and will post a surplus in 2004 and 2005, the temporary economic setback notwithstanding. Austria thus ranks in the upper middle of all EU Member States.

Slight Maastricht surplus in 2001[1])

The budget report to the European Commission in February 2002 involved some retroactive adjustments for 2000 and 2001: The general government deficit-to-GDP ratio for 2000 was revised upwards to 1.5% of GDP (1999: –2.3%). The revision became necessary after Eurostat had decided that receipts from the government's transactions with the federal real estate company Bundesimmobiliengesellschaft (BIG), which had originally been taken into account in the government's budget calculations, must not be used to offset the Maastricht deficit (the sum in question amounted to some 0.3% of GDP). Leaving aside one-off effects like the proceeds from the sale of UMTS licenses, the general government deficit amounted to 1.9% of GDP in 2000.

In 2001, the general government posted a budget surplus of 0.1% of GDP. Despite Eurostat's decision on the transactions with the BIG, the government thus more than fulfilled its goal of a balanced budget. Cutting the central government deficit by EUR 1.7 billion to EUR 1.2 billion or 0.6% of GDP had been key to this accomplishment. The budget report to the European Commission of February 2002 expects the general government budget to be balanced in 2002.

The Austrian public debt ratio decreased from 63.6% in 2000 to 61.7% of GDP in 2001 and is expected to continue to decline to 60.2% in 2002.

Future budgetary requirements

According to the preliminary results for 2001, unscheduled additional revenues (direct taxes, federal funds), along with austerity measures, have helped achieve a balanced budget earlier than originally stipulated in the stability program. To be able to sustainably fulfill the requirements of the Stability and Growth Pact, Austria should continue this policy of consolidation. The budget estimate for 2002 and the stability program published in November 2001 essentially reflect this effort. Once the economy has begun to pick up, the government faces the challenge of cutting taxes as intended and improving Austria's position as a business location while keeping the budget sustainably balanced (as required by the Maastricht criteria); priority should be given to reducing the tax-to-GDP ratio, which, at 45.9%, was one of the highest in the EU in 2001.[2])

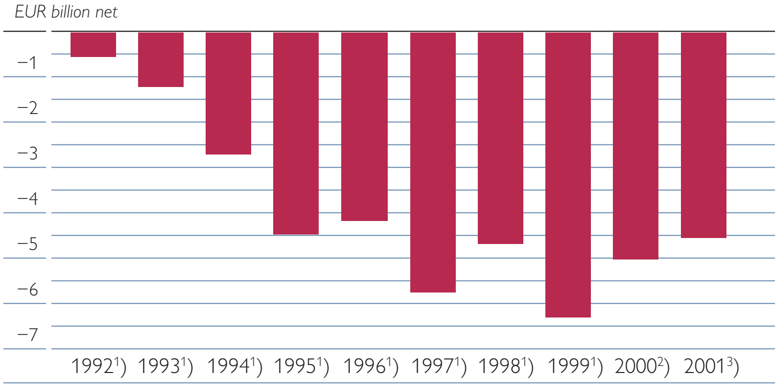
Lower current account deficit in 2001

The deficit on the Austrian current account was EUR 4.6 billion in 2001. The improved balance of cross-border goods and services

1 Not including net interest income from swap agreements, government net borrowing amounted to EUR 0.18 billion or –0.1% of GDP in 2001. Interest flows exchanged under swap agreements with the government being one of the counterparts are included in the calculation of the Maastricht criterion for government deficit (Regulation (EC) No. 2558/2001 and Regulation (EC) No. 351/2002).

2 Source: Statistics Austria. Taxes (incl. EU contributions), real social insurance contributions.

Current Account Balance



Source: OeNB, Statistics Austria.
[1]) Final data.
[2]) Revised data.
[3]) Provisional data.

transactions was fundamental for reducing the deficit by EUR 0.5 million compared to 2000. On the whole, the current account reflects the economic slowdown in Austria and in main trading partner countries throughout 2001. The decline of the oil price helped ease the strain on the current account.

Tourism, one of the major components of the Austrian current account, posted fairly good results in 2001, considering the adverse economic conditions. Despite a slower summer season, foreign tourist bednights continued to increase, namely by 1.3%. From a structural point of view, international summer tourism has declined to the level of the late 1960s, whereas domestic tourism and international winter tourism continue to reach new highs.

Owing to the current account deficits recorded in the past few years, the shortfall on the income subaccount – the highest net deficit – widened again in 2001. Interest on bonds and notes accounted for the largest net outflows; banks and the general government contributed approximately the same amount.

Cross-border capital flows, both inward and outward, decreased in 2001 against 2000. While the process of internationalization and portfolio rebalancing following the introduction of the euro had pushed up cross-border investment in 1999 and 2000, these effects seem to have come to a halt in 2001.

At some EUR 3 billion and EUR 6 billion, respectively, both outward and inward foreign direct investment did not reach the levels of 2000. Income on portfolio investment – the most important subaccount of the financial account – also trailed the results of 2000 (both outward and inward investment). Cross-border securities transactions accounted for net capital imports of EUR 4.9 billion.

Reserve assets shrank by EUR 2.1 billion through transactions in 2001.

The OeNB Contributes to Financial Stability

Stable Financial Markets Are a Prime Objective

Central banks have a key role in preventing crises

Safeguarding financial stability began to evolve into one of the key central bank policy objectives in the 1990s and has become critically important in recent years. The latest turbulences in some financial centers underline what an important role central banks play in prudential supervision and in the design of the framework conditions for financial markets, above all in times of crisis.

In Japan, high volumes of nonperforming loans and bearish stock prices deepened the persistent problems of the banking sector even further. Any rapid and sustainable consolidation of the financial sector is not on the horizon yet. In the spring of 2001, concerns focused chiefly on the financial crisis in Turkey. With the recession continuing in 2001 and investors exhibiting more risk aversion, Argentina did not succeed in delivering itself from its debt crisis. Ongoing sharp setbacks to high-tech stocks and the resulting pressure on equity markets in many financial centers in 2001 along with the slow progress of the IT sector in reducing its debt represented a further risk factor for financial markets. In addition, the terrorist attacks of September 11, 2001, in the U.S.A., which severely affected e.g. tourism (above all airline companies) and insurance companies, augmented the destabilization potential.

The resolute, concerted response of the world's major central banks in the wake of September 11 was material in containing the most negative repercussions on international financial markets. By quickly providing liquidity and cutting key interest rates, the central banks demonstrated their firm determination to keep risks to financial stability at bay. Although fears were rife and trading on U.S. and Canadian stock exchanges was in fact briefly halted, there were no short-term liquidity shortages.

The OeNB issues a Financial Stability Report

Stable financial markets and a sound banking system are the prerequisites for an effective monetary policy. Hence the two objectives price stability and financial stability have become increasingly intertwined. Against this background, the OeNB published its first Financial Stability Report in June 2001.[1]) This report has since been issued semianually in German and in English. The OeNB decided to regularly publish a Financial Stability Report to make all players on financial markets and the general public aware of the problems that could arise if developments on financial markets go awry. The well-founded analysis of financial market developments and the identification of risks to the stability of the Austrian financial system are designed to contribute to the early detection of potential threats and to help head off these threats by enabling a swift response. In practice, the OeNB contributes to protecting financial market stability by providing its expertise in the supervision of the financial system and by working on honing regulatory instruments in international forums.

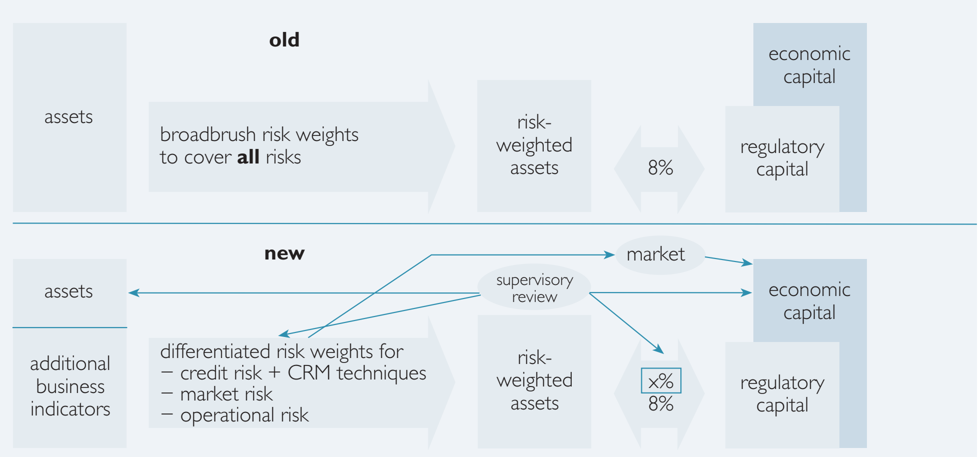
An Active Role in the Basel II Process

The Basel Committee publishes its 2nd Consultative Paper

The international Basel II process continues. Regulatory and supervisory authorities, in interaction with the industry, have been hammering out reform proposals for the capital

1 *See the OeNB's website at www.oenb.co.at.*

Capital Adequacy



Source: OeNB.

adequacy standards for banks and investment firms (Basel II) for almost three years now. The second consultative paper of the Basel Committee on Banking Supervision (BSCE) and the European Commission's subsequent consultation document, both published in early 2001, have made clear that the risk-sensitive weighting factors this reform introduces and the highly refined minimum requirements it proposes are bound to impact banks and thus financial markets thoroughly.

The new Basel capital adequacy proposals revolve around the interaction between the three pillars: Complementing the considerably refined minimum capital requirements (the first pillar), the second pillar of the new framework envisages a supervisory review process. Finally, under the third pillar – market discipline – banks are to disclose their risk management targets and principles for every single risk category and to enhance transparency vis-à-vis the general public.

The preparatory work completed so far has revealed that there is a broad consensus on the need to overhaul the Basel Capital Accord, on the structure of the new framework and on the principle of orienting the new provisions on economic capital targets. The goals of the new accord – increasing financial stability by emphasizing risk sensitivity, promoting advanced risk measurement and management techniques and using internal ratings – broadly met with a very positive response. Minimum capital requirements are to be brought more closely in line with economic capital.[1])

However, in the course of the preparatory work, some fundamental criticisms emerged, and the second consultation phase clearly revealed that some of the areas not yet covered, e.g. provisions on retail loans, project finance and equity exposures, which are to be part of the internal ratings-based (IRB) approach, are extremely complex.

Consequently, the original plan to complete the new capital accord by the end of 2001 and to implement it in 2004 was shelved in June 2001. Following what is likely to be a very intensive third consultation phase and the completion of a comprehensive Quantitative Impact Study, the new Basel Capital Accord will be wrapped up and implemented after an appropriate transitional

1 *Basel Committee on Banking Supervision, Consultative paper on the Basel Capital Accord, No. 37, April 1998.*

phase. In Europe, the European Commission is also working on a draft directive. Open issues are to be discussed during the third consultation procedure in close cooperation with the Basel consultative process.

Austrian institutions have a common position

The OeNB has assigned the Basel consultative process a high priority ever since it was initiated. The Austrian position was closely accorded with the Federal Ministry of Finance and the Federal Economic Chamber. Thanks to the thorough efforts of Austrian experts, specifically Austrian conditions have already fed into the negotiations on the Basel proposals:

- Internal and external ratings are scheduled to have the same standing and to be accepted coincidentally. This provision allows banks whose clientele is made up mostly of small and medium-sized businesses to use IRB advanced approaches. Data pooling will be permitted, allowing medium-sized and sectorally grouped banks to share their internal ratings.
- Simpler calculation methods and lower risk weights are now being discussed for personal, small-business loans and loans for the self-employed than were proposed in the first consultation paper.

Information on Basel II in all Austrian provinces

To ensure that banks across Austria were adequately informed about Basel II, the branch offices of the OeNB organized information events in all Austrian provinces in March and April 2001. At these workshops, OeNB experts first explained the proposed capital adequacy framework in depth and then presented the questions of the BCBS and the European Commission pertinent to the second consultation phase. The timely dissemination of information about the upcoming risk management requirements gives banks the opportunity to review their internal processes proactively and to work on adapting their risk management techniques to reflect new developments.

To ensure a high level of coverage, the OeNB additionally provided active support and expertise for numerous events hosted by the Federal Economic Chamber and seminars organized by private-sector businesses. The pertinent international documents may be found on the OeNB's website, as may the joint position of the Federal Ministry of Finance and the OeNB. Beyond providing information and serving as a contact for banks, the OeNB has started to reflect on the possible effects of the Basel II process on its own activities.

The challenges Austria faces

The tasks set out for the next few months will be to identify the amendments to be made to the Basel II process in cooperation with Austria's banks and to implement them in concert with EU Member States. Basel II is intended as a meaningful and fundamental reform targeted at securing the stability of the international financial system. The OeNB's representatives to the relevant international forums will direct their efforts in 2002 at ensuring that the new capital adequacy framework does not put Austrian and other banks and businesses at a competitive disadvantage.

Financial Market Supervision: New Developments

Prudential supervision reform

The need for prudential reform may be traced both to the changed regulatory framework conditions – above all the Basel Core Principles for Effective Banking Supervision and the new capital adequacy standards being prepared (Basel II) – and to the globalization of finance, with its stepped-up volume of cross-border transactions by Austrian banks, increasingly complex financial services and the growing intricacy of internal control structures in banks. Prudential measures will have to follow suit, resulting e.g. in more bank audits and reinforced international cooperation.

The ultimate aim: effective banking

The reform of Austria's financial market oversight was aimed at producing a high-quality, effective, but nevertheless affordable supervisory framework. The Austrian Ministry of Finance elected to create a new single regulator responsible for banks, investment firms, insurance companies and pension funds.

The new Financial Market Supervision Act

The passage of the Austrian Financial Market Supervision Act in summer 2001 and the amendment of this law with constitutional status in March 2002 put prudential supervision in Austria on a new footing. The central feature of this Act, which entered into force April 1, 2002, is the establishment of a Financial Market Authority (FMA). The new law focuses on:

– the constitution of the Financial Market Authority and
– the relevant changes in substantive prudential law.

One-stop supervision for banks, investment firms, insurance companies and pension funds

The Financial Market Authority Act, part of the Financial Market Supervision Act, provides for the constitution of an integrated supervisory body, the Financial Market Authority, to perform banking, securities, insurance and pension fund supervision. The Financial Market Authority is autonomous – it operates independently and is free from instructions – and is organized as an institution under public law with a separate legal personality. In practice, the establishment of the FMA divests the Ministry of Finance of banking, insurance and pension fund supervision and the now defunct Austrian Securities Authority of securities supervision and endows the FMA with all resulting rights and duties. To improve the enforceability of prudential measures, the FMA is also invested with the power to enforce penalties under administrative penal law as well as the notices on prudential matters that it issues. Furthermore, the FMA has the right to issue ordinances, which it must officially announce in the Federal Law Gazette. The FMA management consists of a supervisory board with six members, three of whom the OeNB may propose for appointment, and an executive board with two members, one of whom is nominated by the OeNB.

By analogy to the procedure applied in insurance and securities supervision so far, the supervised banks and pension funds will bear the lion's share of supervisory costs. The federal government is obliged to provide the FMA with EUR 3.5 million a year, which reduces the costs incurred by the supervised institutions.

Moreover, some substantive prudential law details will be altered. The objective is to make prudential measures enforceable more quickly and consequently to boost the efficiency of bank audits. As a case in point, requirements for bank auditors are to be formulated even more strictly in order to eliminate problems involved in bank examinations. These requirements include standards for the skills of the auditors and the introduction of the rotation principle to ensure the integrity of examinations. Credit institutions' supervisory boards will also be strengthened – for example, they will be granted the option to request the conduct of examinations to support their own supervisory duties.

The OeNB's prudential tasks and participation rights are expanded

The OeNB's tasks and rights of participation in the area of prudential and financial market supervision as laid down in the Austrian Banking Act have not only been preserved; in fact, they have been augmented by comparison to what the previously applicable law stated:

- The provisions under which the Minister of Finance may commission the OeNB with the examination of credit institutions (on-site examinations) was changed into a mandatory duty to entrust the OeNB with on-site examinations of banks' market and credit risk. In the case of other types of on-site examinations of banks (e.g. money laundering audits), requesting the OeNB's participation is optional.
- An amendment to the Federal Act on the Oesterreichische Nationalbank (Nationalbank Act) entrusts the OeNB with payment systems oversight; the OeNB is free from instructions in this area. Payment systems oversight encompasses the mandate to inspect systemic stability (see the section "The OeNB Is Entrusted with Payment Systems Oversight").
- Obtaining expert opinions as mandatory under Article 26 ff. (market risk) remains a duty of the OeNB.
- The well-established reporting system for banks and the processing of these data (e.g. for monthly returns, quarterly reports) by the OeNB will be continued, and the exchange of information between the OeNB and the FMA will be ensured by explicitly standardizing cooperation and information-sharing practices.
- The OeNB and the Ministry of Finance have equal rights to nominate members to the FMA's executive and supervisory boards.

Prudential reform safeguards financial stability

The reorganization of financial market oversight in Austria and the solid integration of the OeNB into supervisory operations ensures that the OeNB will be able to fulfill its manifold macroprudential tasks within the Eurosystem and will thus contribute importantly to preserving financial market stability.

The OeNB Is Entrusted with Payment Systems Oversight

Payment systems oversight in the Eurosystem performed decentrally by the NCBs

The Eurosystem's objective in exercising payment systems oversight is to safeguard the stability and efficiency of payment systems and the enforceability of monetary policy. The organization of payment systems oversight in the Eurosystem rests on the decentralization and subsidiarity principles. Accordingly, in an approach which is designed to guarantee that oversight is optimally suited to national requirements, the NCBs enforce the oversight policy stance over national payment systems. The NCBs also supervise the national components of the TARGET system (ARTIS in Austria). The main documents in which the framework for oversight is currently set forth are the "Core Principles for Systemically Important Payment Systems" (BIS, 2001) and the minimum requirements for electronic money systems laid down in the "Report on Electronic Money" (ECB, 1998).

Responsibility for payment systems oversight lies with the OeNB from April 1, 2002

The fundamental prerequisites, such as the legal basis, for the oversight of all national payment systems by the OeNB were created in 2001. An amendment to the Nationalbank Act vested the OeNB with the responsibility for payment systems oversight from April 1, 2002. Article 44a of the Nationalbank Act spells out the legal principles for the OeNB's oversight function. In connection with the mandate to inspect systemic stability, Article 44a specifies the reporting obligations of payment systems operators and participants, empowers the OeNB to declare the recommendations on systemic security of the ECB and the BIS's Committee on Payment and Settlement Systems binding by issuing ordinances, and spells out a strict organizational separation of responsibilities to prevent a conflict of interest within the OeNB. Under Article 44a paragraph 7 of the Nationalbank Act, especially payment systems operators will be obligated to inform the OeNB about the measures they have taken to ensure systemic security at the legal, financial, organizational and technical level.

