



OESTERREICHISCHE NATIONALBANK

EUROSYSTEM

ANNUAL REPORT 2018

including the Intellectual Capital Report and the Environmental Statement

SUSTAINABILITY REPORT 2018



2018

Stability and Security.

The OeNB's legal mandate

Federal Act on the Oesterreichische Nationalbank – selected provisions

(1984 Nationalbank Act)

Federal Law Gazette No. 50/1984, as amended by Federal Law Gazette Part I No. 150/2017

Article 2

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

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

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

Article 44a

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

Article 44b

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

Article 44c

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

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

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

The OeNB's Mission Statement

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

MISSION

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

VALUES

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



At the OeNB, we pull together to safeguard both price and financial stability in the euro area – because making Economic and Monetary Union work is a team effort.

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Editorial close: February 14, 2019

Foreword by the President



Harald Mahrer

Ladies and gentlemen,

In an economic environment that was favorable overall, the Oesterreichische Nationalbank (OeNB) once again fulfilled its legal mandate in a reliable manner and to the highest standard. Hence, the OeNB has substantially contributed to maintaining price and financial stability in Austria. For 20 years now, the euro has been a stable common currency, which, according to recent survey results, meets with high-level satisfaction and acceptance among the public.

Economic growth in Austria continued to be strong, again outperforming the euro area. Global economic activity is forecast to slow down somewhat in 2019, with trade tensions, Brexit and vulnerabilities in a number of emerging market and advanced economies weighing on the growth outlook. At around +2%, the Austrian economy is nevertheless expected to expand at a relatively solid pace in 2019. In this environment, the Euro-system will continue down the road to policy normalization on which it started in 2018, and the OeNB stands ready to take a proactive role in this process.

From an institutional point of view, several changes will unfold in 2019, including a reshuffle of the Governing Board of the OeNB. By January 2020, the transfer of large parts of the OeNB's banking supervision function to the Austrian Financial Market Authority (FMA) is to be completed, in line with a decision taken by the Austrian federal government in late 2018. To ensure a smooth changeover, preparations for this complex joint endeavor are in full swing at the FMA, the Austrian Federal Ministry of Finance and the OeNB. The OeNB will remain in charge of monitoring financial stability (i.e. macroprudential analysis); moreover, a competence center for financial market strategy and development will be established at the OeNB.

Technological advances are playing an increasing role for the OeNB, as cryptoeconomics, blockchain technologies and fintech services have been gaining ground in the financial sector and need to go hand in hand with adequate regulatory oversight. The OeNB and its subsidiaries expect to benefit from these advances themselves: both national and international stakeholder groups have joined forces with researchers to analyze applications that have the potential to add substantial value to the business portfolio of central banks and also shield from cybercrime. Cybersecurity, in turn, must be ensured by means of reliable preventive mechanisms.

Managing reserves and risks continues to be a great challenge amid low interest rates and volatile markets. As digitalization progresses, all areas of the OeNB, but in particular payment systems, will undergo change and adopt innovations. TARGET Instant Payment Settlement (TIPS) – a market infrastructure developed by the Eurosystem – became operational in late 2018, and more and more Austrian banks will start participating in TIPS. Another two resource-intensive projects are scheduled to be completed by November 2022 according to the ECB's Vision 2020 strategy: consolidating TARGET2 and TARGET2-Securities (T2-T2S) and launching the Eurosystem Collateral Management System (ECMS).

Finally, I would like to express my gratitude to the entire staff of the OeNB and of the OeNB's subsidiaries as well as to the members of the Governing Board and of the General Council of the OeNB for their excellent cooperation in 2018.

Vienna, March 2019



Harald Mahrer, President

Foreword by the Governor



Ewald Nowotny

Ladies and gentlemen,

In 2018, we saw robust economic growth in the euro area and the ECB was expected to meet its objective of price stability, i.e. an inflation rate of below, but close to, 2%, in the near future. At any rate, the threat of deflation in the euro area is gone for good. Granted, new risks to the global and the European macroeconomic environment have arisen in the meantime, and they call for a conservative assessment of future developments. By ending the Eurosystem's securities purchase program in December 2018, the ECB took a first step toward normalizing its monetary policy. As the Eurosystem, however, continues reinvesting principal payments on maturing securities, the ample level of liquidity will prevail for an extended period of time. As far as the key ECB interest rates are concerned, the Governing Council of the ECB expects them to remain at their present levels at least through the summer of 2019 and in any case for as long as necessary.

Like in the preceding years, economic growth in Austria outpaced that of the euro area and also of Germany in 2018. Growth was carried by lively domestic economic activity and an export performance that remained solid in the face of increasing geopolitical uncertainties. Given their broad regional diversification, Austrian exporters have remained key drivers of the Austrian economy.

The economic expansion also benefited Austrian banks' performance. Over the past few years, financial stability in Austria has been strengthened through banks' efforts in carrying out restructurings and adapting their business models as well as through macroprudential measures and the microprudential supervisory measures initiated by the OeNB. This notwithstanding, banks must enhance their cost structure, profitability and capitalization further amid the favorable economic environment.

In line with its legal mandate, the OeNB, together with its subsidiaries, provides the Austrian population and economy with euro banknotes and coins. Given Austrian commercial banks' strong ties to Central, Eastern and Southeastern Europe (CESEE), the OeNB has, within the Eurosystem, been assigned the role of a cash supply hub in the region. Cash remains widely popular both in the euro area and in Austria in particular even though digital payments are on the increase. Chances are that demand for cash will decrease in the medium to long term as new payment methods are rapidly gaining ground.

Relying on both risk-reduction measures and broad diversification, the OeNB's investment strategy helped stabilize the OeNB's earnings under difficult market conditions also in 2018. The OeNB moreover concluded the repatriation of its gold reserves in 2018.

2019 marks the 20th anniversary of the euro, with Austria as a small open economy ranking among those countries that have benefited the most from the common currency. And we are celebrating yet another important anniversary this year: 30 years ago, in 1989, the Iron Curtain was lifted from Eastern Europe – which has substantially benefited the Austrian economy at large and Austrian banks in particular.

Looking back, I would like to thank all OeNB staff members, the President and the Vice President as well as the members of the General Council and the Governing Board for their trust and cooperation.

Vienna, March 2019

A handwritten signature in black ink, appearing to read 'Ewald Nowotny', written in a cursive style.

Ewald Nowotny, Governor

The General Council of the OeNB comprised the following members on December 31, 2018



Harald Mahrer
President

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



Barbara Kolm
Vice President

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



Bettina Glatz-Kremsner
Member of the Management Board of Casinos Austria AG and of Österreichische Lotterien Ges.m.b.H.

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



Gottfried Haber
Vice Dean, Danube University Krems, and President of the Fiscal Advisory Council

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



Stephan Koren
Chairman of the Managing Board at immigon portfolio-abbau ag

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



Franz Maurer
Partner at LIVIA Group

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



Gabriele Payr
Managing Director of Wiener Wohnen Haus- & Außenbetreuung GmbH

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



Walter Rothensteiner
Chairman of the Austrian Raiffeisen Association

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



Peter Sidlo
Member of the Management Board of SIGMA Investment AG

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



Christoph Traunig
Executive Partner of St. Stephan Capital Partners

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



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

Term of office:
from July 1, 2012



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

Term of office:
from April 1, 2016

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



Robert Kocmich
Central Staff Council Chair



Birgit Sauerzopf
Central Staff Council Deputy Chair

Ownership structure and decision-making bodies

The OeNB's owners

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

Functions of the General Council

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

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

Composition of the General Council

The General Council consists of the President, the Vice President and eight other members. Only Austrian citizens may be members of the General Council. They are appointed by the federal government for a term of five years and may be reappointed. All the provisions pertaining to the General Council are set out in Articles 20 through 30 of the Nationalbank Act.

Personnel changes of the General Council (between January 1, 2018, and March 5, 2019)

February 28, 2018, marked the end of the term of office of General Council members Anna Maria Hochhauser and Werner Muhm. On March 1, 2018, the federal government appointed Bettina Glatz-Kremsner and Peter Sidlo General Council members.

March 22, 2018, marked the end of the term of office of General Council members Erich Hampel and Gottfried Haber. On March 23, 2018, the federal government reappointed Gottfried Haber and appointed Franz Maurer General Council members.

On August 22, 2018, the federal government decided to appoint Harald Mahrer, President of the Austrian Federal Economic Chamber, President of the General Council with effect from September 1, 2018. Harald Mahrer succeeded Claus J. Raidl, whose term of office ended on August 31, 2018.

On August 22, 2018, the federal government moreover decided to appoint Barbara Kolm, President of the Friedrich A. v. Hayek Institute and director-founder of the Austrian Economics Center (AEC), Vice President of the General Council. Barbara Kolm succeeded Max Kothbauer, whose term of office ended on August 31, 2018.

In its meeting on August 22, 2018, the federal government also decided to appoint Christoph Traunig General Council member with effect from September 1, 2018, to succeed Dwora Stein, whose term of office ended on August 31, 2018, and to appoint Stephan Koren

On December 31, 2018, the Governing Board of the OeNB comprised the following members



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

General Council member with effect from September 8, 2018, to succeed August Astl, whose term of office ended on September 7, 2018. Gabriele Payr resigned from her mandate as General Council member with effect from end-February 2019.

Governing Board

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

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

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

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

Appointments to the Governing Board as from May 2019

In line with Article 33 paragraph 2 Nationalbank Act and based on the federal government's proposal (Council of Ministers on January 30, 2019), the Federal President of Austria, Alexander Van der Bellen, in February 2019, appointed Robert Holzmann as Governor for a term of six years (from September 1, 2019, to August 31, 2025), and, also for a term of six years each, appointed Gottfried Haber as Vice Governor (from July 11, 2019, to July 10, 2025), as well as Eduard Schock (from July 11, 2019, to July 10, 2025) and Thomas Steiner (from May 1, 2019, to April 30, 2025) as members of the Governing Board.

Organization of the OeNB

President

Harald Mahrer

Vice President

Barbara Kolm

Governing Board

Central Bank Policy

Ewald Nowotny, Governor

Compliance Office

Eva Graf, Head

Communications, Organization and Human Resources Department

Markus Arpa, Director

Agenda Office – Governing Board, General Council and General Meeting

Brigitta Lidauer

Personnel Division

Hannes Brodtrager, Head

Organization Division^{1,2}

Anna Cordt, Head

Press Office

Christian Gutleiderer, Head

Communications and Financial Literacy Division

Maximilian Hiermann, Head

Economic Analysis and Research Department

Doris Ritzberger-Grünwald, Director

Economic Analysis Division

Ernest Gnan, Head

Economic Studies Division

Martin Summer, Head

Foreign Research Division

Helene Schuberth, Head

Financial Stability, Banking Supervision and Statistics

Andreas Ittner, Vice Governor

Internal Audit Division

Axel Aspetsberger, Head

Department for the Supervision of Significant Institutions

Karin Turner-Hrdlicka, Director

Off-Site Supervision Division – Significant Institutions

Gabriela De Raaij, Head

On-Site Supervision Division – Significant Institutions

Martin Hammer, Head

Supervision Policy, Regulation and Strategy Division

Markus Schwaiger, Head

Department for Financial Stability and the Supervision of Less Significant Institutions