Payment systems statistics to back fulfillment of oversight duties

The OeNB's payment systems oversight responsibilities will be underpinned by a reporting system for payment systems statistics that was developed in the reporting year. The payment systems statistics are to provide reliable data about the number and value of transactions processed by payment systems at quarterly intervals. Article 44a paragraph 7 of the Nationalbank Act also specifies the reporting obligations for these statistics.

Upon assuming its oversight duties under Article 44a paragraph 1 of the Nationalbank Act, the OeNB will comply fully with the national mandate and Eurosystem requirements. The OeNB will recognize both Austrian and European requirements in taking the steps required to implement the provisions of the Nationalbank Act in Austria and in exercising the oversight functions incumbent on it. The Austrian Secure Information Technology center (A-SIT) made a vital contribution to payment systems oversight in 2001 by providing significant support, in particular in the development of oversight principles.

Fundamental Developments of Financial Intermediaries

Ongoing decline in the number of banking offices in Austria

The downtrend in the number of banking offices observed throughout the past few years continued in 2001, when the number of banking offices sank by 26 to 5,453 from the beginning of the year. Broken down by head and branch offices, the number of head offices diminished by 16 to 907, while the number of branch offices was cut by 10.

Total asset growth flags

After Austrian banks' business had boomed in 2000, they faced far more difficult conditions, above all in lending, when among other things international cyclical activity cooled in 2001.

Austrian banks' total assets climbed by EUR 25.0 billion or 4.5% in 2001, down from EUR 38.1 billion or 7.3% in 2000. Though the weakening economy was one reason for the deceleration, the restructuring of Bank Austria AG (BA) in the wake of its merger with Bayerische Hypo- und Vereinsbank AG (HVB) had a more immediate impact. Excluding BA, total asset growth would have come to 8%, outpacing the result of 2000. Since the establishment of EMU, the volume of derivatives transactions, particularly interest rate derivatives, has widened noticeably. In 2001 the volume of such operations mounted by EUR 323.7 billion or 41.1%. As a result, derivative transactions as a percentage of total assets skyrocketed by 49 percentage points to 189%.

Credit growth decelerates

Loan growth weakened in lockstep with the economy in 2001, with the expansion halving to EUR 7.9 billion or 3.5% from 2000. Whereas the share of foreign currency credit had still come to some 45% of credit growth in 2000, it diminished to roughly 36% in 2001. Hence, foreign currency lending as a percentage of total lending edged up by only 0.7 percentage point to 18.2% from the beginning of 2001. By contrast, in 2000 this ratio had risen by 1.8 percentage points.

The renaissance of passbook savings

In the review year deposits made by domestic nonbanks advanced at a rate last experienced at the beginning of the 1990s: While deposits had inched up by only EUR 4.0 billion or 2.3% in 2000, they shot up by EUR 13.8 billion or 7.8% in 2001. Despite the abolition of anonymous passbook savings accounts and the drop in interest rates, the classical savings passbook experienced a revival. After

Credit Institutions' Business Activity

	2000		2001	
	at year-end	change	at year-end	change
	EUR billion	*%*	*EUR billion*	*%*
Total assets	562.8	+ 7.3	587.4	+ 4.5
Assets				
Loans to domestic nonbanks	224.9	+ 6.7	232.8	+ 3.5
thereof: Euro loans	*185.4*	*+ 4.3*	*190.5*	*+ 2.7*
Foreign currency loans	*39.4*	*+19.3*	*42.3*	*+ 7.2*
Foreign assets	157.8	+20.2	156.3	– 0.9
Liabilities				
Domestic nonbank deposits	175.8	+ 2.3	189.6	+ 7.8
thereof: Savings deposits	*119.7*	*– 2.2*	*125.4*	*+ 4.8*
Foreign currency deposits	*3.3*	*+ 7.3*	*2.7*	*–19.1*
Foreign liabilities	174.1	+18.2	173.7	– 0.6

Source: OeNB.

an abysmal performance in 2000, when expectations of higher yields prompted investors to shift funds from savings accounts to mutual funds, causing savings deposits to shrink by 2.2%, additions to savings deposits ran to EUR 5.7 billion or 4.8% in 2001, the best result in many years.

Austrian banks' foreign business subdued

After Austrian banks' foreign business temporarily peaked mid-2001, external assets closed the year with a decrease by EUR 1.47 billion or 0.9%. However, excluding BA, claims on the rest of the world would have surged by about 16%. By comparison, external assets had jumped by more than 20% in 2000.

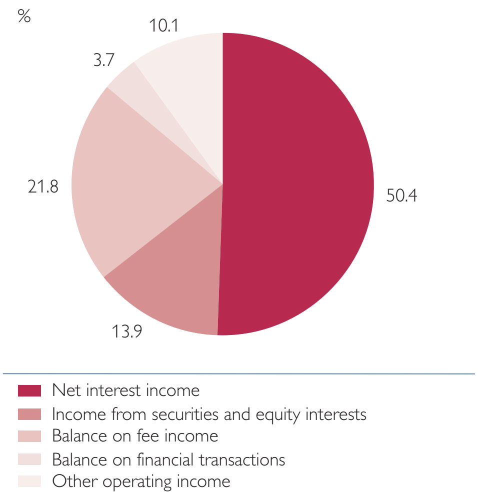
Expansion on Central and Eastern European markets

Austria's large commercial banks remained very active on CEEC markets, with total assets running to approximately EUR 59 billion or roughly 10% of total domestic assets in December 2001. The number of banking offices rose substantially (December 2001: 2,611), and staff augmented to more than 51,000. Banks have been steadily boosting their business activity in the area, so that by now Austrian banks have gained the largest market share in the Czech Republic, Hungary and Slovakia.

Profit up from 2000

For the year 2001, banks operating in Austria posted a preliminary operating result of EUR 4.6 billion, a 1.3% increase compared to 2000. Banks succeeded in boosting net interest income (+EUR 0.35 billion or +5.2%) and income on securities transactions and participations (+EUR 0.14 billion or +7.8%) as well as the surplus on financial transactions (+EUR 0.03 billion or 7.0%). Conversely, fee-based income contracted (–EUR 0.14 billion or –4.4%), mainly because commission income on securities trading plummeted. On the expenditure side, staff costs (+EUR 0.20 billion or +4.5%) and other administrative expenses (+EUR 0.22 billion or +7.5%) surged. The cost/income ratio deteriorated by 0.8 percentage point from 2000 to 67.4% in the year under review.

Structure of Operating Income in 2001



Source: OeNB.

Loan loss provisions are expected to have reached EUR 2.2 billion, representing a pronounced rise over the figure anticipated for 2000. As in the year before, recoveries from risk provisions surpassed new transfers to provisions; net recoveries are expected to be extraordinarily high at EUR 0.8 billion in 2001. Adjusted for risk provisions and value adjustments, income from ordinary activities is expected to have climbed by EUR 0.28 billion or +9.7% to EUR 3.15 billion from 2000. After factoring in lower-than-expected extraor-

Selected Earnings Ratios of Austrian Banks

	1999	2000	2001
	%		
Cost/income ratio	70.7	66.6	67.4
Ratio of net interest income to operating income	52.0	49.8	50.4
Ratio of net fee-based income to operating income	22.6	23.7	21.8
Return on equity	6.9	9.4	9.8

Source: OeNB.

dinary expenses and taxes, Austrian banks' profit for the year comes to EUR 2.69 billion, up by EUR 0.36 billion or 15.7% on the result for 2000. Return on equity (profit for the year as a percentage of core capital) reached 9.8% in the reporting period, 0.4 percentage point higher than in 2000.

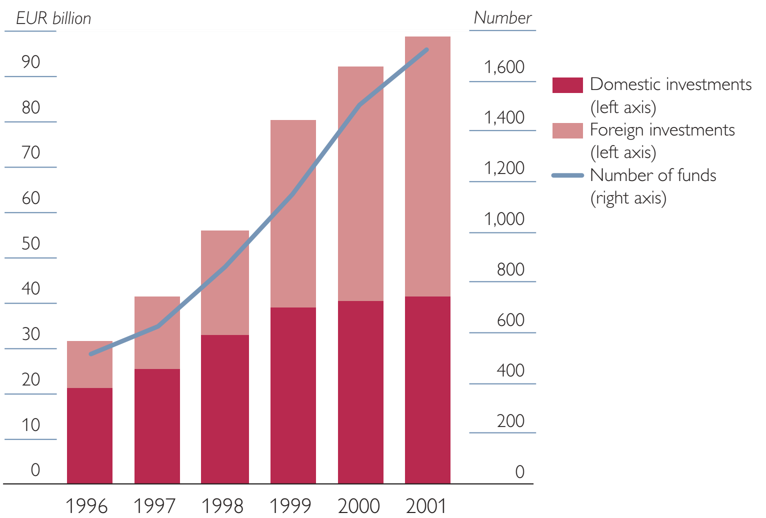
Card payments surge

After Eurocheques had been in use for over 30 years, Eurocheque payment services and the Eurocheque guarantee were terminated at the end of 2001, reflecting the falling popularity of this payment instrument and the resulting hike in transaction costs. In the course of 2001 the technology stock euphoria that had prevailed for years gave way to a more common-sense approach and healthy scepticism. This was one reason the development of electronic money did not live up to the original high expectations. Although card-based transactions chalked up major gains (debit cards: +30%, Quick electronic purse transactions: +87%), cash remains the instrument of choice for payment transactions in Austria. Banknotes and coins are used for 93% of all payments, representing 81% of the total transaction volume.

Mutual funds' assets grow more slowly

Unfavorable business conditions and the terrorist attacks of September 11,

Number of Investment Funds and Total Assets



Source: OeNB.

2001, impacted on the development of Austrian mutual funds' assets in 2001. After rising moderately in the first half, only to contract more sharply than ever before in the third quarter, assets reembarked on a positive trend in the fourth quarter, when markets recovered. In the face of largely adverse factors, mutual funds nevertheless managed to enlarge assets by EUR 6.7 billion or 7.3% in the calendar year 2001.

At the close of December 2001, the 23 Austrian investment companies managed a total of EUR 98.7 billion in the 1,720 investment funds they operated. Debt securities accounted for the largest share in portfolios (59%), followed by equities (19%) and mutual fund shares (17%). The shift from domestic to foreign investment continued at a somewhat weakened pace in 2001. The ratio of domestic to foreign investment stood at 33.9% to 66.1% in December 2001 (December 2000: 38% to 62.0%).

Slow asset growth at insurance companies as well

In the reporting period, mergers diminished the number of insurance companies operating in Austria by 3 to 65. Insurance companies' assets (excluding reinsurance transactions) posted a steady rise, which, however, was interrupted by the decline in prices following the terrorist incidents in the U.S.A. in September. At the end of the third quarter of 2001, assets fell for the first time since the introduction of the insurance statistics. Both investment in domestic securities and lending diminished at a faster pace in 2001. Additions to foreign assets, which accounted for the largest share of investment throughout the year, were very small. Investment in Austrian banks fluctuated wildly in 2001, a likely sign of shifts to other categories of investment.

Austria's stock market is quite stable in an international comparison

2001 was one of the hardest years in decades for the Austrian stock market – as it was for bourses across the world. Under the circumstances, the Austrian Traded Index (ATX) held up fairly well; in fact, it even closed the year with a slight gain of roughly 6%. This quite strong performance may be traced, inter alia, to the low share of high-tech stocks in the ATX and the moderate price of most securities listed on Wiener Börse AG. The Austrian stock market had benefited to a lesser extent from the worldwide boom of stock

ATX (Austrian Traded Index)

Source: Wiener Börse AG.

markets of the past years, so when markets were hit after the terrorist attacks of September 11, 2001, the pressure to sell affected the Austrian stock exchange only temporarily in the weeks following the incident.

Positive returns on the Austrian bond market

Capital markets in Austria showed some evidence of higher uncertainty on the part of investors in the review year. Derivatives transactions augmented at a more moderate pace than in the preceding years. While Austrian pension funds' profits were squeezed by tumbling stock prices, most funds managed to post profits rather than losses. Developments on the Austrian bond market were stable in 2001. The yield gap between Austrian bond yields and the German benchmark yields remained unchanged, and the Austrian secondary market yield exhibited no irregular fluctuation.

Responsibilities Handled Efficiently

The OeNB's Tasks: An Overview

The OeNB has twofold responsibilities – in the ESCB and in Austria

The OeNB's responsibilities result from its particular situation as an integral part of the European System of Central Banks, the ESCB, and from its function as the central bank of Austria. In this dual role, the OeNB has an active voice in the ESCB's monetary policy and contributes to strengthening Austria's financial market. The key purpose of the OeNB's activities both at the national and at the international level is to benefit its users and partners.

The twofold position the OeNB occupies inform the duties presented in key words in the box below. The box is followed by a more detailed description of selected tasks.

The OeNB's Tasks: An Overview

- *Participation of the OeNB's Governor in the Governing Council and in the General Council of the ECB;*
- *active involvement in various Eurosystem and ESCB bodies;*
- *macro- and microeconomic research and analysis as a basis for the monetary policy decisions of the Governing Council of the ECB;*
- *provision of conclusive and reliable statistics (above all monetary, balance of payments and prudential statistics) designed to serve in particular as a basis for economic policy decisions;*
- *handling of transactions with banks focused on implementing the monetary policy with its prime objective of price stability;*
- *conduct of minimum reserve operations and monitoring of minimum reserve holdings;*
- *participation in foreign exchange market intervention to smooth extraordinary and undesirable market fluctuations;*
- *management of the OeNB's own reserves and of the OeNB's share of the ECB's foreign exchange reserves;*
- *provision and promotion of reliable cross-border payment systems in Austria (ARTIS, TARGET);*
- *provision of cash to Austrian businesses and consumers;*
- *analysis of financial markets and banks with a view to risks;*
- *participation in the prudential supervision of Austrian banks and payment system oversight to secure financial market stability;*
- *acting as an interface between the Eurosystem, Austrian economic policymakers and the general public;*
- *international monetary policy cooperation and participation in international financial institutions (IMF, BIS).*

Economic research and analysis

The participation of the OeNB's Governor in the Governing Council of the ECB intensely involves the OeNB in the monetary policy decision-making process of the ESCB. One of the prime functions of economic analysis is to provide valuable, high-quality inputs for decision-making at ECB Governing Council meetings. Independent research at the individual central banks is the backbone of the intellectual debate to establish the theoretical underpinnings of monetary policy. The OeNB's economic research focuses on monetary and fiscal policy issues, monetary transmission, exchange rate and exchange market developments, the implications of the use of electronic means of payment, securing financial stability, various aspects of wage-setting processes in EMU, and competition and location analyses. The semiannual publication of macroeconomic projections for the euro area compiled jointly by ECB and NCB experts has moved this area of research even more into the public eye. The OeNB provides input via the various working groups within the so-called Broad Macroeconomic Projection Exercise (BMPE) and the Narrow Inflation Projection Exercise (NIPE) and publishes semiannual economic outlooks for Austria. Benefiting from Austria's geographic position and the network of ties to Central and Eastern Europe it has developed over time, the OeNB is uniquely suited to providing expertise on the CEECs at the national and at the international level.

Statistics

The OeNB compiles statistics essential for the presentation of the Austrian financial sector and its development, collecting most of the basic data required itself. The chief aim is to produce highly reliable statistics which meet a continously high quality standard. OeNB statistics include: monetary and prudential statistics, balance of payments statistics, international investment position statistics, financial accounts and contributions to the national accounts. In compiling these statistics, the OeNB cooperates with national and international partner organizations such as Statistics Austria, the ECB, Eurostat, the OECD, the IMF and the BIS. The OeNB's statistics represent validated information straight from the source and provide a reliable and objective basis for the monetary policy decisions of the ESCB. Also, they provide support to economic policymakers and allow Austria's position to be gauged in an international comparison. Prudential supervision and hence the functioning and stability of the financial market draw substantially on the OeNB's primary statistics, above all on the data on financial institutions.

Decentralized implementation of Eurosystem monetary policy measures

The Eurosystem has a number of monetary policy instruments at its disposal to ensure that the price stability objective is achieved. These instruments serve to influence market interest rates, to manage the liquidity of the banking system and to signal the general orientation of monetary policy. The Eurosystem implements monetary policy decentrally: Within the ESCB, the Governing Council of the ECB takes monetary policy decisions, and the NCBs implement them.

When it conducts main refinancing operations (MROs), the OeNB supplies Austrian banks with the liquidity they need against collateral ("reverse transactions"). MROs are conducted through weekly standard tenders (variable rate tenders with a minimum bid rate) and have a maturity of two weeks. The OeNB takes account of national interests when it selects eligible assets. In addition to the MROs, the Eurosystem conducts longer-term refinancing transactions (LTROs), which are regular liquidity-providing reverse transactions with a monthly frequency and a maturity of three months. The OeNB and the other NCBs conduct LTROs as standard tenders as well. The set of monetary policy instruments also includes fine-tuning operations (quick tenders) which, under exceptional circumstances, may be executed by the ECB itself within a timeframe of one day. Two decentral standing facilities at the NCBs are designed either to provide (the marginal lending facility) or absorb (deposit facility) liquidity overnight and set an upper and a lower limit for overnight market interest rates. Use of the marginal lending facility is contingent on the provision of adequate collateral.

Successful reserve management

Despite the generally gloomy economic picture, the OeNB's investment policy met with continued success in 2001. Like the other NCBs, the OeNB is responsible not only for managing its own reserves, it also manages in a fiduciary capacity the reserves it has transferred to the ECB for possible interventions. The principles of security, liquidity and profitability govern the management of both portfolios. Whereas the ECB determines the guidelines for its reserves, it is up to the NCBs to take the best possible advantage of the remaining room for maneuver. However, the NCBs are in charge of defining the reserve management strategy for their own reserves. The ECB's thresholds for reporting and authorization requirements ensure that the monetary and foreign exchange policy of the ESCB is uniform.