Philip Reading, Director

Off-Site Supervision Division – Less Significant Institutions

Matthias Hahold, Head

On-Site Supervision Division – Less Significant Institutions

Roman Buchelt, Head

Financial Stability and Macprudential Supervision Division

Michael Würz, Head

Statistics Department

Johannes Turner, Director

Office for Specific Bank Resolution Matters

Alexander Benkwitz, Head

Statistical Information Systems and Data Management Division

Ralf Peter Dobringer, Head

External Statistics, Financial Accounts and Monetary and Financial Statistics Division

Michael Pfeiffer, Head

Supervisory Statistics, Models and Credit Quality Assessment Division

Gerhard Winkler, Head

Payment Systems, IT and Infrastructure

Kurt Pribil, Executive Director

Treasury Risk Monitoring Office

Doris Rijnbeek, Head

Equity Interest Management and Company Law Office

Christa Mölzer-Hellsberg, Head

OeNB – Western Austria

Armin Schneider, Branch Manager

Equity Interests, Payment Systems and Internal Services Department

Stefan Augustin, Director

Equity Interest and Payments Management Division

Wolfgang Haunold, Head

Cashier's Division

Barbara Nösslinger, Head

Payment Systems Division

Katharina Selzer-Haas, Head

Procurement, Facilities and Security Management Division

Thomas Reindl, Head

IT and Customer Services Department

Christoph Martinek, Director

IT Strategy and Information Security

Martin Durst, Head

IT Development

Dieter Gally, Head

IT Operations

Peter Deixelberger, Head

Information Management and Services Division

Bernhard Urban, Head

Financial Markets, International Relations and Accounting

Peter Mooslechner, Executive Director

European Affairs and International Financial Organizations Division

Franz Nauschnigg, Head

Brussels Representative Office

Isabella Lindner, Chief Representative

Legal Division

Matthias Schroth, Head

Treasury Department

Franz Partsch, Director

Treasury – Back Office

Reinhard Beck, Head

Treasury – Strategy Division

Robert Reinwald, Head

Treasury – Front Office

Daniel Nageler, Head

Accounting, Controlling and Cash and Gold Inventory Department

Rudolf Butta, Director

Financial Statements and Tax Matters Division

Elisabeth Trost, Head

Accounting Division

Josef Steininger, Head

Controlling and Research Funding Division

Markus Kaltenbrunner, Head

¹ Environmental Officer Martin Much
² OeNB Chief Equalities Officer Nicola Antesberger

As on January 1, 2019

The year 2018 at a glance

The euro at 20 – a true success story

Since its introduction 20 years ago, initially as a virtual currency, the euro has made day-to-day life much easier in the 19 euro area countries that have to date adopted the common European currency. Not only has the euro eliminated high transaction costs for trade and travel, but it also guarantees price transparency, lower inflation and higher planning certainty. As a small open economy, Austria is among those countries that have benefited the most from European integration. Moreover, during the economic and financial crisis, the euro proved an effective shield. In light of this, a gradual further deepening of Economic and Monetary Union is meant to make the euro area even more resilient to shocks and increase its ability to take action.

Eurosystem scales back its securities purchase program gradually

The euro area economy expanded for the fifth time in a row in 2018. The highly accommodative stance of monetary policy continues to ensure favorable financing conditions, and strong wage increases fuel private consumption.

Moreover, the rate of inflation continues to move back closer to the level consistent with the ECB's definition of price stability (of below, but close to, 2% over the medium term). While Austria's economy likewise benefited from the expansionary monetary policy stance, growth slowed down somewhat as the economic cycle was maturing. Employment and inflation mirror economic activity that continues to be dynamic. Given such positive signals, the Eurosystem ended its securities purchase program in December 2018. It will, however, continue reinvesting, in full, the principal payments from maturing securities for an extended period of time past the date when the key ECB interest rates will start to rise. The key ECB interest rates are expected to remain at their present, historically low levels at least through the summer of 2019.

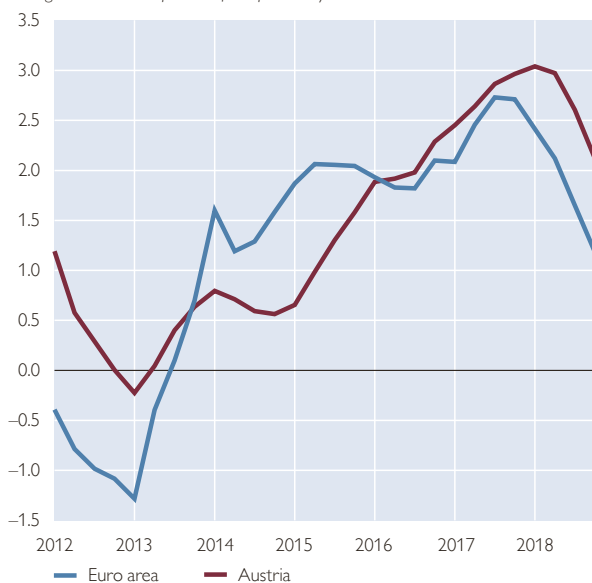
The OeNB contributes to financial stability

The economic expansion also benefited Austrian banks' performance. Their profitability increased such that it matched pre-crisis levels, which was mainly due to the release of credit risk provisions. Over the past few years, financial stability in Austria has been strengthened

Chart 1

Real GDP

Change on the same quarter of the previous year in %

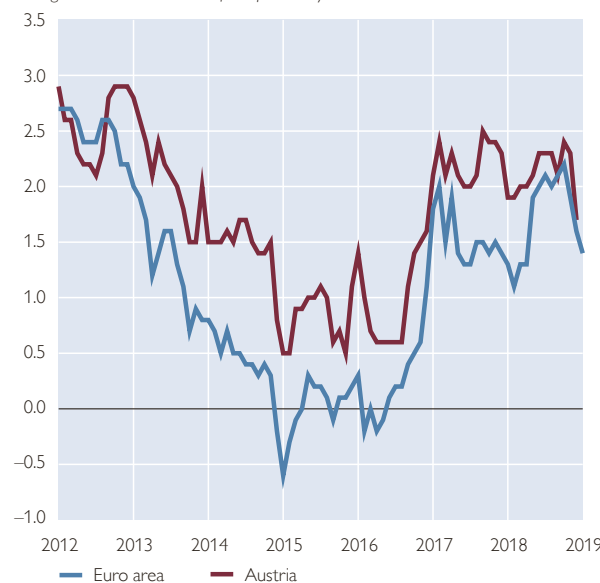


Source: Eurostat.

Chart 2

HICP inflation

Change on the same month of the previous year in %



Source: Eurostat.

through banks' efforts in carrying out restructurings and adapting their business models as well as through macroprudential measures and the microprudential supervisory measures initiated by the OeNB. The Austrian banking sector ranks among the most stable ones by international standards. This notwithstanding, further steps toward enhancing both cost efficiency and risk-bearing capacity and reducing nonperforming loans continue to be major challenges. With the principle of proportionality being applied more broadly to regulation in future, the burden on smaller banks will be lifted somewhat regarding reporting and disclosure requirements as well as remuneration rules.

The OeNB meets future challenges head on

An independent advocate of financial and economic literacy, the OeNB has updated and expanded its offerings in this field. In 2018, it presented the new EUR 100 and EUR 200 banknotes of the Europa series amid a broad communication campaign. In addition, the OeNB paid particular attention to green finance, from the perspective of the greening of the financial

system in general and of boosting its own sustainability. To stay abreast of digital trends, the OeNB continued to analyze technological advances. Having lately enhanced its processes and procedures, the OeNB thus stands ready to meet the challenges that lie ahead.

The OeNB posts an operating profit of EUR 283 million

Reaching EUR 150 billion, the OeNB's total assets had increased further in 2018, which was, above all, due to the Eurosystem's monetary policy asset purchase program. The OeNB's net currency position rose to EUR 19.9 billion, with gold and gold receivables accounting for EUR 10.1 billion thereof.

At EUR 283 million, the OeNB's operating profit for 2018 fell EUR 3 million short of the previous year's result. Transfers to risk provisions had an impact of EUR 150 million in 2018. After corporate income tax (EUR 56 million) plus, in line with the Nationalbank Act, the transfer to the pension reserve (EUR 23 million) and the central government's 90% share of profit (EUR 184 million), the OeNB's profit for the year 2018 amounted to EUR 20 million.

Table 1

Selected OeNB performance indicators

	December 31, 2017	December 31, 2018
<i>EUR million</i>		
Net currency position	18,347	19,938
Banknotes in circulation	30,035	31,585
Total assets	143,716	149,951
Operating profit before writedowns and transfers	748	629
Writedowns on financial assets and positions, transfers to/from risk provisions	-462	-346
Operating profit	286	283
Corporate income tax	72	56
Central government's share of profit under Article 69 paragraph 3 Nationalbank Act ¹	174	184
Profit for the year	19	20
<i>absolute or in %</i>		
Full-time equivalent staff resources	1,100	1,079
Share of university graduates in total staff (%)	63.2	64.9
Share of women in total staff (%)	39.1	38.8
Share of women in management positions (%)	28.7	27.9
Queries to OeNB hotlines	13,335	12,449
Cash training course participants (including Euro Shop Tour)	16,159	5,979
Electricity consumption (MWh per person)	6.0	5.4

Source: OeNB.

¹ Including the payout to the National Foundation in line with the National Foundation Act (for more details, see the financial statements 2018).

In the 20 years of its existence, the euro has not only strengthened our purchasing power – it has also helped secure peace and welfare in Europe.



...entfärbige
...bar, die bereits
... Zusätzlich
...elemente, die mit
...druckt wurden.

Durchlicht

UV-Lic

LED



Sic

The euro at 20 – a true success story

Two decades after its introduction, the euro is part and parcel of our daily life, and we have come to take many of its advantages for granted. Austria, in particular, ranks among the countries that have benefited most from the common currency. The road to the euro was not easy: economic and monetary integration was accomplished in stages, and several obstacles had to be overcome at various turns.

The euro: how did it come to be and what is it all about?

After two catastrophic world wars, European leaders decided, some 70 years ago, to seek unity in Europe with a view to ensuring that future conflicts would be resolved peacefully. To this end, they advocated close cooperation among nation states and the pursuit of common goals. It all began with economic integration: in 1956, six countries (Belgium, Germany, France, Italy, Luxembourg and the Netherlands) founded the European Coal and Steel Community (ECSC), and, in 1957, the Treaty of Rome established the European Economic Community (EEC). Following the signing of the Single European Act in 1986, the EEC worked toward gradually completing the Single Market that guarantees the “four freedoms:” free movement of goods, services, people and capital. Based on the Treaty on European Union (Maastricht Treaty) of 1993, the EEC became the European Union (EU). Membership grew in several waves (1973, 1981, 1986, 1995, 2004, 2007 and 2013) to 28 countries as of now (27 after a prospective Brexit).