The OeNB bases its investment activity on a sophisticated risk management system. Different thresholds apply to different types of business; in addition, a limit is fixed for the permissible total investment. Market risk (interest rate and currency risk) is defined in the form of thresholds (duration bands, maximum tolerances for currency risk); it is also measured by applying the value-at-risk approach. The OeNB's gold transactions are subject to the Washington Agreement signed in September 1999, which limits gold investment and sales by the participating central banks. Within the permissible framework, the OeNB conducts an active gold policy, reinforcing the effectiveness of its expertise and making considerable additional profit.

In addition, the OeNB has an active interest in financial derivatives, whose expanding role on world financial markets makes them a focus of central banks' attention. Working groups which deal with the relevant issues in these business areas ensure a permanent flow of information between the NCBs and the ECB. These structures guarantee the continuous evolution of the acquired knowledge along with the development of the appropriate ESCB instruments.

Payment services

The OeNB operates a real-time gross settlement system called ARTIS (Austrian Real-Time Interbank Settlement) for Austria's financial market to ensure secure payment transactions within the TARGET (Trans-European Automated Real-time Gross settlement Express Transfer) network of the ESCB. The chief advantage of this payment system is the finality of settlement guaranteed by the OeNB and in the immediate availability of liquidity. The OeNB uses the ARTIS system to settle money market transactions and important payment transactions, thereby securing the functioning and the stability of the financial market in Austria. In a review conducted in the business year 2001, the ARTIS system was deemed to be fully compliant with the Core Principles for Systemically Important Payment Systems recognized by the ECB. The OeNB achieved a boost in the number of transactions processed by the ARTIS interbank payment system from 1.85 million in 2000 to 2.59 million in 2001. Apart from ARTIS, the OeNB supports innovative payment systems solutions in Austria and, in cooperation with banks, fosters the structural changes required to provide secure and efficient payment settlement for Austrian consumers and businesses.

Cash supply

Jointly with its subsidiaries, the OeNB supplies top-quality banknotes and coins to all users in Austria. This task involves the issue of cash to banks and the acceptance of cash returned by the banks. The main objectives in cash distribution and processing are counterfeit protection, a feature important in retaining the trust of Austrian users in the currency, and the maintenance of the high quality of the currency in circulation in Austria. The euro cash changeover was an enormous success, leading to a broad acceptance of the currency by the general public in a very short period (see the chapter "Smooth Euro Cash Changeover").

Financial market analysis

In line with its obligation to secure, reinforce and monitor the functioning and stability of the Austrian financial market, the OeNB performs banking analysis, payment systems oversight, on-site inspection of banks, reviews of the commercial banks' risk management systems, and administers the Major Loans Register. The OeNB has further intensified its focus on financial market analysis in recent years. These efforts are intended above all to safeguard the stability of Austria's banking system (see the chapter "The OeNB Contributes to Financial Stability").

An Efficient Organization

Modern corporate management and organizational development tools in use

The OeNB avails itself of modern business management tools, which were further refined in the review period (see the section "A Strategic Position for the Future"). In addition, within the framework of the organizational development process, projects are implemented to analyze organizational and management structures and operational procedures; the aim is to determine and optimize their operating efficiency. The standard instruments used are organizational analyses targeted at raising the efficiency of selected organizational units and process analyses aimed at examining and streamlining particular business and support processes.

Further optimization of processes

In 2001 organizational development was concentrated on various areas, e.g. the restructuring of cash supply services and payment systems. In the payment systems area, the organizational structure was optimized and the administration of transactions was reorganized and modernized. By putting into practice a modern e-procurement system, the OeNB succeeded in streamlining the procurement processes in the areas orders and acquisitions, including the interfaces with the accounting system.

Human resource management developed further

In 2001 the OeNB concentrated its personnel management capacities on concepts for flexible working hours, the implementation of a new human resource management concept and the introduction of new human resource development instruments.

Above all, recruiting concepts were optimized.

In addition to exploiting Internet and intranet placement sites successfully and to developing the required Internet website, the OeNB directly contacted potential job seekers, above all at universities.

As in the past, advanced methods were applied to encourage staff mobility. These instruments include further training and the optimum deployment of human resources. To achieve the staff mobility goal, career orientation exchanges with staff were introduced.

Annual goal setting discussions were introduced as a human resource management tool to complement the annual performance review. Corporate and division objectives are defined to include every single employee and result in individually measurable agreements on goals between management and staff.

Personnel issues were one of the areas in which intra-ESCB cooperation was further intensified in the review year. In this context harmonized secondment provisions were elaborated and job rotation within the ESCB was reinforced. In the area of personnel training, joint training options for new staff and for management were extended.

From January 1, 2002, staff has been able to benefit from a variety of part-time concepts that are aimed at creating more flexible working schedules. By using these new part-time schedules, the OeNB is in a position to react flexibly to changes in the world of work and to deploy its human resources in an optimal fashion.

Reorganization of the IT management system and of ISO certification

In 2001, the OeNB's IT operations introduced a customer-oriented, process-oriented quality management system designed to foster ongoing IT business process optimization and hence support IT products and services. The OeNB's IT quality management system was reviewed in September 2001; certification by the certification institutes ÖQS (Österreichische Vereinigung zur Zertifizierung von Qualitäts- und Managementsystemen) and DQS (Deutsche Gesellschaft zur Zertifizierung von Managementsystemen) according to ISO standard 9001:2000 was successfully completed. The motivation for this step was the extension of the group of customers of the OeNB's IT operations to the OeNB's subsidiaries, which apply such certified quality management systems. Moreover, the quality management system supports the steady process of improvement and comparability of the OeNB's IT services within the ESCB and with those of other service providers.

EMAS environmental management developed further

The environmental management system the OeNB and the OeBS, one of its subsidiaries, introduced in 1999 pursuant to the EMAS Council Regulation[1]) was refined in 2001 and will receive further support through the creation of an environmental data base from 2002.

Building ecology considerations were developed further and used in the conversion and construction of GSA cash centers in 2001 based on experience gained during the construction of the new OeNB building.

1 *Environmental Management and Audit Scheme.*

A New Footing for Communication with Customers and Partners

Some 48 million hits on the OeNB's website

Hits on the OeNB's website (www.oenb.at) surged to 48.5 million in 2001. A redesign of the OeNB's website was begun. The central OeNB website already contains the latest information on "The OeNB," "*the* EURO. *OUR* money" and "Euro – EMU." The relaunch of the OeNB's website is scheduled for 2002 as part of a more comprehensive technical project.

Innovative e-business projects

In the reporting year 2001 the OeNB realized a comprehensive e-business project, which enabled the OeNB and its subsidiaries to provide user groups with specifically targeted information and with additional Internet applications. The projects span a wide range from an e-dictionary of monetary, banking and financial market terminology to background knowledge on interest rate risk stipulations for loans to information about the OeNB's large art collection and its Bank History Archives (www.ebusiness.oenb.at). The more intense recourse to the Internet as a communications medium enabled the OeNB to provide customers and the general public with targeted and direct information. In addition, the OeNB enables financial institutions to access useful applications, such as the ARTIS payment system, via the Internet. Further projects will expand the supply of information, applications and direct communication options from 2002.

Statistics information initiative

The OeNB complemented its contacts with partners and customers in the statistics domain with new information initiatives in 2001. In September 2001, for instance, a statistics hotline was established as a central information service for questions about the OeNB's financial statistics. Inquiries may be submitted by telephone (+43 01/40420 ext. 5555) and e-mail (statistik.hotline@oenb.co.at). Since mid-2001, answers to frequently asked questions about the Austrian financial system have been published in a new quarterly German-language brochure entitled "Eckdaten des österreichischen Finanzwesens" (The Austrian Financial System: Key Figures). The statistical information that may be accessed on the OeNB's website was expanded, and user-friendliness was improved further. Moreover, daily updates of the key figures on the Austrian economy, which are provided via the Internet for a world public within the framework of the IMF's Special Data Dissemination Standards (coordinated by the OeNB), were introduced in the review year. Finally, within the framework of the OeNB's innovative e-business projects, a new form of presenting selected timely OeNB statistics was elaborated. The aim of this statistical information, which may be viewed under http://dieaktuellezahl.oenb.at, is to address and inform the broad public using a form of communication adapted specifically to the Internet.

Implementation of the Bank History Archives project

In 2001 the OeNB opened its Bank History Archives to the general public under the provisions of the Federal Archives Act. The Archives provide important historical information for persons accessing them for an official, research-related or journalistic purpose or on the grounds of justified personal interests. Moreover, within the framework of the OeNB's e-business projects, selected information from the Archives – such as a historical overview of the OeNB – will be made available to interested users on the Internet.

Science and Research Promotion

Since its foundation in 1966, the OeNB's Anniversary Fund for the Promotion of Scientific Research and Teaching has supported scientific projects in basic and applied research with funds totaling around EUR 493 million. The Anniversary Fund has thus become an indispensable element in securing the future of Austrian science and research.

In 2001 the annual funds disbursed by the Anniversary Fund were raised by EUR 4.85 million to EUR 70.25 million. Practically all of the new funds were earmarked for economics-oriented research. The amount paid out in the reporting year for economics-oriented research came to EUR 60.9 million. These funds mainly served to finance 165 economics-oriented research projects via the Austrian Industrial Research Promotion Fund (Forschungsförderungsfonds für die gewerbliche Wirtschaft) and the Austrian Science Fund (Fonds zur Förderung der wirtschaftlichen Forschung). In addition, the OeNB's Anniversary Fund provided funding for four laboratories of the Christian Doppler Research Society (CDG), a research center of the Austrian Academy of Sciences and three economic research institutes (the Austrian Institute of Economic Research, WIFO, the Institute for Advanced Studies, IHS, and The Vienna Institute for International Economic Studies, WIIW). The OeNB directly granted funds to the tune of some EUR 11 million for 229 research projects in economics, medicine, social sciences and the humanities, with an emphasis on reinforcing the promotion of economic science projects. Selected project results are presented to an expert public via the platform "Forum Jubiläumsfonds."

With these funding activities, the OeNB has contributed significantly to the promotion of innovation and technological development as well as to the improvement of Austria's appeal as a business location and the international competitiveness of the Austrian economy.

Promotion of cultural activities

The OeNB puts particular emphasis on promoting cultural activities. For this reason, it has acquired a number of antique music instruments. Its 29 valuable old string instruments are on loan to rising Austrian violin stars and Austrian chamber music ensembles and were presented to the public in the course of the "Stradivari & Co" concert cycle at RadioKulturhaus, organized in cooperation with the Austrian Broadcasting Corporation (ORF).

The OeNB's Subsidiaries: Innovative Enterprises

The subsidiaries have an important role to play in the fulfillment of the OeNB's duties

The OeNB directly and indirectly owns subsidiaries, many of whose business activities focus on means of payment (cash, cashless transactions).

The area cash is covered by Münze Österreich AG, the Austrian Mint, OeBS[1]), the Austrian Banknote and Security Printing Works, and GSA[2]), who are primarily responsible for the production of euro coins and euro banknotes and for the cash supply logistics in Austria, respectively. In the area cashless payments (means of payment and payment transac-

1 Oesterreichische Banknoten- und Sicherheitsdruck GmbH.

2 GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination G.m.b.H.

tions), the OeNB has equity interests in AUSTRIA CARD[1]), STUZZA[2]), APSS[3]) and A-Trust[4]). AUSTRIA CARD produces technically sophisticated payment cards, among other things; the remaining companies are primarily engaged in the field of cash-less payment security and provide the infrastructure required to operate payment systems.

Changes in the OeNB's equity holdings from 2000 occurred when the OeNB sold a small percentage of GSA stocks to a number of banks, who as a result are now involved in GSA's cash processing services throughout Austria.

The OeNB's subsidiaries are independent private-sector enterprises. Their main business lines are fundamentally linked to the central bank's responsibilities. Through its activity, each subsidiary has amassed special know-how that is sought out by interested parties from all over the world. By providing products and services to a larger customer base, the subsidiaries are able to utilize their capacities optimally and to make additional profits. The international scope further increases the subsidiaries' business efficiency and contributes to the provision of cost-efficient services for the Austrian financial market.

Cash and secure payment systems services from a single provider

As a first step in providing all Austrian users with cash, the OeNB draws up a strategic plan. Next, the subsidiaries are entrusted with the

Payment Means Cluster of the OeNB

Cash

Cash production

Münze Österreich AG (MÖAG)
- minting, distribution and withdrawal of divisional and negotiable coins
- production and sale of items made of noble and other metals
- engineering and consulting services

Oesterreichische Banknoten- und Sicherheitsdruck GmbH (OeBS)
- banknote and security printing
- print product business
- research and development services

Cash processing

GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination G.m.b.H. (GSA)
- cash processing
- supply of banknotes and coins
- logistics

Cashless payments

Production of payment instruments

AUSTRIA CARD-Plastikkarten und Ausweissysteme Gesellschaft m. b. H.
- production and sale of forms, credit cards and card systems as well as of machinery for the production and use of card systems
- production and sale of ID systems

Provision of infrastructure and reliable services

Austrian Payment Systems Services (APSS) GmbH
- establishment and development of ATM and POS terminal services
- IT services

A-Trust Gesellschaft für Sicherheitssysteme im elektronischen Datenverkehr GmbH
- certification services in the area of electronic signatures

Studiengesellschaft für Zusammenarbeit im Zahlungsverkehr G.m.b.H. (STUZZA)
- research association for the development of concepts and measures to reduce credit institutions' payment transaction costs

1 AUSTRIA CARD-Plastikkarten und Ausweissysteme Gesellschaft m.b.H.
2 Studiengesellschaft für Zusammenarbeit im Zahlungsverkehr (STUZZA) G.m.b.H.
3 Austrian Payment Systems Services (APSS) GmbH.
4 A-Trust Gesellschaft für Sicherheitssysteme im elektronischen Datenverkehr GmbH.

execution of this plan. By strategically bundling know-how and by coordinating services with its subsidiaries to provide a full range of payment systems services, the OeNB contributes to

- enhancing the security of payment services (e.g. ensuring that banknotes and coins are counterfeit proof and that data networks are stable);
- improving the quality of payment service products (e.g. compatible payment media); and
- lowering overall costs in Austria (e.g. by concentrating cash processing operations within GSA).

The role the OeBS, the Austrian Mint and GSA played during the cash changeover and in supplying the population with cash is described in detail in the chapter "Smooth Euro Cash Changeover."

A Strategic Position for the Future

The OeNB's strategic concept

After handling the changeover to the euro successfully, the OeNB has been able to return to planning its strategic concept for the next few years. The long-term strategic concept is crucial to safeguarding the OeNB's ability to provide top-quality products and services to Austrian businesses and individuals.

The OeNB's strategic work centers on two areas within the broad range of tasks and responsibilities:

- First, the OeNB is actively involved in developing and refining ESCB/Eurosystem strategy. This process is aimed at optimizing the interaction of all ESCB/Eurosystem participants.
- Second, the OeNB pursues the goal of maximizing the usefulness of its products for the Austrian financial market. A proactive communication strategy secures public acceptance of the OeNB's product portfolio and public confidence in the way it handles its responsibilities.

The OeNB's strategic functions are classified by priority – long-term objectives are reflected in the mission statement, medium-term aims are subsumed under corporate goals and corporate strategy, and annual operational goals are established during annual planning. In 2001 strategic activities were geared among other things toward developing a new mission statement for the OeNB, which has replaced the old statement since the beginning of the year 2002 and which defines the OeNB's main basic tasks and its value system.

Strategic planning elements

Moreover, the OeNB began to develop its new corporate strategy in the second half of 2001. The development of the OeNB's corporate strategy was based on several pillars:

- the analysis of central banking developments, above all in the Eurosystem,
- expertise on Central and Eastern Europe,
- the establishment of a position to benefit the Austrian financial market and
- the further reinforcement of communication with customers and partners, signaling the OeNB's increased service orientation.

The overarching principles guiding the OeNB's strategy are the Treaty establishing the European Community, the Statute of the European System of Central Banks and of the European Central Bank, and the Federal Act on the Oesterreichische Nationalbank. The OeNB's integration into the Austrian and European financial infrastructure represents an additional key element of strategic planning. These framework conditions are taken into account at all levels of strategic and operational planning. By following this procedure, the OeNB has clearly confirmed its good position within the ESCB and the Eurosystem.

The corporate strategy is implemented in the form of annual operational planning. With the aim of maintaining its good position among European central banks, the OeNB further refined its corporate management instruments in the reporting year. As a case in point, an activity-based costing system was introduced, providing for a clearer assignment of costs and efficient, user-pays accounting within the company. Devolving responsibility to the division level further heightens cost-consciousness and increasingly bases operations on business principles. Like activity-based cost accounting, the newly introduced budget monitoring enhanced the flexibility of business operations. The OeNB's thoroughgoing modernization efforts have positioned it very favorably within the ESCB with respect to a number of business operation parameters, such as the operating result and organizational processes.

The OeNB as an International Partner in Cooperation and Dialogue

The OeNB is an active partner within the ESCB/Eurosystem framework and in the committees and working groups of international organizations and financial institutions. As a representative of Austria's interests, the OeNB introduces the perspective of a central bank, the interests of business and industry and of the Austrian public, and, finally, the views of Austrian financial market participants in these bodies. Conversely, the OeNB acts as a link that transmits to Austria views, plans and decisions taken at the European level.

The OeNB as an Active Partner in European Integration

Intense participation in various working groups

Within the EU, the OeNB is part of the ESCB/Eurosystem, and as such its delegates participate in the work of its committees and working groups as well as numerous other economic policy bodies. These include the EU's Economic and Financial Committee (EFC) and Economic Policy Committee (EPC), both of whom prepare meetings of the Council of Economic and Finance Ministers (Ecofin). In the past business year, the OeNB played a crucial role for a number of processes and decisions:

- No doubt the outstanding project was the introduction of euro notes and coins, which was efficiently planned, executed and supervised within a framework spanning all NCBs.
- The expertise of OeNB staff in the OeNB's representation on various ESCB committees remained a very important input in 2001. The OeNB's staff elaborated crucial contributions to ESCB and Eurosystem provisions (see selected areas below), which had a decisive impact on the final decisions.
- One central area of ESCB discussions was the future distribution of monetary income, where intense negotiations in 2001 produced a very satisfactory result for Austria (see "Financial Statements 2001 of the Oesterreichische Nationalbank").
- In refining the statistical basis for the single monetary policy, the new ECB regulation on MFI interest rate statistics was adopted by the Governing Council of the ECB in December 2001, concluding a preparation phase of roughly two years. The new regulation ensures the provision of harmonized and complete interest rate statistics covering important banking operations from 2003. As in numerous other cases, the OeNB succeeded in providing well-founded suggestions in this area, whose integration in the regulation is in the interest of the system as well as in the Austrian interest.
- Within the framework of the EU's Banking Advisory Committee and of the ESCB's Banking Supervision Committee, the OeNB participated in the regular dialogue with banking supervisors in the other EU countries.
- In the International Relations Committee (IRC) of the ESCB and in the EFC Working Group on IMF and Related Matters, OeNB representatives provided emphatic support to improving of the representation of common EU interests at international organizations such as the IMF. In this context, the declaration of the EU Council meeting in Vienna was further specified with

regard to EU external relations in the area of economic policy issues.

Numerous conferences and events organized

As an economic policy agent, the OeNB is intent on promoting the dialogue with researchers and politicians and as such frequently initiates and hosts national and international conferences and events in Vienna and outside the nation's capital. The Governing Council of the ECB, the EPC, the IRC, the Monetary Policy Committee (MPC) and the Legal Committee of the ESCB all convened in Vienna. The largest conference the OeNB organizes is the annual Economics Conference, which took place in June last year and presented important observations on the topic of financial stability.

Apart from events organized to support the introduction of euro banknotes and coins (see the chapter "Smooth Euro Cash Changeover"), the OeNB organized a multitude of other events: 227 events attracted roughly 10,000 participants; moreover, 4,000 participants were addressed during 116 school visits. These activities further reinforced the OeNB's reputation as an information platform and dialogue partner at the highest level.

Strong International Ties

Cooperation with the BIS, the IMF and the OECD

At the international level (extending beyond the EU level), the OeNB plays an active role in representing Austria's interests at the IMF, the OECD and the BIS.

In 2001 the IMF gave a favorable judgment of Austria's economic situation upon conclusion of its annual consultations under Article IV of the IMF Articles of Agreement (Article IV consultations), which are organized by the OeNB, and underlined the Austrian approach to the gradual liberalization of capital movements during the past decades as a positive example in its annual report.

The many years of expertise the OeNB has acquired on capital transactions were instrumental in the first appointment of a representative of the OeNB to the chairmanship of an OECD committee, the Committee on Capital Movements and Invisible Transactions (CMIT).

In order to provide optimal support to the regular country analysis of Austria by the OECD, an OeNB staff member was seconded to the OECD for two months to work in the unit in charge of the country analysis of Austria.

In the BIS the OeNB participated in the newly established Central Bank Governance Network, which draws up comparative analyses on central banking structures.

Expertise for Central and Eastern Europe

Advanced analyses and an extensive network of close contacts

Austria's geographic position and the network of ties the OeNB has acquired over time have given it a great deal of special know-how on Eastern Europe that is tapped both at the Austrian and at the international level, above all by the Eurosystem.

Analyzing the integration process of the Central and Eastern European countries into the EU and EMU, providing technical cooperation, above all with the NCBs of those countries, and offering training support is at the heart of the OeNB's activities. In addition to highly advanced analysis, the OeNB's competence on Eastern

Europe includes an up-to-date network of important contacts, numerous events serving among other things as a platform for the exchange of opinions and a wide range of technical cooperation and training activities. The semiannual publication "Focus on Transition", which covers the economic challenges and issues of transition countries, is a valuable source for experts and decision-makers at central banks and international organizations as well as for a professional readership.

Entitled "Convergence and Divergence in Europe," the OeNB's East-West Conference in 2001 treated the problem of the different pace and level of development among European regions and the catching-up strategies of the accession countries from the research expert perspective.[1])

Both at the bilateral level and within the framework of the Joint Vienna Institute, which has become permanently established in Vienna, the OeNB has trained officials from Central and Eastern European central banks and has prepared them for the coming integration into the institutions of the EU. In the past years, the emphasis of training has shifted from providing knowledge about basic economic policy issues and institutions to imparting knowledge about how to implement instruments and standards. The OeNB was also involved in the coordination of technical assistance at international organizations such as the EU and the BIS and participated in the assistance programs of the EU and the IMF.

1 *The contributions to the East-West Conference 2000 were published as a book: Tumpel-Gugerell, G., Wolfe, L., Mooslechner, P. (eds., 2002). Completing Transition: The Main Challenges. Springer.*


500
100
50
2002

Financial Statements

of the Oesterreichische Nationalbank

for the Year 2001

Balance Sheet
as at December 31, 2001

Assets

	December 31, 2001 euro		December 31, 2000 euro	
1. Gold and gold receivables		3,519,118,265.13		3,556,162,714.08
2. Claims on non-euro area residents denominated in foreign currency		13,979,832,639.04		15,062,227,984.50
2.1 Receivables from the IMF	1,262,683,249.24		888,393,041.77	
2.2 Balances with banks, security investments, external loans and other external assets	12,717,149,389.80		14,173,834,942.73	
3. Claims on euro area residents denominated in foreign currency		1,108,565,345.82		1,543,590,501.40
4. Claims on non-euro area residents denominated in euro		1,569,219,994.13		1,860,162,390.22
4.1 Balances with banks, security investments and loans	1,569,219,994.13		1,860,162,390.22	
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		1,290,549,780.—		6,970,764,744.—
5.1 Main refinancing operations	379,071,760.—		4,843,970,690.—	
5.2 Longer-term refinancing operations	911,478,020.—		2,126,794,054.—	
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		182,269,783.31		166,356,570.34
7. Securities of euro area residents denominated in euro		1,742,630,781.57		1,381,551,936.48
8. General government debt denominated in euro		287,632,718.05		255,644,384.50
9. Intra-Eurosystem claims		3,153,430,658.76		1,297,670,000.—
9.1 Participating interest in the ECB	117,970,000.—		117,970,000.—	
9.2 Claims equivalent to the transfer of foreign reserves	1,179,700,000.—		1,179,700,000.—	
9.3 Claims related to promissory notes backing the issuance of ECB debt certificates[1])	×		×	
9.4 Other claims within the Eurosystem (net)	1,855,760,658.76		—	
10. Items in course of settlement		83,404,749.23		—
11. Other assets		4,384,003,886.29		4,091,433,515.89
11.1 Coins of euro area	151,994,553.97		67,951,433.59	
11.2 Tangible and intangible fixed assets	135,622,952.35		109,891,122.93	
11.3 Other financial assets	2,548,765,865.44		2,432,098,313.47	
11.4 Off-balance-sheet instruments' revaluation differences	6,571,481.94		41,598,284.98	
11.5 Accruals and deferred expenditure	355,593,036.02		399,075,911.29	
11.6 Sundry	1,185,455,996.57		1,040,818,449.63	
		31,300,658,601.33		36,185,564,741.41

[1]) *Only an ECB balance sheet item.*

Liabilities

	December 31, 2001 euro		December 31, 2000 euro	
1. Banknotes in circulation		10,172,302,497.04		13,933,755,136.11
2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro		5,497,601,442.69		3,402,808,903.32
2.1 Current accounts (covering the minimum reserve system)	5,497,601,442.69		3,402,808,903.32	
2.2 Deposit facility	—		—	
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		1,059,618,205.55		—
4. Debt certificates issued[1])		×		×
5. Liabilities to other euro area residents denominated in euro		42,101,899.13		18,201,500.45
5.1 General government	21,298,633.20		766,081.04	
5.2 Other liabilities	20,803,265.93		17,435,419.41	
6. Liabilities to non-euro area residents denominated in euro		63,530,444.37		7,176,741.20
7. Liabilities to euro area residents denominated in foreign currency		308,726,918.84		330,687,652.96
8. Liabilities to non-euro area residents denominated in foreign currency		985,659,161.39		900,889,207.44
8.1 Deposits, balances and other liabilities	985,659,161.39		900,889,207.44	
8.2 Liabilities arising from the credit facility under ERM II	—		—	
9. Counterpart of Special Drawing Rights allocated by the IMF		255,051,392.95		250,678,218.83
10. Intra-Eurosystem liabilities		—		5,024,023,947.10
10.1 Liabilities equivalent to the transfer of foreign reserves[1])	×		×	
10.2 Liabilities related to promissory notes backing the issuance of ECB debt certificates	—		—	
10.3 Other liabilities within the Eurosystem (net)	—		5,024,023,947.10	
11. Items in course of settlement		507,385,260.28		—
12. Other liabilities		1,516,790,955.97		1,101,311,694.59
12.1 Off-balance-sheet instruments' revaluation differences	207,999,252.71		3,975,845'—	
12.2 Accruals and deferred income	109,867,776.42		79,671,367.74	
12.3 Sundry	1,198,923,926.84		1,017,664,481.85	
13. Provisions		1,856,057,752.80		1,937,247,894.71
14. Revaluation accounts		4,680,053,372.83		4,908,714,957.34
15. Capital and reserves		4,247,440,269.22		4,260,243,425.62
15.1 Capital	12,000,000'—		12,000,000'—	
15.2 Reserves	4,235,440,269.22		4,248,243,425.62	
16. Profit for the year (thereof EUR 4,656.82 profit brought forward from 2000)		108,339,028.27		109,825,461.74
		31,300,658,601.33		36,185,564,741.41

[1]) *Only an ECB balance sheet item.*

Profit and Loss Account for the Year 2001

		Business year 2001 euro		Business year 2000 euro	
1.1	Interest income	1,287,006,069.51		1,584,887,939.87	
1.2	Interest expense	– 413,905,931.65		– 570,441,348.81	
1.	**Net interest income**		873,100,137.86		1,014,446,591.06
2.1	Realised gains/losses arising from financial operations	995,744,801.23		700,374,710.16	
2.2	Writedowns on financial assets and positions	– 88,353,343.41		– 97,846,732.39	
2.3	Transfer to/from provisions for foreign exchange and price risks	87,320,307.38		293,986,735.09	
2.	**Net result of financial operations, writedowns and risk provisions**		994,711,765.20		896,514,712.86
3.1	Fees and commissions income	1,381,355.03		2,086,141.87	
3.2	Fees and commissions expense	– 1,701,254.24		– 1,703,371.45	
3.	**Net income from fees and commissions**		– 319,899.21		382,770.42
4.	Income from equity shares and participating interests		54,095,046.59		6,268,546.99
5.	Net result of pooling of monetary income		– 606,563.30		– 652,250.40
6.	Other income		7,322,868.26		7,036,340.02
	Total net income		1,928,303,355.40		1,923,996,710.95
7.	Staff cost		– 92,971,491.46		– 88,191,757.12
8.	Administrative expenses		– 110,604,056.83		– 89,265,008.06
9.	Depreciation of tangible and intangible fixed assets		– 19,945,786.71		– 12,298,656.21
10.	Banknote production services		– 62,232,247.83		– 37,837,721.57
11.	Other expenses		– 1,119,902.18		– 10,355,410.30
			1,641,429,870.39		1,686,048,157.69
12.	Corporate income tax		– 558,086,155.93		– 573,256,373.61
			1,083,343,714.46		1,112,791,784.08
13.	Central government's share of profit and transfer to the pension reserve (the latter refers only to 2000)		– 975,009,343.01		– 1,002,966,322.34
14.1	Net income		108,334,371.45		109,825,461.74
14.2	Profit brought forward		4,656.82		—
14.	**Profit for the year**		108,339,028.27		109,825,461.74

Notes to the Financial Statements 2001

General Notes to the Financial Statements

Accounting Fundamentals and Legal Framework

The OeNB is committed (pursuant to Article 67 paragraph 2 of the Federal Act on the Oesterreichische Nationalbank of 1984 as amended – Nationalbank Act) to prepare its balance sheet and its profit and loss account in conformity with the policies established by the Governing Council of the ECB under Article 26.4 of the ESCB/ECB Statute. These policies are laid down in the Guideline of the ECB of 1 December 1998 on the legal framework for accounting and reporting in the European System of Central Banks as amended on 15 December 1999 and 14 December 2000 (ECB/2000/18).[1]) The OeNB's financial statements for the year 2001 were prepared fully in line with the provisions set forth in this guideline. In cases not covered by the guideline, the generally accepted accounting principles referred to in Article 67 paragraph 2 second sentence of the Nationalbank Act were applied.

The other Nationalbank Act provisions that govern the OeNB's financial statements (Articles 67 through 69 and Article 72 paragraph 1 of the Nationalbank Act, as amended and as promulgated in Federal Law Gazette I No. 60/1998) as well as the relevant provisions of the Commercial Code as amended remained unchanged from the previous year. In accordance with Article 67 paragraph 3 of the Nationalbank Act, the OeNB continued to be exempt in 2001 from preparing consolidated financial statements as required under Article 244 et seq. of the Commercial Code.

Pursuant to Council Regulation (EC) No. 1478/2000 of 19 June 2000 amending Regulation (EC) No. 2866/98 on the conversion rates between the euro and the currencies of the Member States adopting the euro, the conversion rate between the euro and the Greek drachma was irrevocably fixed at 340,750 Greek drachma to the euro. This Regulation entered into force on January 1, 2001.

The financial statements for 2001 were prepared in the formats laid down by the Governing Council of the ECB. This format has remained unchanged from that of the financial statements for 2000.

Accounting Policies

The financial statements were prepared in conformity with the accounting policies adopted by the Governing Council of the ECB[2]). Said accounting policies, which govern the accounting and reporting operations of the Eurosystem, follow accounting principles harmonized by Community law and generally accepted international standards. The key policy provisions are summarized below.

The following accounting principles have been applied:
- economic reality and transparency,
- prudence,
- recognition of post-balance-sheet events,
- materiality,
- a going-concern basis,
- the accruals principle,
- consistency and comparability.

Transactions in financial assets and liabilities are reflected in the accounts on the basis of the date on which they were settled.

1 *Decision of the Governing Council of the ECB of December 14, 2000.*
2 *Decision of the Governing Council of the ECB of December 14, 2000 (ECB/2000/18).*

Foreign currency transactions whose exchange rate is not fixed against the accounting currency were recorded at the respective euro exchange rate.

At year-end both financial assets and liabilities were revalued at current market prices/rates. This applies equally to on- and off-balance-sheet transactions. The revaluation took place on a currency-by-currency basis for foreign exchange positions and on a code-by-code basis for securities.

Gains and losses realized in the course of transactions were taken to the profit and loss account. For gold, foreign currency instruments and securities, the average cost method was used in accordance with the daily netting procedure for purchases and sales. As a rule, the realized gain or loss was calculated by juxtaposing the sales price of each transaction with the average acquisition cost of all purchases made during the day. In the case of net sales, the calculation of the realized gain or loss was based on the average cost of the respective holding for the preceding day.

Unrealized revaluation gains were not taken to the profit and loss account, but transferred to a revaluation account on the liabilities side of the balance sheet. Unrealized losses were recognized in the profit and loss account when they exceeded previous revaluation gains registered in the corresponding revaluation account; they may not be reversed against new unrealized gains in subsequent years. Furthermore, the OeNB's management determined that unrealized foreign currency losses that must be expensed were to be covered by the release of an offsetting amount from the "reserve fund for exchange risks" accumulated in the runup to 1999.[1]) Unrealized losses in any one security, currency or in gold holdings were not netted with unrealized gains in other securities, currencies or gold, since netting is prohibited under the Accounting Guideline.

The average acquisition cost and the value of each currency position were calculated on the basis of the sum total of the holdings in any one currency or gold, including both asset and liability positions and both on-balance-sheet and off-balance-sheet positions.

In compliance with Article 69 paragraph 4 of the Nationalbank Act, which stipulates that the reserve fund for exchange risks be set up or released on the basis of the risk assessment of nondomestic assets, the value-at-risk (VaR) method was used to calculate the currency risk. VaR is defined as the maximum loss of a gold or foreign currency portfolio with a given currency diversification at a certain level of confidence (97.5%) and for a given holding period (one year). The potential loss calculated under this approach is to be offset against the "reserve fund for exchange risks" and the "revaluation accounts." Provided that such losses cannot be offset in this way, any remaining loss shall be offset against net income by allocating the necessary funds to "provisions for exchange rate risks." In case just part of the "reserve fund for exchange risks" is needed to cover the loss, the difference will be released and will increase net income.

Future market developments, especially interest and exchange rate movements, may entail considerable fluctuations of the income of the OeNB and the other NCBs participating in Stage Three of Economic and Monetary Union (EMU) as well as

1 *Decision of the Governing Board of November 10, 1999, and of the General Council of November 25, 1999.*

the ECB as a result of the harmonized accounting rules with they must comply since January 1, 1999.

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

Participating interests were valued on the basis of the net asset value of the respective companies (equity method).

Tangible and intangible fixed assets were valued at cost less depreciation. Depreciation was calculated on a straight-line basis, beginning with the quarter after acquisition and continuing over the expected economic lifetime of the assets, namely:

- computers, related hardware and software, and motor vehicles (4 years),
- equipment, furniture and plant in building (10 years),[1])
- buildings (25 years).

Fixed assets costing less than EUR 10,000 were written off in the year of purchase.

Realized Gains and Losses and Revaluation Differences and their Treatment in the Financial Statements of December 31, 2001

	Realized gains (posted to the profit and loss account)	Realized losses (posted to the profit and loss account)	Unrealized losses (posted to the profit and loss account)	Change in unrealized gains (posted to revaluation accounts)
	EUR million			
Gold	204.888	0.000	–	+134.392
Foreign currency	519.087	6.992	60.519[1])	−205.373
Securities	221.994	7.753	26.801[2])	− 9.414
Initial valuation of securities	26.750	×	×	×
IMF euro holdings	35.300	–	–	–
Participating interests	–	–	0.428	+113.356
Off-balance-sheet operations	3.311	0.840	0.605	− 1.562
Total	1,011.330	15.585	88.353	+ 31.399

1) This sum did not have an impact on profit because the loss was offset against the "reserve fund for exchange risks."
2) This sum did not have an impact on profit because the loss was offset against the "reserve for nondomestic and price risks."

1 *By way of derogation from this principle, the useful life of banknote and coin processing equipment was halved to five years in 2001.*

Capital Movements

Movements in Capital Accounts in 2001

	Dec. 31, 2000	Increase	Decrease	Dec. 31, 2001
	EUR million			
Revaluation accounts				
Reserve fund for exchange risks	2,075.237	–	232.489	1,842.748
Initial valuation reserve	309.825	–	27.572	282.253
Eurosystem revaluation accounts	2,523.653	31.399	–	2,555.052
Total	4,908.715	31.399	260.061	4,680.053
Capital	12.000	–	–	12.000
Reserves				
General reserve fund	1,611.952	–	–	1,611.952
Freely disposable reserve fund	1,036.219	–	118.500	917.719
Reserve for nondomestic and price risks	1,077.606	152.890	66.072	1,164.424
Earmarked capital funded with net interest income from ERP loans	515.199	18.879	–	534.078
Fund for the Promotion of Scientific Research and Teaching	7.267	–	–	7.267
Total	4,248.243	171.769	184.572	4,235.440
Profit for the year	109.825	–	1.486	108.339

For details of the various changes, please refer to the notes to the respective balance sheet items.