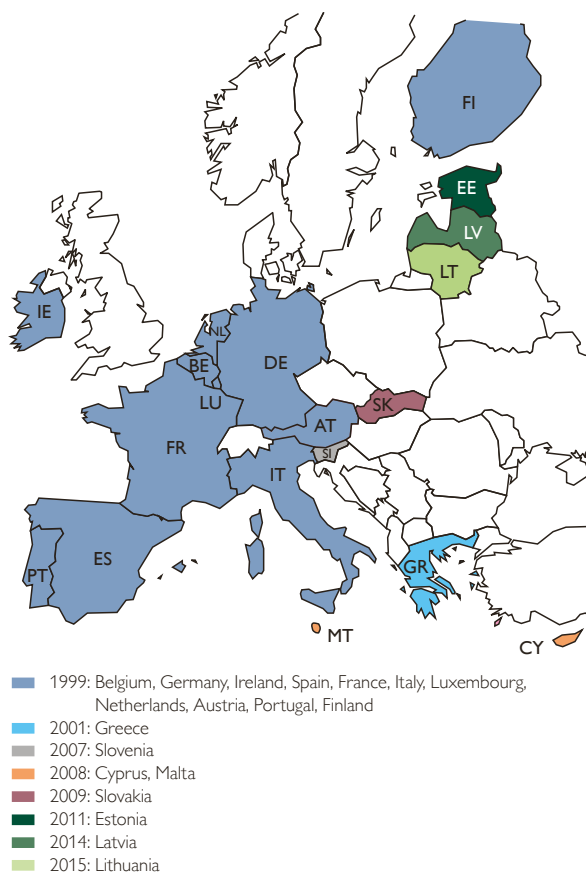
As economic integration among national economies was tightening, Member States were increasingly affected by costly exchange rate fluctuations, which put a stronger focus on the need for European monetary integration. Initial plans for a common European currency that were advanced in the 1970s in the Werner Report failed to be implemented in the face of global economic turbulence. Neither could an exchange rate stabilization arrangement (European Monetary System – EMS) that was established in 1979 prevent exchange rate crises over the medium to long term. The Maastricht

Treaty of 1993 included a roadmap for the progressive realization of Economic and Monetary Union (EMU).

While all EU Member States formally take part in economic union, they have to meet specific conditions in order to adopt the euro: they must fulfill the convergence criteria, which are meant to ensure that only countries pursuing stability-oriented economic policies join the euro area. The convergence criteria are defined as a set of reference values for price stability, public finances, exchange-rate stability and long-term interest rates, and they also require legal convergence (e.g. central bank independence). As early as in 1995, at the Council meeting in Madrid, the EU heads of state and government agreed to name the common currency “euro.” In May 1998, the European Council decided that monetary union

Figure 1

Euro area countries



Source: OeNB.

would start with 11 EU Member States, namely Belgium, Germany, Ireland, Spain, France, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland. The irrevocable euro conversion rates for each participating national currency were adopted at the end of 1998 (for Austria: ATS 13.7603 = EUR 1). On January 1, 1999, the euro was first introduced as a virtual currency, while euro banknotes and coins were issued as from 2002. Since the establishment of EMU, the number of euro area countries has gradually increased from 11 to 19, with Greece adopting the euro in 2001, Slovenia in 2007, Malta and Cyprus in 2008, Slovakia in 2009, Estonia in 2011, Latvia in 2014 and Lithuania in 2015 (see figure 1).

New monetary policy framework fosters economic and monetary integration in Austria

As a founding euro area member, Austria has benefited, from the very outset, from the substantial advantages of having a common European currency. Indeed, the fact that it is no longer necessary to hedge exchange rate risks within the euro area has more than offset one-off

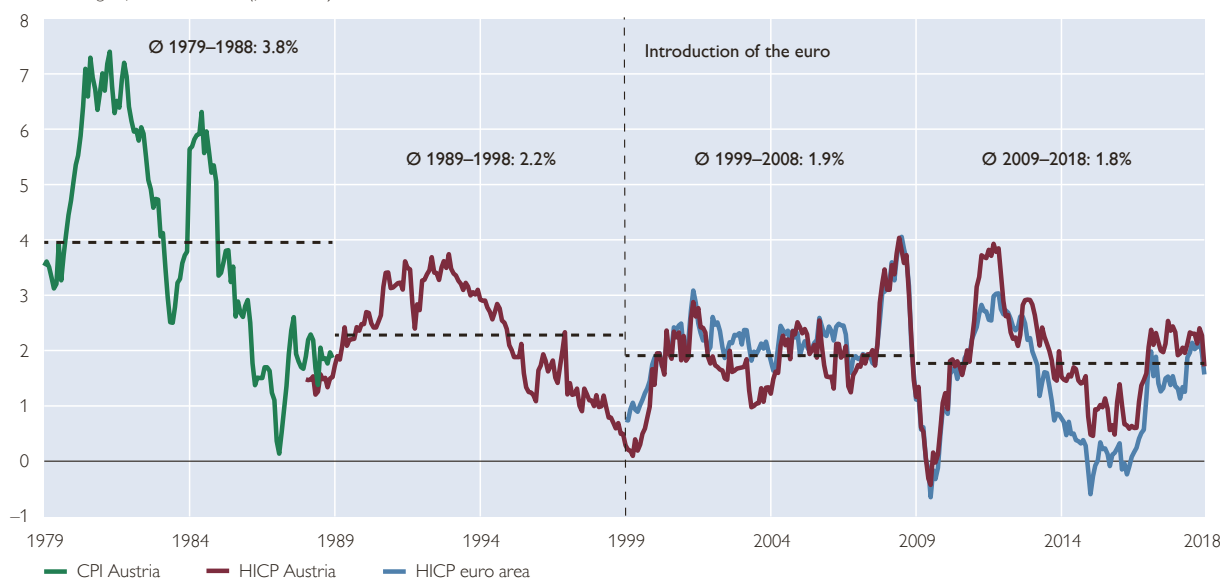
changeover costs. The primary objective of the single monetary policy, namely to maintain price stability, was laid down in the Treaty on European Union. To this end, the ECB aims at HICP inflation rates of below, but close to, 2% over the medium term. From 1999 to 2018, Austria's HICP inflation rate averaged 1.8%, which was below the price increases measured during the two preceding decades.