Development of the OeNB's Currency Positions in the Business Year 2001

Net Currency Position (including gold)

	Dec. 31, 2000	Dec. 31, 2001	Change	
	EUR million			%
Gold and gold receivables	3,556.162	3,519.118	– 37.044	– 1.0
Claims on non-euro area residents denominated in foreign currency[1])	17,009.068	15,705.247	–1,303.821	– 7.7
Claims on euro area residents denominated in foreign currency	1,543.591	1,108.566	– 435.025	– 28.2
Other assets	37.968	23.092	– 14.876	– 39.2
less:				
Liabilities to euro area residents denominated in foreign currency	330.688	308.727	– 21.961	– 6.6
Liabilities to non-euro area residents denominated in foreign currency	900.889	985.659	+ 84.770	+ 9.4
Counterpart of Special Drawing Rights allocated by the IMF	250.678	255.051	+ 4.373	+ 1.7
Revaluation accounts	109.874	91.132	– 18.742	– 17.1
Total	20,554.660	18,715.454	–1,839.206	– 8.9
Off-balance-sheet assets/liabilities (net)	– 659.071	– 1,434.061	– 774.990	–117.6
Total	19,895.589	17,281.393	–2,614.196	– 13.1

[1]) *Excluding the share of the IMF quota which was not drawn expressed in euro.*

Monetary Income in the Eurosystem

Article 32 of the Statute of the ESCB/ECB defines monetary income as the income accruing to the NCBs in the performance of the Eurosystem's monetary policy function. Under the ESCB/ECB Statute, the amount of each NCB's monetary income shall be equal to its annual income derived from its assets held against notes in circulation and deposit liabilities to credit institutions (which together form the liability base). Such assets shall be earmarked and the income derived from these assets shall be redistributed among the euro area NCBs in accordance with guidelines to be established by the Governing Council of the ECB (Article 32.2 of the ESCB/ECB Statute; *direct method* of calculating monetary income).

The amount of income the NCBs actually pay into the pool for redistribution is influenced by the costs that they incur in connection with the liquidity-absorbing monetary policy operations, and moreover by the remuneration of reserves under the Eurosystem's minimum reserve system, because any interest that the NCBs pay on banks' minimum reserve deposits reduces the amounts they contribute to the pool of monetary income.

The rationale for this policy is to equitably redistribute the income resulting from the use of the monetary policy instruments in conducting the single monetary policy. Any such income earned in the euro area is pooled and reallocated to the participating NCBs according to a designated key. More precisely, the pooled monetary income is divided up in proportion to the participating NCBs' paid-up shares in the capital of the ECB.

Procedure for the Business Years 1999 to 2001

Since the balance sheet structures of the participating NCBs diverged widely at the time at which they entered Stage Three of EMU, the Governing Council of the ECB agreed on November 3, 1998, that for the first three years monetary income should be measured according to an alternative, *"indirect" method* provided for under Article 32.3 of the ESCB/ECB Statute. The Governing Council determined that the indirect method was to be applied until the end of 2001. Under this method, a reference rate, namely the marginal bid rate for two-week repos, is applied to the *liability base* to calculate the amount of monetary income earned.

Since banknotes in circulation did not include euro banknotes from 1999 to 2001 and national banknotes in circulation were excluded from the liability base under the interim solution, the liability base consisted only of deposit liabilities to credit institutions during this period. As interest paid on those liabilities could be offset against the monetary income to be pooled,[1]) the Eurosystem's overall monetary income was in fact not very high. Under this method, the OeNB paid very small net amounts into the pool of monetary income during the first three years because the income accruing to the OeNB from the components mentioned above was roughly equal to the offsettable remuneration of minimum reserve holdings.

1 *The interest rate for the remuneration of minimum reserve balances and the rate applied to calculating monetary income have been identical since the establishment of the Eurosystem.*

Outlook: The Procedure Applicable from 2002 to 2007

The inclusion of euro banknotes in circulation from 2002 in the liability base called for a viable longer-term solution. As a result of the accounting regime for euro banknotes in circulation (for more information, see "The Introduction of Euro Banknotes and Coins" below), new provisions for the allocation of monetary income for the years 2002 to 2007[1]) were adopted on the basis of the Decision of the European Central Bank of 6 December 2001 on the allocation of monetary income of the national central banks of participating Member States from the financial year 2002.

Under the transitional regime applicable until 2007, the amount of monetary income to be pooled is adjusted on the basis of compensating factors, which will be progressively reduced to zero. This solution is designed to compensate changes in the relative income positions of the NCBs after the introduction of the euro. For 2002 the measurement of monetary income will be based on both national banknotes in circulation and euro banknotes in circulation, using the alternative method provided for under Article 32.3 of the ESCB/ECB Statute and applied since 1999. From 2003 a direct method as provided for under Article 32.2 will be applied.

The Introduction of Euro Banknotes and Coins on January 1, 2002 – Impact on the Financial Statements for 2001

The introduction of euro notes and coins on January 1, 2002, begins the second-to-last phase (3b) of the three-stage process of Economic and Monetary Union described in the Treaty. Pursuant to Article 10 of Council Regulation (EC) No. 974/98 of 3 May 1998[2]) on the introduction of the euro banknotes and coins denominated in euro have the status of legal tender in all participating Member States (in the euro area) from January 1, 2002. While the schilling was legal tender for payments next to the euro during a dual phase lasting until February 28, 2002, the single currency became the sole legal tender from March 1, 2002. The euro banknotes are issued by the ECB (to which 8% of the total value of banknotes in circulation are allocated) and by the NCBs (among whom the remaining 92% of the banknotes in circulation are allocated[3])). The amount of euro banknotes in circulation allocated to each of the 12 participating NCBs is determined in accordance with their share in the paid-up capital of the ECB. On December 20, 2001, the Governing Council of the ECB authorized the issue of euro coins by the Member States pursuant to Article 106 of the Treaty.

Frontloading

In order to ensure that a sufficient quantity of euro notes and coins were distributed to businesses and the general population in time for the changeover and to facilitate a rapid exchange during the dual circulation period, the OeNB frontloaded extensively to selected banks. The total of frontloaded euro banknotes came to some EUR 9.8 billion, and EUR 0.5

1 *Decision of the European Central Bank of 6 December 2001 on the allocation of monetary income of the national central banks of participating member states from the financial year 2002 (ECB/2001/16).*

2 *Federal Law Gazette Part I No. 2000/72, Article I, paragraphs 1 and 2 "Federal Act adopting measures in the field of currency in connection with the issuance of euro banknotes and coins are to be adopted (Euro Act) and amending the Austrian Coinage Act of 1988 and the Central Bank Act of 1984." This law is based on Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, Official Journal L 139, 11 May 1998.*

3 *Decision of the European Central Bank of 6 December 2001 on the issue of euro banknotes (ECB/2001/15).*

billion of euro coins were frontloaded. In a second step, these banks subfrontloaded notes and coins to businesses and other banks. The OeNB frontloaded euro banknotes, euro and cent coins and euro starter kits for businesses and households designed to help ensure that enough small change would be available for transactions in the first days following the changeover. From December 15, 2001 euro starter kits and euro and cent coins were sold or distributed to Austrians for the most part by banks, but also by the OeNB directly. In line with the guidelines of the ECB, the frontloaded euro banknotes and coins were not posted to the balance sheet, as they were not yet legal tender.

Notes to the Balance Sheet

Assets

1. Gold and gold receivables

	EUR million
Closing balance Dec. 31, 2001	3,519.118
Closing balance Dec. 31, 2000	3,556.162
Change	– 37.044
	–1.0%

This item comprises the OeNB's holdings of physical and nonphysical gold, which amounted to approximately 347 tons on December 31, 2001. At a market value of EUR 314.990 per fine ounce (i.e. EUR 10,127.16 per kg of fine gold), the OeNB's gold holdings were worth EUR 3,519.118 million at the balance sheet date.

The year-on-year change results from revaluation gains on the order of EUR 200.578 million, as offset by sales (30 tons worth EUR 273.599 million). On balance realized revaluation gains and book value reconciliations increased gold and gold holdings by EUR 35.976 million.

The gold sales complied with the Central Bank Gold Agreement concluded by 14 NCBs – among them the OeNB – and the ECB in September 1999; this agreement limits total gold stock sales to 2,000 tons over a five-year period.

An additional 30 tons were sold in the form of forward transactions in 2001.

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

	EUR million
Closing balance Dec. 31, 2001	13,979.833
Closing balance Dec. 31, 2000	15,062.228
Change	– 1,082.395
	–7.2%

These claims consist of receivables from the International Monetary Fund – including the "receivables from the IMF," "holdings of Special Drawing Rights" (SDR) and "other claims against the IMF" – and claims denominated in foreign currency against non-euro area countries, i.e. counterparties resident outside the euro area.

The receivables from the IMF comprise the following items:

	Dec. 31, 2000	Dec. 31, 2001	Change	
	EUR million			%
Receivables from the IMF	674.539	941.696	+267.157	+39.6
Holdings of SDRs	143.850	264.007	+120.157	+83.5
Other claims against the IMF	70.004	56.981	− 13.023	−18.6
Total	888.393	1,262.684	+374.291	+42.1

Drawings on behalf of member states and the revaluation of euro holdings by the IMF as well as allocations by the IMF to its account boosted the **receivables from the IMF[1])** by a total of EUR 329.817 million. Revaluation gains (+EUR 19.831 million) and realized exchange rate gains and book value reconciliation (+EUR 25.900 million) further increased these claims. Conversely, drawings by member states reduced the receivables from the IMF by a total of EUR 108.391 million.

The national IMF quota remained unchanged at SDR 1,872.3 million in 2001.

The IMF remunerates participations in the Fund at a rate of remuneration that is updated weekly. In 2001 this rate hovered between 2.2% and 4.6% p.a., mirroring the prevailing SDR rate.

The holdings of **Special Drawing Rights[2])** were recognized in the balance sheet at EUR 264.007 million on December 31, 2001, which is equivalent to SDR 185 million. The net rise by EUR 120.157 million in 2001 resulted from SDR purchases and interest credited (+EUR 194.054 million), above all remunerations of the participation in the IMF. SDR sales diminished holdings of Special Drawing Rights by EUR 76.546 million.

No purchases arising from designations by the IMF were effected in 2001. Principally the OeNB continues to be obliged under the IMF's statutes to provide currency on demand to participants using SDRs up to the point at which its holdings of SDRs are three times as high as its net cumulative allocation. The OeNB's current net cumulative allocation is SDR 179.045 million.

Other claims against the IMF comprise the OeNB's other contributions to loans under special borrowing arrangements. In the financial statements for 2001 this item relates mainly to claims (over SDR 40 million) arising from contributions to the Poverty Reduction and Growth Facility (PRGF). The PRGF is a special initiative designed to support the IMF's aims by granting the poorest countries credits at highly concessional terms in order to finance economic programs targeted at fostering economic growth and ensuring a strong, sustainable recovery of the balance of payments.

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

2 *Pursuant to federal law as promulgated in Federal Law Gazette No. 440/1969, the OeNB is entitled to participate in the SDR system on its own account on behalf of the Republic of Austria and to enter the SDRs purchased or allocated gratuitously on the assets side of the balance sheet as cover for the total circulation.*

Balances with banks, security investments, external loans and other external assets cover the following:

	Dec. 31, 2000	Dec. 31, 2001	Change	
	EUR million			%
Balances with banks	3,794.481	3,416.102	– 378.379	– 10.0
Securities	10,371.623	9,293.899	–1,077.724	– 10.4
Loans	537	–	– 537	–100.0
Other assets	7.194	7.148	– 46	– 0.6
Total	14,173.835	12,717.149	–1,456.686	– 10.3

Balances with banks outside the euro area include foreign currency deposits on correspondent accounts, deposits with agreed maturity and overnight funds. Securities relate to instruments issued by non-euro area residents. As a rule, operations are carried out only with financially sound counterparties.

Loans extended to non-euro area residents include a standby credit to the Turkish central bank, which was recorded in the financial statements of December 31, 2000, with a remaining value of EUR 537 million (USD 0.5 million). This loan, extended in February 1981 for an initial amount of USD 15 million, was fully redeemed on schedule in February 2001, with the last of 30 semiannual installments of USD 0.5 million each payable from August 1986.

The other external assets comprise only non-euro area banknotes.

3. Claims on euro area residents denominated in foreign currency

Foreign currency-denominated claims on euro area residents are as follows:

	Dec. 31, 2000	Dec. 31, 2001	Change	
	EUR million			%
Balances with banks	947.617	494.146	–453.471	–47.9
Securities	595.973	614.419	+ 18.446	+ 3.1
Total	1,543.590	1,108.565	–435.025	–28.2

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

This item includes all euro-denominated investments and accounts with counterparties who are not euro area residents.

On December 31, 2000, and December 31, 2001, the subitems of this balance sheet item closed as follows:

	Dec. 31, 2000	Dec. 31, 2001	Change	
	EUR million			%
Security investments	1,652.296	1,368.803	–283.493	–17.2
Other investments	207.866	200.417	– 7.449	– 3.6
Total	1,860.162	1,569.220	–290.942	–15.6

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

This balance sheet item represents the liquidity-providing transactions executed by the OeNB.

The principal components of this item are:

	Dec. 31, 2000	Dec. 31, 2001	Change	
	EUR million			%
5.1 Main refinancing operations	4,843.971	379.072	−4,464.899	−92.2
5.2 Longer-term refinancing operations	2,126.794	911.478	−1,215.316	−57.1
5.3 Fine-tuning reverse operations	–	–	–	–
5.4 Structural reverse operations	–	–	–	–
5.5 Marginal lending facility	–	–	–	–
5.6 Credits related to margin calls	–	–	–	–
Total	6,970.765	1,290.550	−5,680.215	−81.5

The **main refinancing operations** are regular liquidity-providing reverse transactions, executed by the NCBs with a weekly frequency and a maturity of two weeks in the form of standard (fixed or variable rate) tender operations. Bids may be submited, within one day, by all counterparties who fulfill the general eligibility criteria. In 2001 all main refinancing operations were carried out in the form of variable rate tenders. The main feature of the variable rate tender procedure is that eligible counterparties may submit bids at up to ten different interest rates. In each bid they state the amount they are willing to transact with the national central banks and the respective interest rate. Bids at a rate below the minimum bid rate announced by the ECB will be discarded. The bids with the highest interest rates are accepted first and bids with successively lower rates are then accepted until the total liquidity to be allotted is exhausted.

The main refinancing operations are the most important open market operations conducted by the Eurosystem, playing a pivotal role in signaling the stance of monetary policy. They provide the bulk of liquidity to the financial sector.

The **longer-term refinancing operations** are regular liquidity-providing reverse transactions with a monthly frequency and a maturity of three months. They are aimed at providing longer-term refinancing to the financial sector and are executed through standard tenders by the NCBs. All longer-term refinancing operations conducted in 2001 were carried out in the form of variable rate tenders.

Fine-tuning reverse operations are executed on an ad-hoc basis with a view to managing the liquidity situation in the market and steering interest rates, in particular to smooth the effects on interest rates caused by unexpected liquidity fluctuations in the market. The choice of instruments and procedures depends on the type of transaction and the underlying motives. Fine-tuning operations are normally executed by the NCBs through quick tenders or through bilateral operations. It is up to the Governing Council of the ECB to empower the ECB to conduct fine-tuning operations itself under exceptional circumstances.

The Eurosystem conducted liquidity-providing fine tuning operations totaling EUR 2.9 billion mid-September 2001. Each of these quick tenders had a one-day maturity and was settled the same day. The fine tuning operations were executed in the wake of the terrorist attacks in the U.S.A. on September 11, 2001, which had created a technical liquidity shortage on the money markets. The transactions were conducted as quick tenders at a fixed rate of 4.25%. The money market throughout the Eurosystem received a total of EUR 110 billion though these operations, which reestablished sufficient liquidity.

The ECB may use structural reverse operations to adjust the structural position of the Eurosystem vis-à-vis the financial sector.

Structural operations in the form of reverse transactions totaling EUR 702.238 million (rate: 4.77% to 4.80% p.a.) were conducted from April 30 to May 6, 2001; operations totaling EUR 208.739 million (rate: 3.28% to 3.30% p.a.) were conducted from November 30 to December 4, 2001. Both additional one-week operations were used to address structural liquidity requirements in April and November 2001.

Counterparties may use the **marginal lending facility** to obtain overnight liquidity from NCBs at a prespecified interest rate against eligible assets. The facility is intended to satisfy counterparties' temporary liquidity needs. Under normal circumstances, the interest rate on the facility provides a ceiling for the overnight interest rate. The marginal lending facility was accessed numerous times in 2001.

Credits related to margin calls arise when the value of underlying assets regarding credit extended to credit institutions increases beyond collateral requirements, obligating the central bank to provide counterparties with additional credit to offset the value in excess of requirements. If such credit is provided not by the return of securities but rather by an entry on an account, a claim on the counterparty is recorded in this subitem. No claims were recorded under this item in 2001.

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

	EUR million
Closing balance Dec. 31, 2001	182.270
Closing balance Dec. 31, 2000	166.357
Change	+ 15.913
	+9.6%

This item includes EUR 179.685 million of claims on credit institutions resulting from the delivery of frontloaded euro starter kits for consumers (with a value of EUR 14.54) and companies (with a value of EUR 145.50). The claim on the credit institutions resulting from the frontloaded starter kits was debited in their respective accounts with the OeNB (on January 2, January 23 and January 30, 2002) according to the linear debiting model.

7. Securities of euro area residents denominated in euro

	EUR million
Closing balance Dec. 31, 2001	1,742.631
Closing balance Dec. 31, 2000	1,381.552
Change	+ 361.079
	+26.1%

This item covers all marketable securities (including government securities stemming from before EMU) denominated in constituent currencies of the euro that are not used in monetary policy operations and that are not part of investment portfolios that have been earmarked for specific purposes.

The annual change is mainly due to additions resulting from net sales.

8. General government debt denominated in euro

	EUR million
Closing balance Dec. 31, 2001	287.633
Closing balance Dec. 31, 2000	255.645
Change	+ 31.988
	+12.5%

This balance sheet item subsumes the "claim on the Austrian Federal Treasury from silver commemorative coins issued before 1989," based on the 1988 Coinage Act as promulgated in Federal Law Gazette No. 425/1996.