In the first ten years following the changeover to the euro, economic growth in Austria was, on balance, more or less on a par with that seen from 1979 to 1998 (see chart 4), but it contracted sharply in the subsequent decade, above all on account of the global financial crisis of 2008/2009. For most of these 20 years, Austria registered higher economic growth than the euro area as a whole, with Austria's growth advantage having increased slightly since the euro was introduced in 1999. As a small open economy, Austria – compared with other euro area countries – particularly profited from the elimination of exchange rate risk, higher price transparency and convergence as well as deepened Single Market integration. The latter is mirrored by Austria's foreign trade

Chart 3

Inflation in Austria and in the euro area

Annual change of the CPI or HICP (from 1988) in %

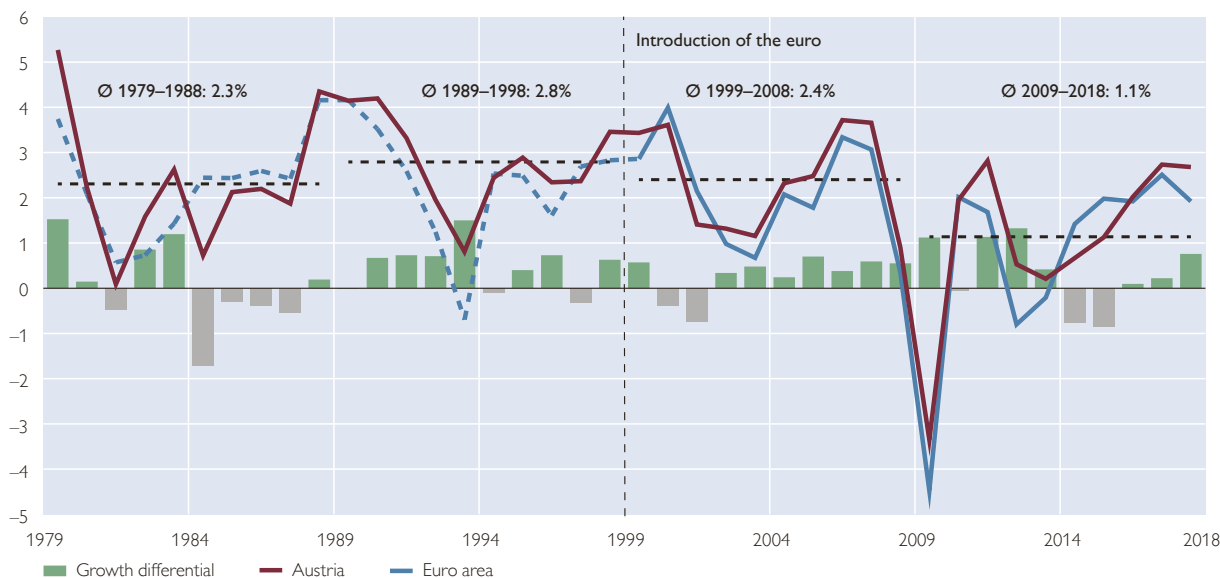


Source: Statistics Austria, Eurostat.

Note: Ten-year averages refer to Austria.

Economic growth in Austria and in the euro area

Annual change of real GDP in %



Source: Statistics Austria, WIFO, OECD, ECB.

Note: Averages refer to Austria. 2018: January 2019 WIFO flash estimate; euro area: December 2018 Eurosystem staff macroeconomic projections for the euro area.

ratio (i.e. the total of imports and exports expressed as a percentage of GDP), which rose from 78% (1999) to over 100% (2007, 2008, and from 2011 onward), also reflecting the growing importance of the Austrian economy in Western and Central European value chains. The resulting productivity gains went hand in hand with moderate wage policies in Austria, which supported Austrian exporters' price competitiveness on the one hand, but, on the other, had a dampening effect on the growth of real disposable household incomes and, by extension, consumption. Nevertheless, the euro favored both businesses – primarily in the manufacturing and tourism sectors – and employees as additional jobs were being created. Employment growth in Austria has considerably outperformed that of the euro area since 1999, which was especially attributable to the faster pace in the second decade since the introduction of the euro.

Up to the launch of the euro, the OeNB pursued a “hard currency” policy by keeping stable the exchange rate of the Austrian schilling vis-à-vis the Deutsche mark and thus forgoing the privilege of conducting an inde-

pendent monetary policy. Since Austria's accession to the euro area, the OeNB – in its capacity as a member of the European System of Central Banks (ESCB) – has taken an active role in shaping the Eurosystem's single monetary policy. OeNB experts have been contributing to some 280 committees, working groups and task forces, and the Governor of the OeNB has been involved in the decision-making process of the Governing Council of the ECB on the same footing as other central bank governors and the members of the Executive Board of the ECB.

As the common European currency, the euro swiftly established itself as the second most important currency of the world, and it has been gaining ground in particular as a debt and investment currency in a number of Central, Eastern and Southeastern European (CESEE) countries beyond the euro area. About one-quarter of global debt and loans are denominated in euro, one-third of global payments are effected in euro, and around one-fifth of global foreign exchange reserves are held in euro. Over half of Austrian exports are invoiced in euro, which frees exporters from

being exposed to exchange rate risk. Exports to other currency areas still carry exchange rate risk.

The common currency of the euro area rests on the following cornerstones, which also represent its greatest assets: stable domestic purchasing power and protection from exchange rate turbulence in a large currency area; cross-border coordination and pooling of economic policy instruments; high security standards for banknotes and coins, which prevent the distribution of counterfeits; as well as modern, secure and fast payment infrastructures in the euro area (Single Euro Payments Area – SEPA). Last, but not least, throughout the euro area, the common currency has made it easy to compare prices, travel without having to exchange currency and take on less risk when investing abroad.