In theory, the maximum federal liability of EUR 1,295.630 million is the sum total of all silver commemorative coins issued before 1989, minus any coins returned to and paid for by the central government, minus any coins no longer fit for circulation and hence directly withdrawn by the Austrian Mint. The figure actually shown in the books is lower because it has been adjusted for coins in circulation (EUR 905.800 million) and cash in hand (EUR 102.197 million), both of which are not yet redeemable. Repayment is effected by annual installments of EUR 5.814 million (equivalent to ATS 80 million) out of the central government's share of the OeNB's profit. The proceeds from metal recovery are also designated for repayment. Any amount outstanding on December 31, 2040, will have to be repaid in the five following years (2041 to 2045) in five equal installments.

The silver commemorative coins returned to the central government in the course of 2001 had a total face value of EUR 42.332 million. The redemptions made out of the central government's share in the OeNB's profit for the year 2000 plus the proceeds from metal recovery totaled EUR 10.344 million.

9. Intra-Eurosystem claims

This balance sheet item consists of the claims arising from the OeNB's share of the ECB's capital and the claims equivalent to the transfer of foreign reserves to the ECB. Further, this item shows TARGET balances and other (net) claims within the Eurosystem, provided that these items closed the reporting year with net claims. Since November 30, 2000, the TARGET balances with the central banks of nonparticipating countries have also been recognized in this item.

Other claims within the Eurosystem (net) consisted of the following subitems on December 31, 2001:

	Dec. 31, 2000	Dec. 31, 2001	Change
	EUR million		
9.1 Participating interest in the ECB	117.970	117.970	–
9.2 Claims equivalent to the transfer of foreign reserves	1,179.700	1,179.700	–
9.4 Other claims within the Eurosystem (net)	–	1,855.761	+1,855.761
Total	1,297.670	3,153.431	+1,855.761

The share that the OeNB holds in the **capital of the ECB** – EUR 5 billion in total – corresponded to 2.3594% at the balance sheet date, unchanged from December 31, 2000.

The following table contains a breakdown of the various NCBs' shares in the capital of the ECB:

	The 15 EU central banks' shares in the capital of the ECB absolut share		thereof paid up	relative share
	%	EUR		%
Deutsche Bundesbank	24.4935	1,224,675,000	1,224,675,000	30.2410
Banque de France	16.8337	841,685,000	841,685,000	20.7838
Banca d'Italia	14.8950	744,750,000	744,750,000	18.3902
Banco de España	8.8935	444,675,000	444,675,000	10.9804
De Nederlandsche Bank	4.2780	213,900,000	213,900,000	5.2819
Banque Nationale de Belgique	2.8658	143,290,000	143,290,000	3.5383
Oesterreichische Nationalbank	2.3594	117,970,000	117,970,000	2.9130
Bank of Greece	2.0564	102,820,000	102,820,000[1])	2.5389
Banco de Portugal	1.9232	96,160,000	96,160,000	2.3745
Suomen Pankki	1.3970	69,850,000	69,850,000	1.7248
Central Bank of Ireland	0.8496	42,480,000	42,480,000	1.0490
Banque Central de Luxembourg	0.1492	7,460,000	7,460,000	0.1842
	80.9943	4,049,715,000	4,049,715,000	100.0000
Bank of England	14.6811	734,055,000	36,702,750	
Sveriges Riksbank	2.6537	132,685,000	6,634,250	
Danmarks Nationalbank	1.6709	83,545,000	4,177,250	
	19.0057	950,285,000	47,514,250	
Total	100.0000	5,000,000,000	4,097,229,250	

[1]) *Fully paid up from January 1, 2001, with the participation of the Bank of Greece in the Eurosystem.*

The **transfer of foreign reserves** from the Eurosystem NCBs to the ECB is based on the provisions of Article 30 of the ESCB/ECB Statute. The euro-denominated claims on the ECB in respect of those transfers are shown under this item.

The reserves that the OeNB has transferred are managed on behalf and for the account of the ECB separately from the OeNB's own holdings and therefore do not show up in its balance sheet.

The ECB remunerates the nonredeemable euro-denominated claims with which it has credited the NCBs in return for the transfer at 85% of the current interest rate on the main refinancing operations on a daily basis.

The **other claims within the Eurosystem (net)** largely represent net claims arising from balances of TARGET accounts with the other 14 NCBs (i.e. including nonparticipating NCBs) and the ECB. Moreover, this item covers net claims arising at year-end from the difference between monetary income to be pooled and distributed as well as net claims arising from the correspondent accounts[1]) of individual NCBs.

The individual bilateral end-of-day balances of the OeNB with the other NCBs are netted by novating them to the ECB. In 2000 this item was shown as a net liability under item 10.3 "Other liabilities within the Eurosystem (net)."

The ECB remunerates the net balance on a daily basis, settling payment at the end of the month. The ECB calculates this remuneration centrally, using the prevailing interest rate for main refinancing operations. The corresponding payments are settled ex post monthly via the TARGET system.

1 *These correspondent accounts may be used for a limited amount of transactions e.g. when a temporary disruption of the TARGET system occurs.*

10. Items in course of settlement

This claim results from the prefinancing of the pension costs for 2001. The transfer of the funds from the pension reserve to a designated OeNB account was effected at the beginning of January 2002.

11. Other assets

Other assets comprise the following items:

		Dec. 31, 2000	Dec. 31, 2001	Change	
		EUR million			%
11.1	Coins of the euro area	67.952	151.995	+ 84.043	+123.7
11.2	Tangible and intangible fixed assets	109.891	135.623	+ 25.732	+ 23.4
11.3	Other financial assets	2,432.098	2,548.766	+116.668	+ 4.8
11.4	Off-balance-sheet instruments' revaluation differences	41.598	6.571	− 35.027	− 84.2
11.5	Accruals and deferred expenditure	399.076	355.593	− 43.483	− 10.9
11.6	Sundry	1,040.819	1,185.456	+144.637	+ 13.9
Total		4,091.434	4,384.004	+292.570	+ 7.2

Coins of euro area represent the OeNB's stock of fit coins of euro area. At the balance sheet date, this item consisted of Austrian schilling coins only. The rise in coins and the simultaneous decline in coin in circulation is the result of increased returns of coins in the runup to the introduction of euro cash.

Coin in circulation is a statistical figure not apparent from the OeNB's balance sheet. By provision of the 1988 Coinage Act, the face value of all coins struck by the Austrian Mint and put into circulation by the OeNB, plus the special quality coins and gold bullion coins issued directly by the Austrian Mint, minus any coins that have been withdrawn, add up to the "coin in circulation" figure. This is in line with the harmonized procedure for recording coin circulation on which the Eurosystem central banks have agreed.

Tangible and intangible fixed assets comprise Bank premises and equipment (including machinery, computer hardware and software, motor vehicles) and intangible fixed assets.

Premises developed as follows:

Cost incurred until Dec. 31, 2000	Purchases in 2001	Sales in 2001	Re-assignment (−)	Accumulated depreciation	Book value on Dec. 31, 2001	Book value on Dec. 31, 2000	Annual depreciation in 2001
EUR million							
57.098[1])	25.845	–	0.065	14.572	68.306	43.098	0.572

[1]) *Land and buildings acquired prior to December 31, 1956, were booked at the cost recorded in the schilling opening balance sheet (Federal Law Gazette No. 190/1954).*

Equipment developed as follows:

Cost incurred until Dec. 31, 2000	Purchases in 2001	Sales in 2001	Re-assign-ment (+)	Accu-mulated depre-ciation	Book value on Dec. 31, 2001	Book value on Dec. 31, 2000	Annual depre-ciation in 2001
EUR million							
77.900	17.197	10.117[1])	0.065	51.335	33.710	36.062	19.274

1) *The balance between the book value of the sales and the underlying historical costs is EUR 9.777 million.*

Movable real assets worth EUR 32.918 million represent the OeNB's collection of antique string instruments[1]). This collection was enlarged in 2001 with the purchase of 2 violins. On December 31, 2001, the OeNB's collection of valuable instruments encompassed 23 violins, 4 violoncellos and 2 violas. These instruments are on loan to musicians deemed worthy of special support.

Intangible fixed assets (the right to use an apartment) developed as follows:

Cost incurred until Dec. 31, 2000	Purchases in 2001	Sales in 2001	Accu-mulated depre-ciation	Book value on Dec. 31, 2001	Book value on Dec. 31, 2000	Annual depre-ciation in 2001
EUR million						
0.720	–	–	0.031	0.689	0.704	0.015

Other financial assets comprise the following subitems:

	Dec. 31, 2000	Dec. 31, 2001	Change	
	EUR million			%
Securities	1,716.261	1,497.705	−218.556	−12.7
Participating interests	695.851	815.825	+119.974	+17.2
Sundry assets	19.986	235.236	+215.250	×
Total	2,432.098	2,548.766	+116.668	+ 4.8

Of the OeNB's **securities portfolio,** EUR 1,483.782 million represented investments of the pension reserve and another EUR 13.923 investments of the OeNB's Fund for the Promotion of Scientific Research and Teaching. Unrealized valuation gains of EUR 77.318 million compare with unrealized valuation losses of EUR 39.271 million.

Participating interests – booked at their net asset value – developed as follows:

Net asset value on Dec. 31, 2000	Purchases in 2001	Sales in 2001	Book value on Dec. 31, 2001	Book value on Dec. 31, 2000	Annual depre-ciation in 2001	Revalua-tion in 2001
EUR million						
695.851	7.046	0.114[1])	815.825	695.851	0.428	113.356

1) *The balance between the book value of the sales and the underlying historical costs is EUR 114 million.*

The participating interests were valued at their net asset value in the annual accounts for 2001.

The OeNB's printing works, Oesterreichische Banknoten- und Sicherheitsdruck GmbH (OeBS), increased its nominal capital from its corporate resources in 2001. The capital of ATS 100 million was converted into EUR 7.267 million and, after an increase by EUR 2.733

1 *The OeNB began acquiring antique string instruments in 1989.*

million, totals EUR 10.000 million. The OeBS is wholly owned by the OeNB. The stockholders' equity came to EUR 83.842 million on December 31, 2000, and the profit for the year amounted to EUR 6.660 million.

In 1999 the OeBS began to print the euro banknotes to be put into circulation from January 1, 2002. The OeBS invoiced the OeNB for deliveries of euro banknotes of EUR 62.232 million in 2001; these are shown under "banknote production services," item 10 of the Profit and Loss Account.

Moreover, the item participating interests shows the OeNB's 100% stake in the Austrian Mint (Münze Österreich AG).

The Austrian Mint increased its share capital from corporate resources in 2001. The capital of ATS 75 million was converted to EUR 5,450,462.56 and boosted by EUR 549,537.44 to EUR 6.000 million. As at December 31, 2000, the stockholders' equity ran to EUR 223.858 million, and the profit for the year amounted to EUR 4.899 million. In 2001 the Austrian Mint released dividend earnings of EUR 3.634 million to the OeNB for the business year 2000, the same amount as in 2000 for the business year 1999.

In 2001 the OeNB's participating interest in the cash services company GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination G.m.b.H. (GSA) came to 93.4% of the company's capital stock. GSA primarily offers currency processing, foreign currency exchange and quality assurance services. The company's nominal capital amounts to EUR 0.036 million. In 2001 cash centers went into operation in four provincial capitals: Bregenz, Innsbruck, Klagenfurt and Salzburg; all seven cash centers are now in operation. The Vienna and Graz centers were relocated to new premises in 2001.

Article 241 of the Commercial Code applies to the other equity interests.

Sundry assets include assets earmarked for investment for the pension reserve and the Fund for the Promotion of Scientific Research and Teaching.

Asset item 11.6, sundry, consists of the following subitems:

	Dec. 31, 2000	Dec. 31, 2001	Change
	EUR million		
Claims arising from ERP loans to companies	732.226	748.807	+ 16.581
OeKB overnight account for ERP lending	124.928	127.226	+ 2.298
ERP loan portfolio managed by the OeNB	857.154	876.033	+ 18.879
Advances to prefinance the production of euro coins	145.346	145.346	–
Advances on salaries	7.083	6.332	– 751
Stock of euro starter kits	–	8.093	+ 8.093
Other claims	31.236	149.652	+118.416
Total	1,040.819	1,185.456	+144.637

According to Article 3.2 of the ERP Fund Act, the ceiling of the OeNB's financing commitment corresponds to the sum by which the federal debt was written down initially (ATS 4,705,404,000; EUR 341.955 million) plus interest accrued (EUR 534.078 million on December 31, 2001). The ERP loan portfolio managed by the OeNB totaled EUR 876.033 million on December 31, 2001. The provisions governing the extension of loans from this portfolio are laid down in Article 83 of the Nationalbank Act.

The residual terms of advances on salaries are generally more than one year. Security on all advance payments is in the form of life insurance plans.

Euro starter kits were frontloaded to businesses and households before the launch of euro cash on January 1, 2002, so that enough euro coins would be broadly available. Starter kits delivered by the Mint to the OeNB were frontloaded to credit institutions from September 1, 2001 (6,518,768 starter kits with a value of EUR 179.685 million), with an equivalent claim entered into the balance sheet for settlement under the linear debiting model (see assets item 6. "Other claims on euro area credit institutions denominated in euro"). In addition, 177,567 starter kits (EUR 2.924 million) were sold at the OeNB's counters, with payment effected directly in schilling cash. The amount of EUR 8.093 million shown on the balance sheet date of December 31, 2001, represents the total of undistributed euro starter kits.

Other claims contain minor items arising from day-to-day business. Moreover, this item contains the claim on Austrian Mint in respect of still unsettled schilling coin returns of EUR 104.376 million. This claim and the claim resulting from the prefinancing of the production of euro coins (EUR 145.346 million) was offset by the OeNB's liability from assuming delivery of the euro starter kits and settled between the parties on January 2, 2002.

Liabilities

1. Banknotes in circulation

	EUR million
Closing balance Dec. 31, 2001	10,172.302
Closing balance Dec. 31, 2000	13,933.755
Change	− 3,761.453
	−27.0%

This figure is derived from the amount of schilling banknotes in circulation adjusted for the banknotes received and held by other NCBs participating in the Eurosystem.

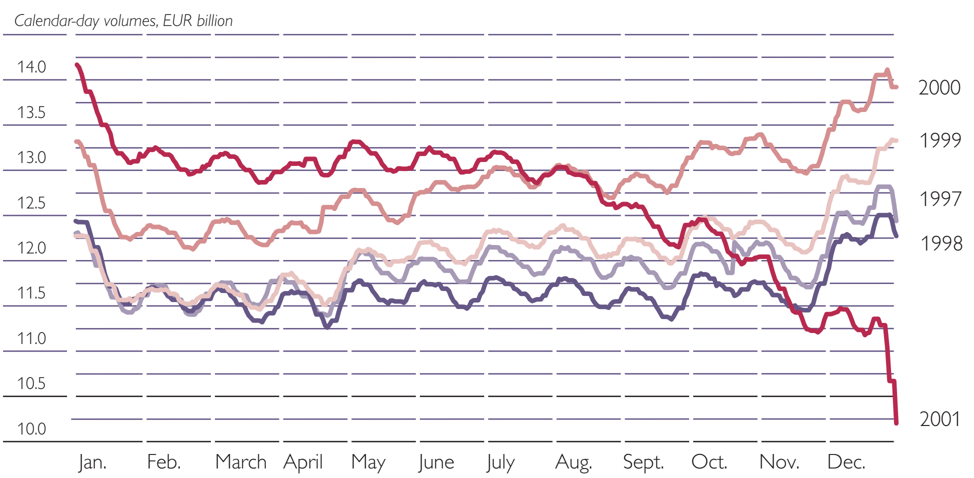
The qualification regarding banknotes held by other NCBs is based on Article 9.1 of the Guideline ECB/2000/18 and follows from the implementation of Article 52 of the ESCB/ECB Statute.[1]) Those provisions ensure the proper representation of the aggregate "banknotes in circulation" figure of the Eurosystem in the consolidated Eurosystem balance sheet, both during the transition period and after the introduction of euro banknotes. An NCB receiving schilling banknotes will – in compliance with its commitments arising under Article 52 of the ESCB/ECB Statute – record those banknotes as an intra-ESCB claim against the OeNB as the issuing NCB. Upon notification, the OeNB will adjust its banknotes in circulation figure accordingly. Over time, depending on the repatriation volumes agreed bilaterally, the schilling banknotes received by other NCBs will be returned to the OeNB.

The sharp contraction of the banknotes in circulation figure by more than a quarter is the consequence of stepped-up returns of schilling banknotes by businesses and households in the runup to the introduction of euro banknotes.

The table below shows the annual average banknotes in circulation figures of the past five years:

	Banknotes in circulation, annual average	Annual change	
	EUR million		%
1997	11,913	+370	+3.2
1998	11,688	−225	−1.9
1999	12,095	+407	+3.5
2000	12,851	+756	+6.3
2001	12,519	−332	−2.6

Banknotes in Circulation



Source: OeNB.

1 *Article 52 obliges the NCBs to ensure that the exchange of – household amounts of – banknotes denominated in currencies with irrevocably fixed exchange rates is offered at the respective par values free of charge at one location per country at least. The OeNB has arranged for authorized agents to offer this service at the OeNB's branch offices (except at the St. Pölten branch office) and in the OeNB's name for the agents' account.*

Banknotes in circulation posted an annual high of EUR 13,934 million on January 1, 2001, and an annual low of EUR 10,172 million on December 31, 2001.

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

On December 31, 2000, and December 31, 2001, the subitems of this balance sheet item closed as follows:

		Dec. 31, 2000	Dec. 31, 2001	Change	
		EUR million			%
2.1	Current accounts (covering the minimum reserve system)	3,402.808	5,497.601	+2,094.793	+ 61.6
2.2	Deposit facility	–	–	–	–
2.3	Fixed-term deposits	–	–	–	–
2.4	Fine-tuning reverse operations	–	–	–	–
2.5	Deposits related to margin calls	–	–	–	–
Total		3,402.808	5,497.601	+2,094.793	+ 61.6

The **current accounts (covering the minimum reserve system)** primarily comprise credit institutions' accounts for minimum reserves.

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

The **deposit facility** item refers to overnight deposits placed with the OeNB by Austrian banks that access the Eurosystem's liquidity-absorbing standing facility at the prespecified rate. In 2001 the volume of such transactions averaged EUR 3.940 million.

3. Other liabilities to euro area credit institutions denominated in euro

	EUR million
Closing balance Dec. 31, 2001	1,059.618
Closing balance Dec. 31, 2000	–
Change	+ 1,059.618

This item showed the liabilities arising from deposits pledged by credit institutions as collateral for frontloaded euro banknotes from September 3, 2001. The deposits are remunerated at the rate applicable to minimum reserves. The Guideline of the European Central Bank of 10 January 2001 adopting certain provisions on the 2002 cash changeover (ECB/2001/1) represents the legal basis for this procedure.

5. Liabilities to other euro area residents denominated in euro

	EUR million
Closing balance Dec. 31, 2001	42.102
Closing balance Dec. 31, 2000	18.202
Change	+23.900
	+131.3%

This item comprises general government deposits of EUR 21.299 million and the current accounts of other nonbanks.

Moreover, it contains the deposits of the International Fund for the Clearance of the Fairway of the Danube, an international organization under the patronage of the European Commission. This Fund (also known as the "Danube Fund") was established in Vienna by the Danube Commission and is entrusted with handling the funding of the project to restore free navigation on the Danube in the Novi Sad region. Under the provisions of the Federal Act on the International Fund for the Clearance of the Fairway of the Danube (Federal Law Gazette I No. 70/2000), the OeNB places the funds for the Danube Commission, 85% of which are provided by the European Commission and 15% of which are provided by neighboring countries and other donors, on an interest-bearing account.

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

	EUR million
Closing balance Dec. 31, 2001	63.530
Closing balance Dec. 31, 2000	7.177
Change	+56.353
	+785.2%

This item contains euro-denominated liabilities to non-Eurosystem central banks and monetary institutions. In 2001 this item also captured liabilities of EUR 60.270 million resulting from euro frontloading to central banks and commercial banks outside the euro area.

7. Liabilities to euro area residents denominated in foreign currency

	EUR million
Closing balance Dec. 31, 2001	308.727
Closing balance Dec. 31, 2000	330.688
Change	– 21.961
	–6.6%

This item mainly comprises swap transactions with the financial sector.

8. Liabilities to non-euro area residents denominated in foreign currency

	EUR million
Closing balance Dec. 31, 2001	985.659
Closing balance Dec. 31, 2000	900.889
Change	+ 84.770
	+9.4%

Foreign currency liabilities arising from swap operations and from repurchase agreements with financial sector counterparties are shown under this heading. The increase resulted from the higher volume of repurchase agreements.

9. Counterpart of Special Drawing Rights allocated by the IMF

	EUR million
Closing balance Dec. 31, 2001	255.051
Closing balance Dec. 31, 2000	250.678
Change	+ 4.373
	+1.7%

This item represents the counterpart of the Special Drawing Rights allocated gratuitously to the OeNB. Measured at current market values on the balance sheet date, the counterpart was worth SDR 179 million. The OeNB was allocated SDRs in six installments from 1970 to 1972 and from 1979 to 1981, always on January 1.

10. Intra-Eurosystem liabilities

	EUR million
Closing balance Dec. 31, 2001	–
Closing balance Dec. 31, 2000	5,024.024
Change	–5,024.024
	–100.0%

This item shows TARGET balances and other (net) liabilities within the Eurosystem, provided that these items closed the reporting year with net liabilities. As the TARGET balances and other claims or liabilities within the Eurosystem showed net claims on the balance sheet date December 31, 2001, they are represented under assets item 9.4 "Other claims within the Eurosystem (net)."

11. Items in course of settlement

	EUR million
Closing balance Dec. 31, 2001	507.385
Closing balance Dec. 31, 2000	–
Change	+507.385

This item comprises EUR 443.982 million resulting from the delivery of schilling cash by credit institutions which could not be settled on the TARGET closing day December 31, 2001, and were settled at the beginning of January 2002 by credits to the banks' current accounts. Moreover, it includes EUR 24.126 million of frontloaded euro banknotes and euro coin rolls handed out at OeNB counters, as they were not legal tender on December 31, 2001. From the beginning of January 2002 the euro banknotes became banknotes in circulation and the euro coins were debited to assets item 11.1 "Coins of euro area."

12. Other liabilities

Other liabilities are broken down as follows:

		Dec. 31, 2000	Dec. 31, 2001	Change	
		EUR million			%
12.1	Off-balance-sheet instruments' revaluation differences	3.976	207.999	+204.023	×
12.2	Accruals and deferred income	79.671	109.868	+ 30.197	+37.9
12.3	Sundry	1,017.665	1,198.924	+181.259	+17.8
Total		1,101.312	1,516.791	+415.479	+37.7

The **off-balance-sheet instruments' revaluation differences** subsume the revaluation losses arising on off-balance-sheet positions, which are posted to the profit and loss account (EUR 0.605 million). The rise from December 31, 2000, resulted from book value reconciliations and realized losses.

Item 12.3 (sundry) is composed of the following subitems:

	Dec. 31, 2000	Dec. 31, 2001	Change	
	EUR million			%
Central government's share of profit (without dividends)	988.429	975.009	– 13.420	– 1.4
Liquid funds of the Fund for the Promotion of Scientific Research and Teaching	17.033	22.643	+ 5.610	+32.9
Liability to the Austrian Mint – euro starter kits	–	190.702	+190.702	×
Other	12.203	10.570	– 1.633	–13.4
Total	1,017.665	1,198.924	+181.259	+17.8

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

The amount of EUR 22.643 million shown as **earmarked funds of the Fund for the Promotion of Scientific Research and Teaching** consisted of pledged funds not used up by December 31, 2001. According to the General Meeting's decision, EUR 70.250 million of the profit for the year for 2000 were appropriated to the OeNB's Fund for the Promotion of Scientific Research and Teaching to support research projects, with EUR 61.529 million apportioned to projects with a highly practical thrust. In the year 2001, the General Council decided to apportion an additional EUR 69.530 million for 398 projects and EUR 3.366 million to promote four institutes; EUR 67.767 of this amount on balance were paid out on balance. This means that a total EUR 490.966 million of the funds pledged as financial assistance since 1966 have been paid out.

The liability to the Austrian Mint reflects the assumption of a total of 6,820,520 euro starter kits and was settled between the parties on January 2, 2002.

13. Provisions

	Dec. 31, 2000	Transfer from	Transfer to	Dec. 31, 2001
	EUR million			
Pension reserve	1,780.867	83.405	83.405	1,780.867
Personnel provisions				
Severance payments	42.649	–	1.462	44.111
Anniversary bonuses	10.689	450	–	10.239
Residual leave entitlements	8.279	–	1.008	9.287
Other provisions				
Corporate income tax	76.216	76.216	–	–
Supplies of goods and services	5.310	4.713	5.253	5.850
Repatriation of banknotes	1.331	1.331	1.182	1.182
Administration of premises	1.289	27	374	1.636
Supplies from subsidiaries	9.337	9.337	389	389
Other	1.281	1.048	2.264	2.497
Total	1,937.248	176.527	95.337	1,856.058

Under the OeNB's initial retirement plan it is solely the liability of the Bank to provide retirement benefits to employees. The members of this scheme are "contracted out" of the state pension system. To secure this liability the OeNB is obligated by law to establish a "pension reserve" corresponding to the actuarial present value of its pension liabilities.

Following a change in the retirement plan, staff recruited after May 1, 1998, stands to receive a state pension supplemented by an occupational pension from an externally managed pension fund. For this supplementary pension the OeNB took out a contract effective May 1, 1999, which also applies retroactively to employees taken on in the 12 months from May 1, 1998. With the OeNB's direct liability to pay retirement benefits now limited to staff recruited before May 1, 1998, the pension reserve set up to secure this liability has become a closed system. Therefore starting with the year 2000, the OeNB has used its pension reserve to pay out retirement benefits.

Pension benefits as covered by the pension reserve augmented by EUR 2.524 million to EUR 83.405 million. This includes the remuneration of 15 retired board members or their dependents (totaling EUR 3.778 million; 2000: EUR 3.969 million).

The EUR 83.405 million of income on investment relating to the pension reserve was transferred to the pension reserve when the financial statements for 2001 were prepared, so that the pension reserve remained unchanged from the level of December 31, 2000.

The pension reserve on December 31, 2001, was calculated according to actuarial principles; a discount rate of 3.50% p.a. was applied (December 31, 2000: 3.40% p.a.).

Provisions for severance payments (EUR 44.111 million) are calculated according to actuarial principles, applying a discount rate of 3.50% p.a. (December 31, 2000: 3.40% p.a.). Requirements to top up the account led to an increase.

Actuarial calculations put the need for anniversary bonuses at EUR 10.239 million as at the balance sheet date. Consequently, EUR 0.450 million were allocated to provisions for anniversary bonuses when the financial accounts for 2001 were closed.

Provisions for residual leave entitlements amounted to EUR 9.287 million (+EUR 1.008 million).

No provisions for pending lawsuits were made, as they are not expected to have a material impact.

14. Revaluation accounts

This item consists of the following accounts:

	Dec. 31, 2000	Dec. 31, 2001	Change
	EUR million		
Eurosystem revaluation accounts			
Gold	566.078	700.470	+134.392
Foreign currency	1,664.603	1,459.230	−205.373
Securities	213.323	203.909	− 9.414
Participating interests	71.515	184.872	+113.357
Off-balance-sheet operations	8.134	6.571	− 1.563
Subtotal	2,523.653	2,555.052	+ 31.399
Unrealized valuation gains from January 1, 1999 (initial valuation)			
Securities	29.892	2.320	− 27.572
Participating interests	279.933	279.933	–
Subtotal	309.825	282.253	− 27.572
Reserve fund for exchange risks (funded up to the end of 1998)	2,075.237	1,842.748	−232.489
Total	4,908.715	4,680.053	−228.662

The amounts recorded in the **revaluation accounts** on a currency-by-currency and code-by-code basis are in their entirety gains that arose on the valuation of assets as at December 31, 2001. Those gains are realizable only in the context of future transactions in the respective category; otherwise they can be used to reverse revaluation losses that may arise in future years. The revaluation gains in each currency, moreover, cover the risks that the nondomestic assets carry (as established with the VaR method).

In line with requirements, the **initial valuation** gains recorded in the opening balance sheet of January 1, 1999, were partly realized during 2001 in the course of sales of underlying assets.

Article 69 paragraph 1 of the Nationalbank Act obliges the OeNB to maintain a reserve covering exchange risks which may arise on nondomestic assets. The **reserve fund for exchange risks** posted in the financial statements 2001 contains exchange gains accrued in the runup to 1999 totaling EUR 1,842.748 million. On the one hand the annual change reflects the realization of exchange rate gains resulting from the sale of underlying assets. On the other hand the fund is used to cover unrealized exchange losses that must be expensed, as well as any exchange risks (as calculated with the VaR approach) that are not offset by the balances on the revaluation accounts. As from

January 1, 1999, no further allocations may be made to this fund.

15. Capital and reserves

A summary of the OeNB's reserves shows the following developments:

	Dec. 31, 2000	Dec. 31, 2001	Change	
	EUR million			%
General reserve fund	1,611.952	1,611.952	–	–
Freely disposable reserve fund	1,036.219	917.719	–118.500	–11.4
Reserve for nondomestic and price risks	1,077.606	1,164.424	+ 86.818	+ 8.1
Earmarked capital funded with net interest income from ERP loans	515.199	534.078	+ 18.879	+ 3.7
Fund for the Promotion of Scientific Research and Teaching	7.267	7.267	–	–
Total	4,248.243	4,235.440	– 12.803	– 0.3

The reserve for nondomestic and price risks serves to offset any ECB losses which the OeNB may have to cover according to its share in the ECB's capital as well as any unrealized losses resulting from a fall in the price of securities. The total risk to be covered is calculated by applying recognized risk assessment models. According to the General Meeting's decision, on May 17, 2001, EUR 34.390 million were allocated to the reserve for nondomestic and price risks out of the profit for the year 2000. When the financial statements for 2001 were drawn up, EUR 118.500 million from the freely disposable reserve fund were reallocated and EUR 66.072 million were used to cover a fall in the price of securities invested by the OeNB.

In April 1966, EUR 7.267 million were allocated out of the net income for the year 1965 to the **Fund for the Promotion of Scientific Research and Teaching** for the purpose of profitable investment.

Other financial liabilities (off-balance-sheet positions)

Apart from the items recognized in the balance sheet, the following financial liabilities and financial derivatives are stated off the balance sheet on December 31, 2001:

- Foreign currency forward transactions and swap transactions of a total of EUR 1,629.416 million. These forward transactions also include forward sales of 30 tons of gold.
- Contingent liabilities arising from the statutory direct charge on the OeNB of EUR 193.164 million resulting from the allocation of the ECB's loss according to the NCBs' shares in the ECB's capital.
- Contingent liabilities on the order of EUR 235.940 million to fund unrealized losses which arose on the ECB's foreign currency positions and gold; these liabilities result from the fact that the OeNB may waive a maximum of 20% of its claims arising under the transfer of foreign reserves.

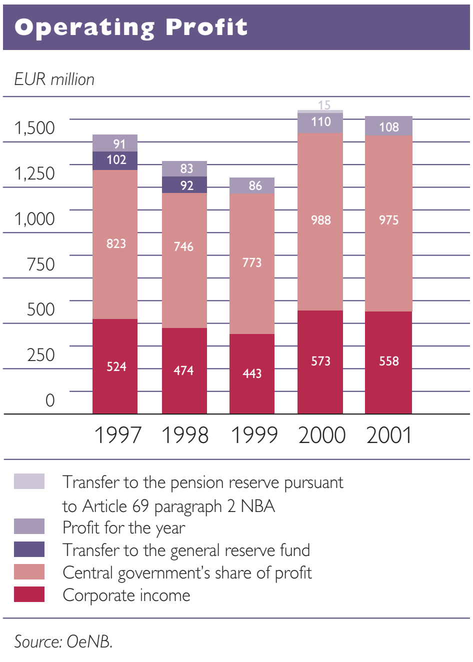
- Liabilities resulting from designations under "Special Drawing Rights within the IMF" of EUR 501.147 million.
- Contingent liabilities to the IMF under the "New Arrangements to Borrow" totaling EUR 586.898 million.
- The obligation to make a supplementary contribution of EUR 33.045 million (equivalent to 15 million gold francs) to the OeNB's stake in the capital of the Bank for International Settlements (BIS) in Basel, consisting of 8,000 shares of 2,500 gold francs each.
- Liabilities of EUR 26.154 million from foreign currency investments effected in the OeNB's name for third account.
- Repayment obligations to the amount of EUR 10.505 million arising from pension contributions paid by OeNB staff members payable on termination of employment contracts.

Moreover, the OeNB reports liabilities outstanding on unmatured gold/interest rate swaps involving 27.9 tons of gold.

Notes to the Profit and Loss Account

		2000	2001	Change[1])	
		EUR million			%
1.	Net interest income	1,014.446	873.100	−141.346	− 13.9
2.	Net result of financial operations, writedowns and risk provisions	896.515	994.712	+ 98.197	+ 11.0
3.	Net income from fees and commissions	383	− 320	− 703	−183.6
4.	Income from equity shares and participating interests	6.268	54.095	+ 47.827	+763.0
5.	Net result of pooling of monetary income	− 653	− 607	− 46	− 7.0
6.	Other income	7.036	7.322	+ 286	+ 4.1
Total net income		1,923.995	1,928.302	+ 4.307	+ 0.2
7.	Staff costs	− 88.191	− 92.971	+ 4.780	+ 5.4
8.	Administrative expenses	− 89.265	− 110.604	+ 21.339	+ 23.9
9.	Depreciation of tangible and intangible fixed assets	− 12.299	− 19.946	+ 7.647	+ 62.2
10.	Banknote production services	− 37.837	− 62.232	+ 24.395	+ 64.5
11.	Other expenses	− 10.356	− 1.120	− 9.236	− 89.2
Operating profit		1,686.047	1,641.429	− 44.618	− 2.6
12.	Corporate income tax	− 573.256	− 558.086	− 15.170	− 2.6
		1,112.791	1,083.343	− 29.448	− 2.6
13.	Central government's share of profit and transfer to the pension reserve	−1,002.966[2])	− 975.009[2])	− 27.957	− 2.8
14.1	Net income	109.825	108.334	− 1.491	− 1.4
14.2	Profit brought forward	–	5	+5	×
14.	**Profit for the year**	109.825	108.339	− 1.486	− 1.4

[1]) *Absolute increase (+) or decrease (−) in the respective income or expense item.*
[2]) *2000: thereof: EUR 14.537 million transfer to the pension reserve. 2001: Central government's share of profit only.*



1. Net interest income

With interest rates for foreign currency investment having declined sharply from 2001, interest income, net of interest expense, contracted by EUR 141.346 million (–13.9%) to EUR 873.100 million.

Net interest income from assets and liabilities denominated in foreign currency and euro totaled EUR 841.188 million. Refinancing operations yielded EUR 213.075 million, and the ECB remunerated the transfer of foreign reserves with EUR 43.970 million. Conversely, interest expenses of EUR 171.436 million resulted from TARGET liabilities, and the remuneration of minimum reserves came to EUR 171.436 million.

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

Realized gains or losses from day-to-day financial operations resulted from – receivable or payable – differences between the acquisition cost and the market value of **gold, foreign currency, securities or other transactions.** Among other things, these gains include price gains from the sale of 30 tons of gold.

Net gains augmented by EUR 295.370 million (+42.2%) to EUR 995.745 million. EUR 752.283 million (+EUR 87.884 million) thereof stem from gold and foreign currency operations, EUR 240.990 million (+EUR 205.015 million) from securities transactions.

The **writedowns on financial assets and positions** were triggered by the downtrend in market prices observed in 2001, amid which the market value dropped below the average acquisition cost of the respective currencies or securities on the balance sheet date.

The item **transfer to/from provisions for foreign exchange rate and price risks** resulted from transfers from the reserve fund for exchange risks that the OeNB funded up to the end of 1998 with a view to covering unrealized foreign currency losses. Thus, in compliance with Article 69 paragraph 1 of the Nationalbank Act, these losses did not have an impact on profit. Moreover, this item reflects the offsetting of unrealized losses on security price losses against the "reserve for nondomestic and price risks."

The breakdown of this profit and loss account item is described under "Realized Gains and Losses and Revaluation Differences and their Treatment in the Financial Statements of December 31, 2001."

4. Income from equity shares and participating interests

Income from equity shares and participating interests stems from the first distribution of profit by the ECB for 2000 and from dividend payments by the Austrian Mint, the BIS, AUSTRIA CARD-Plastikkarten und Ausweissysteme Gesellschaft m.b.H., and Austrian Payment Systems Services (APSS) GmbH.