The euro proves a shield during the global financial crisis

The onset of the global financial crisis brought the economic boom of 2006 and 2007 in Austria and other European countries to an abrupt halt. The decade that followed saw a series of shocks and crises, and during those turbulent times, EMU had a stabilizing effect, especially on smaller economies such as Austria, as the euro shielded them from exchange rate fluctuations vis-à-vis their trading partners. However, the economic and financial crisis also laid bare weaknesses in both the institutional setup of the EU and Member States' economic policies, which led to the buildup of unsustainable internal and external macroeconomic imbalances. In fact, Europe experienced a financial crisis (2007–2008) followed by a marked recession in the real economy in 2009 (Austria: –3.3%), and several euro area countries (Ireland, Greece, Spain, Italy, Cyprus and Portugal) were subsequently hit by a sovereign debt crisis, which triggered another recession in the euro area (2012/2013). During that time, the Austrian economy stagnated for three years (2012–2014) but did not relapse into recession. To overcome the crises outlined above, first, a set of stabilizing measures were taken. Second, the institutional framework was

adjusted and overhauled with a view to improving crisis prevention and management.

As part of concerted action, the EU Member States adopted bank support packages in addition to the conventional expansionary fiscal measures that were taken to stabilize the real economy. To avoid competitive distortion, recapitalizations and guarantees for the banking sector were evaluated and approved by the European Commission and came with strings attached (“conditionality”). Set up in several stages, the European Stability Mechanism (ESM) can extend loans to financially stressed euro area countries, provided they comply with strict economic policy requirements. Furthermore, in June 2012, the EU Member States decided to strengthen euro area banking supervision by assigning the ECB a leading role in a banking union. Banking union was to comprise the Single Supervisory Mechanism (SSM), the Single Resolution Mechanism (SRM) and a harmonized European deposit insurance scheme (EDIS). Banking union aims to prevent negative interactions between national banking systems and sovereign risk spillovers in a financial crisis – an important step toward completing EMU.

On top of these efforts, ECB President Mario Draghi announced, in July 2012, that, if necessary, the ECB was ready to do whatever it takes to preserve the euro, and subject to strict conditionality and within the ECB's mandate, to buy government bonds issued by euro area countries. This put a stop to speculation about the future of the euro, and sovereign bond markets saw a turnaround soon thereafter.

A combination of consolidation efforts across all economic sectors, economic adjustment in the stressed euro area countries and the oil price slump led to negative inflation rates in the euro area in early 2015, to which the ECB responded with an expanded asset purchase programme (APP) starting from March 2015. As a result, robust growth in the euro area (as from 2015) went hand in hand with sustained convergence of HICP inflation toward the Eurosystem's price stability objective (2018: 1.7%). Net asset purchases under the APP ended in December 2018, and at the

beginning of its third decade of existence, the single monetary policy is about to embark on a normalization path.

Euro approval in Austria mirrors economic developments: at the peak of the sovereign debt crisis in 2011, Austrian approval ratings for the euro briefly dipped below 50%. Since then, for most of the time, well above 60% of Austrians have been very satisfied or rather satisfied with the euro as a means of payment. At 76%, approval reached a record high in the second half of 2018, a rating last seen in 2007.

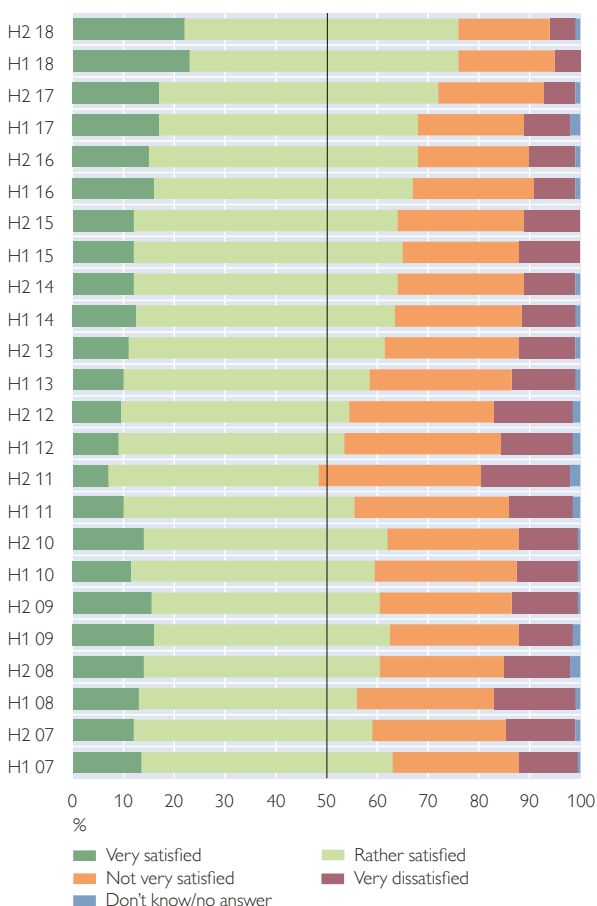
Monetary and economic policy measures succeeded in stabilizing the economy and the financial system in the euro area and in preventing large-scale disruptions. Yet, the crisis revealed that, the common currency notwithstanding, economic activity, competitiveness and private and public sector debt levels diverged in Member States, which gave rise to problems. While monetary union had worked smoothly in times of economic stability, its instruments for preventing and combating crises proved highly vulnerable when the crisis struck. To ward off the outbreak of future crises, EU economic governance has been reformed and strengthened:

First, national fiscal policies are now subject to stricter European rules. Following an overhaul of the Stability and Growth Pact, the surveillance of national budgets now places more weight on the stage of the business cycle and the level of public debt. Moreover, the European Commission’s role in monitoring Member States’ budget preparation (European Semester) and in imposing sanctions has been strengthened considerably. Second, a broader set of macroeconomic indicators, going beyond fiscal indicators, is now regularly evaluated at the European level to identify, and counteract, macroeconomic imbalances at an earlier stage. Third, banking union brought about the introduction of a single supervisory mechanism for euro area banks and a framework for resolving insolvent banks. Fourth, microprudential supervision that applies to individual banks was complemented by macroprudential supervision, which targets the financial sector as a whole.