5. Net result of pooling of monetary income

Article 32 of the ESCB/ECB Statute provides for the redistribution of the income accruing to the NCBs from their monetary policy operations at the end of each fiscal year. The net charge on the OeNB mirrors the redistribution effect within the system, which results from the difference between what the OeNB enters into the pool (which is determined by its liability base) and the proportion from the pooled income that is allocated to the OeNB according to the redistribution key laid down in the ESCB/ECB Statute.

For a detailed portrayal, see the chapter entitled "Monetary Income in the Eurosystem."

7. Staff costs

Salaries, severance payments and the employer's social security contributions and other statutory or contractual social charges fall under this heading. Staff costs were reduced by recoveries of salaries and employees' pension contributions.

As of January 1, 1997, the pension contributions of employees who joined the OeNB after March 31, 1993, and who qualify for a Bank pension, were raised from 5% of their total basic pay to 10.25% of that part of their basic salaries which is below the earnings cap on social security. A rate of 2% applies to income above the earnings cap.

With effect from May 1, 1998, new entrants are enrolled into the national social security system and in addition are covered by a defined contribution pension plan. The OeNB opted for this approach in order to bring its retirement plan in line with the retirement provision systems prevailing in Austria, where the statutory state pension is the first pillar and occupational and private pension funds are the second and third pillars.

Salaries net of pension contributions collected from staff members expanded by EUR 5.092 million or 6.9% to EUR 79.418 million. This increase may be traced primarily to the wage increase negotiated for the banking sector and activities connected to the introduction of euro cash (such as more overtime and additional personnel). The OeNB's outlays were reduced by recoveries of salaries totaling EUR 9.028 million for staff members on secondment to the subsidiaries and foreign institutions.

In a comparison of staff levels on December 31, 2000, and December 31, 2001, the number of persons employed by the OeNB (including members of the Governing Board, adjusted for staff on secondment and in subsidiaries) declined by 12 persons from 955 to 943 persons.

The average number of staff employed by the OeNB (excluding the members of the Governing Board) widened from 1,121 employees in 2000 to 1,153 in 2001, a rise by 2.9% or 32 persons. Adjusted for employees on leave (such as maternity leave and parental leave), 921 persons were employed on average (2000: 938 persons). The number of blue-collar workers declined by one person to ten workers.

The emoluments of the four members of the Governing Board (including remuneration in kind, such as private use of company cars, subsidies to health and accident insurance) pursuant to Article 33 paragraph 1 of the Nationalbank Act totaled EUR 0.988 million (2000: EUR 1.013 million). The emoluments of the President and Vice President of the Oesterreichische Nationalbank amounted to EUR 0.046 million (2000: EUR 0.045 million).

Outlays for severance payments decreased by EUR 0.282 million or 6.5% to EUR 4.051 million in 2000.

Statutory or contractual social charges totaling EUR 11.349 million (+EUR 1.156 million) contain municipal tax payments of EUR 2.443 million, social security contributions of EUR 5.145 million and contributions of EUR 3.669 million to the family burden equalization fund.

10. Banknote production services

Expenses for banknote production services resulted from the purchase of euro banknotes from the OeBS. In 2000 this item had shown the cost of the last batch of schilling banknotes produced by the OeBS.

12. Corporate income tax

A corporate income tax rate of 34% was applied to the taxable income according to Article 72 of the Nationalbank Act and in line with Article 22 paragraph 1 of the Corporation Tax Act 1988.

13. Central government's share of profit and transfer to the pension reserve

This item developed as follows in 2001:

	2000	2001	Change	
	EUR million			%
Transfer to the pension reserve under the provisions of the Nationalbank Act	14.537	–	−14.537	−100.0
Central government's share of profit under the provisions of the Nationalbank Act	988.429	975.009	−13.420	– 1.4
Total	1,002.966	975.009	−27.957	– 2.8

Under Article 69 paragraph 3 of the Nationalbank Act, the central government's share of profit is 90% of the net income for the year after tax, as in the previous years.

Governing Board (Direktorium)

Governor Klaus Liebscher
Vice Governor Gertrude Tumpel-Gugerell
Executive Director Wolfgang Duchatczek
Executive Director Peter Zöllner

General Council (Generalrat)

President Adolf Wala
Vice President Herbert Schimetschek
August Astl
Helmut Elsner
Helmut Frisch
Lorenz Fritz
Rene Alfons Haiden
Max Kothbauer (until May 17, 2001)
Richard Leutner
Johann Marihart
Werner Muhm
Walter Rothensteiner
Karl Werner Rüsch
Engelbert Wenckheim
Johann Zwettler (from May 17, 2001)

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

Vienna, March 25, 2002

Report of the Auditors

We have audited the accounting records and the financial statements of the Oesterreichische Nationalbank for the year ending December 31, 2001, and have found that they are presented in accordance with the provisions of the Federal Act on the Oesterreichische Nationalbank of 1984 as amended and as promulgated in Federal Law Gazette I No. 60/1998. The financial statements were prepared in conformity with the accounting policies defined by the Governing Council of the European Central Bank, as set forth in the Guideline of the European Central Bank of 1 December 1998 on the legal framework for accounting and reporting in the European System of Central Banks as amended on 15 December 1999 and 14 December 2000 (ECB/2000/18), in conformity with Article 26.4 of the Protocol on the Statute of the European System of Central Banks and the European Central Bank. In our opinion the accounts provide a true and fair view of the OeNB's financial position and the results of its operations. The annual report complies with the provisions of Article 68 paragraph 1 and paragraph 3 of the Nationalbank Act as amended and as promulgated in Federal Law Gazette I No. 60/1998 and corresponds with the financial statements.

Vienna, March 25, 2002

Pipin Henzl	Peter Wolf
Certified	Certified
Public Accountant	Public Accountant

Profit for the Year and Proposed Profit Appropriation

With the statutory allocations of the OeNB's profit having been made in conformity with Article 69 paragraph 3 of the Nationalbank Act (item 13 of the profit and loss account), including the central government's share of EUR 975.009 million (2000: EUR 988.429 million), the balance sheet and the profit and loss account show a

Profit for the year 2001 of	EUR 108,339,028.27.
On April 3, 2002, the Governing Board endorsed the following proposal to the General Council for the appropriation of profit:	
to pay a 10% dividend on the OeNB's capital stock of EUR 12 million	EUR 1,200,000.—
to allocate to the Leopold Collection	EUR 4,194,888.91
to allocate to the reserve for nondomestic and price risks	EUR 32,575,750.79
to allocate to the Fund for the Promotion of Scientific Research and Teaching	EUR 70,250,000.—
to carry forward a retained profit of	EUR 118,388.57
	EUR 108,339,028.27


20
EURO
CENT
500
500
Startpaket
EIN EURO CENT
2002

Report of the General Council (Generalrat) on the Annual Report and the Financial Statements for 2001

The General Council (Generalrat) fulfilled the duties incumbent on it pursuant to the Nationalbank Act 1984 by holding its regular meetings, by convening its subcommittees and by obtaining the information required.

The Governing Board (Direktorium) periodically reported to the General Council on the Bank's operations and their current state, on the conditions on the money, capital and foreign exchange markets, on important matters which arose in the course of business, on all developments of importance for an appraisal of the monetary situation, on the arrangements made for supervising the OeNB's financial conduct and on any other significant dispositions and events affecting its operations.

The Financial Statements for the year 2001 were given an unqualified auditors' opinion after examination by the auditors elected by the General Meeting of May 17, 2001, the certified public accounts Pipin Henzl and Peter Wolf, on the basis of the books and records of the Oesterreichische Nationalbank as well as the information and evidence provided by the Governing Board.

In its meeting of April 25, 2002, the General Council approved the Annual Report of the Governing Board and the Financial Statements for the business year 2001. The General Council submits the Annual Report and moves that the General Meeting approve the Financial Statements of the Oesterreichische Nationalbank for the year 2001 and discharge the General Council and the Governing Board from responsibility for management during the preceding business year. Moreover, the General Council requests that the General Meeting approve the allocation of the profit for the year in accordance with the proposal made in the notes to the Financial Statements 2001 (page 101).


Startpaket
Für Ihren ersten Einkauf
im Jahr 2002.
Die Münzen dürfen
erst ab dem 1. 1. 2002


5 EURO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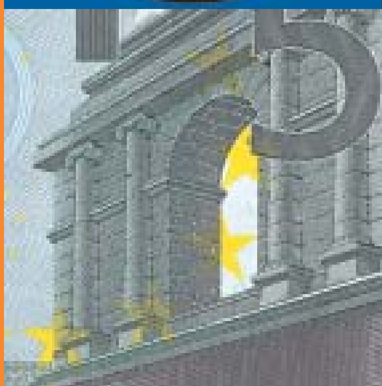
EURO




EURO-KASSA

Publications,

Imprint

Periodical Publications

	Published
Statistisches Monatsheft	*monthly*
Focus on Statistics *English translation of "Statistisches Monatsheft"*	*monthly* *http://www.oenb.at*
Leistungsbilanz Österreichs, revidierte Jahresdaten *gegliedert nach Regionen und Währungen*	*annually*
Berichte und Studien	*quarterly*
Focus on Austria *Selected chapters from "Berichte und Studien"*	*quarterly*
Finanzmarktstabilitätsbericht	*semiannually*
Financial Stability Report *English translation of "Finanzmarktstabilitätsbericht"*	*semiannually*
Focus on Transition	*semiannually*
Geschäftsbericht	*annually*
Annual Report *English translation of "Geschäftsbericht"*	*annually*
Volkswirtschaftliche Tagung	*annually*
The Austrian Financial Markets – A Survey of Austria's Capital Markets – Facts and Figures	*annually*

Selected Publications of the OeNB in 2000 and 2001

For a comprehensive overview of the OeNB's publications, please refer to the December issue of the monthly statistical bulletin "Statistisches Monatsheft," or the last issue of "Berichte und Studien," or the first issue of "Focus on Austria" of each year.

This list is designed to inform readers about selected documents published by the OeNB. The publications are available to interested parties free of charge from the Secretariat of the Governing Board and Public Relations. Please submit orders in writing to the postal address given on the back of the title page. You may also order copies of publications by phone.

For a complete list of the documents published by the OeNB, please visit the OeNB's website (http://www.oenb.at).

Focus on Austria (published quarterly)

Economic and Monetary Union

Recent Developments on the Meat Markets and Their Impact on Inflation in Austria and the Euro Area	1/2001
Economic Aspects of the Euro Cash Changeover in Austria	2/2001

Oesterreichische Nationalbank and Selected Monetary Aggregates

The New Millennium – Time for a New Economic Paradigm? Results of the 28th OeNB's Economics Conference	3/2000
The Single Financial Market: Two Years into EMU – Results of the OeNB's 29th Economics Conference	2/2001
Official Announcements Regarding the Foreign Exchange Law and Minimum Reserve Requirements	periodically
Calendar of Monetary and Economic Highlights	quarterly

Austrian Financial Institutions

The Austrian Supervisory Risk Assessment System	1/2000
Risk Analysis of a Representative Portfolio of International Assets	2/2000
Calculating the Thresholds for the Notification of Mergers of Banks – The New Legal Situation	2/2000
Money and Credit	quarterly

Austrian Capital Market

Venture Capital in Austria	2/2000
Austrian Stock Market Survey and Outlook	4/2000

Austrian Bond Market

Austrian Bond Market Developments	1/2001

Austrian Real Economy

Financial Accounts in Accordance with ESA 95 – Financial Assets and Liabilities of the Sectors of the Austrian Economy; Results for 1998	1/2000

Economic Outlook for Austria from 2000 to 2002 (Spring 2000)	2/2000
Financial Accounts in Accordance with ESA 95 – Financial Assets and Liabilities of the Sectors of the Austrian Economy; Results for 1999	3/2000
Economic Outlook for Austria from 2000 to 2002 (Fall 2000)	4/2000
Economic Outlook for Austria from 2001 to 2003 (Spring 2001)	2/2001
Updating the Calculation of the Indicator for the Competitiveness of Austria's Economy	2/2001
Economic Outlook for Austria from 2001 to 2003 (Fall 2001)	3–4/2001
Financial Accounts in Accordance with ESA 95 – Financial Assets and Liabilities of the Sectors of the Austrian Economy; Results for 2000	3–4/2001
Economic Background	quarterly

External Sector

New Statistical Framework for the Portfolio Investment Position	4/2000
Austria's International Investment Position	annually
Austrian Outward and Inward Direct Investment	annually
Balance of Payments	quarterly

Overview of Studies Published in Focus Issues

Focus on Austria (issue 2/2000)

The Monetary Policy of the Eurosystem

Monetary Policy and Monetary Policy Strategy in EMU: New Framework – New Challenges

The Credibility of the Eurosystem

Monetary Growth during the Changeover to Economic and Monetary Union

Indicators for Assessing Price Changes

Estimate and Interpretation of the Taylor Rule for the Euro Area

Modifications to the Monetary Policy Framework and Structural Changes in the Austrian Money Market in Stage Three of EMU

Focus on Austria (issue 3/2000)

A New Capital Adequacy Framework as Proposed by Basel and Brussels

Regulatory Capital Requirements for Austrian Banks –
A Supervisory Tool Subject to Change

Supervisory Review

Credit Risk – Proposal on a Capital Charge for Credit Risk Put
forward by the Basel Committee on Banking Supervision
and the European Commission – Current Debate and Possible Implications
for the Austrian Banking Industry

Critical Evaluation of the Basel Committee's
and the European Commission's Proposals on the Treatment
of Other Risks in the New Capital Adequacy Framework

Interest Rate Risk in the Banking Book

Focus on Austria (issue 2/2001)

The New Framework for Fiscal Policy

Fiscal Policy Design in the EU

Measures and Strategies for Budget Consolidation
in EU Member States

Distributive Aspects of Economic Policy in EMU –
An Analysis from an Employee Perspective

Problems Relating to the Taxation of Cross-Border Capital Income

Austria's Sovereign Debt Management Against the Background
of Euro Area Financial Markets

Cyclically Adjusted Budgetary Balances for Austria

Focus on Austria (issue 3-4/2001)

Aspects of the Transmission of Monetary Policy

The Transmission Mechanism
and the Role of Asset Prices in Monetary Policy

Asymmetric Transmission of Monetary Policy
through Bank Lending –
Evidence from Austrian Bank Balance Sheet Data

Balance Sheet and Bank Lending Channels:
Some Evidence from Austrian Firms

Financial Innovation and the Monetary Transmission Mechanism

Transmission Mechanism and the Labor Market:
A Cross-Country Analysis

Monetary Transmission and Fiscal Policy

Principles for Building Models of the
Monetary Policy Transmission Mechanism

Focus on Transition (published semiannually)

Monetary Transmission and Asset-Liability Management by Financial Institutions in Transitional Economies – Implications for Czech Monetary Policy	1/2000
The Development of the Banking Sectors in Russia, Ukraine, Belarus and Kazakhstan since Independence	1/2000
The Effects of the EU's Eastern European Enlargement on Austria – Austria's Specific Position	1/2000
More "Pre-Ins" Ante Portas? Euro Area Enlargement, Optimum Currency Area, and Nominal Convergence	2/2000
A Critical Review of Unilateral Euroization Proposals: The Case of Poland	2/2000
Measuring Central Bank Independence in Selected Transition Countries	2/2000
The Development of the Croatian Banking Sector since Independence	2/2000
The Financial Sector in Five Central and Eastern European Countries: An Overview	1/2001
Intraindustry Trade between the EU and the CEECs The Evidence of the First Decade of Transition	1/2001
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Similarity of Supply and Demand Shocks Between the Euro Area and the Accession Countries	2/2001
Determinants of Real Exchange Rates in Transition Economies	2/2001
Old-Age Pension Systems in the Czech Republic, Hungary and Poland	2/2001
Transcarpathia – Ukraine's Westernmost Region and a Gateway to Central And Western Europe	2/2001

Working Papers

No. 40	Central Banks in European Emerging Market Economies in the 1990s	2000
No. 41	Is there a Credit Channel in Austria? The Impact of Monetary Policy on Firms' Investment Decisions	2000
No. 42	Integration, Disintegration and Trade in Europe: Evolution of Trade Relations During the 1990s	2000
No. 43	The Bank, the States, and the Market: An Austro-Hungarian Tale for Euroland, 1867–1914	2001
No. 44	The Euro Area and the Single Monetary Policy	2001
No. 45	Is There an Asymmetric Effect of Monetary Policy over Time? A Bayesian Analysis Using Austrian Data	2001
No. 46	Exchange Rates, Prices and Money. A Long Run Perspective	2001
No. 47	The ECB Monetary Policy Strategy and the Money Market	2001
No. 48	A Regulatory Regime for Financial Stability	2001
No. 49	Arbitrage and Optimal Portfolio Choice with Financial Constraints	2001
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No. 52	Beyond Bipolar: A Three-Dimensional Assessment of Monetary Frameworks	2001
No. 53	Why Is the Business-Cycle Behavior of Fundamentals Alike Across Exchange-Rate Regimes?	2001
No. 54	New International Monetary Arrangements and the Exchange Rate	2001
No. 55	The Effectiveness of Central Bank Intervention in the EMS: The Post 1993 Experience	2001

Other Publications

Architektur des Geldes –
Vom klassizistischen Palais zum zeitgenössischen Geldzentrum
The Architecture of Money – From the Classicistic Bank Palace to the Modern Money Center
The Austrian Financial Markets –
A Survey of Austria's Capital Markets – Facts and Figures
Guidelines on Market Risk (six volumes)
The New Millennium – Time for a New Economic Paradigm?
Results of the 28th OeNB's Economics Conference
The Single Financial Market: Two Years into EMU –
Results of the 29th OeNB's Economics Conference

Publisher and editor:

Oesterreichische Nationalbank
Otto-Wagner-Platz 3, A-1090 Vienna

Editor in chief:

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Layout and design:

Peter Buchegger, Secretariat of the Governing Board and Public Relations
Walter Grosser, Printing Office

Photographs:

Herbert Fidler, Foto Simonis, Ulrich Schnarr
Oesterreichische Nationalbank,
GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination G.m.b.H.
European Central Bank, Claudio Hills
Münze Österreich AG

Paper:

Salzer Demeter, 100% woodpulp paper, bleached without chlorine, acid-free, without optical whiteners

Typesetting, printing and production:

Oesterreichische Nationalbank, Printing Office

Published and produced at:

Otto-Wagner-Platz 3, A-1090 Vienna

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DVR 0031577

Vienna 2002