Chart 5

Satisfaction with the euro as a currency

Generally speaking, how satisfied are you with the euro as a currency?



Source: 2007–2018 OeNB Barometer survey.

Note: Sample size: 1,400 respondents.

Some challenges are still ahead despite comprehensive reforms

To make the euro area even more resilient to shocks and increase its ability to take action, deepening EMU will remain a key task in the years ahead. In mid-2015, Jean-Claude Juncker, President of the European Commission, presented the “Completing Europe’s Economic and Monetary Union” report, which had been prepared by the presidents of the European Commission, the ECB, the European Council, the Eurogroup and the European Parliament. Four pillars are meant to ensure the smooth functioning of EMU: a fully-fledged economic union that fosters prosperity and convergence; a financial union that provides for cross-border banking and capital market regulation; a fiscal

union that ensures sustainable public finances; and a political union that secures democratic accountability and legitimacy for a complete EMU.

The roadmap for deepening EMU is to be implemented in stages until 2025. In 2019, the focus will be on reforming, and extending the competences of, the European Stability Mechanism (ESM), on reducing risks in the banking sector in addition to implementing measures with a view to completing banking union, as well as on processing ideas to launch a separate budgetary instrument for the euro area.


Moreover, to ensure that the euro area is able to effectively shield Europe from future crises in times of growing geopolitical tensions, the European Commission proposed, in December 2018, to work toward strengthening the international role of the euro and for the EU to stand together to promote its interests in shaping global affairs.

The OeNB publishes a special issue of Monetary Policy & the Economy in early May 2019, in which a number of articles discuss the first 20 years of the euro from various perspectives.



At the OeNB, we are committed to the European project and actively support the European integration process.

Majken Corti
European Affairs and International Financial Organizations Division

A portrait of Andreas Breitenfellner, a man with short brown hair and glasses, wearing a dark suit jacket over a light blue shirt and dark jeans. He is standing outdoors on a balcony or walkway with a metal railing, looking directly at the camera with a slight smile. The background is a blurred view of a building with windows.

The Eurosystem is all about European integration. To me, our day-to-day cooperation shows the European project at its best.

Andreas Breitenfellner
Foreign Research Division

The OeNB contributes to safeguarding price stability and financial stability

Inflation rates converging toward the price stability target

Continued robust expansion of the euro area economy

Global economic activity expanded by slightly more than 3½% in 2018, thus retaining the growth momentum of 2017 and continuing to move in line with long-time averages. At the same time, the global expansion became more uneven and less synchronized across countries than in 2017. While growth remained robust in the United States, in the Asian emerging economies (ASEAN-5) as well as in India, it weakened in Argentina, Japan, Turkey and in the United Kingdom.¹ To a large extent, the less balanced global expansion was a reflection of country-specific factors. However, the combination of global trade tensions, rising interest rates in the United States as well the appreciation of the U.S. dollar aggravated external conditions above all for emerging economies.

In the euro area, real GDP growth had reached its highest level – 2.4% – in ten years in 2017 but also weakened in early 2018 for the reasons outlined above. While domestic demand continued to grow at a brisk rate in the first half of the year, export demand softened visibly. Ultimately, the euro area economy thus grew by 1.8% in 2018 as a whole. The December 2018 Eurosystem staff macroeconomic projections for the euro area anticipated that the recovery would continue to be driven by the high degree of monetary policy accommodation, rising wage growth, low inflation as well as rising real net worth. On this basis, the euro area economy was expected to keep growing at a robust pace in the years ahead, while moderating to 1.5% in 2021.

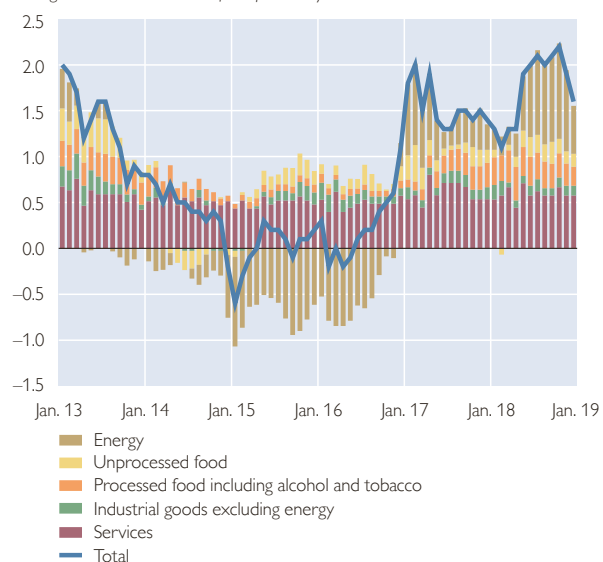
2018 marked the fifth year in a row in which the euro area economy was expanding. The ensuing high degree of capacity utilization and regional labor shortages have been driving up wage growth. At the same time, oil prices

were going up in the first three quarters of 2018, from close to USD 70 per barrel to around USD 85 per barrel, following a greater-than-expected compliance of oil-exporting countries with their agreed production cuts. On top of that, food prices were also rising at a faster pace than expected. Reflecting the combined impact of these factors, HICP inflation in the euro area increased from slightly more than 1% in early 2018 to an annual peak of around 2% in October 2018 (chart 6). The fourth quarter saw oil prices tumbling, to below USD 60 per barrel, given lower-than-expected demand and rebounding supplies. Last but not least, wage increases did not feed through to services prices to the extent that had been anticipated in the projections. These two developments were instrumental in driving the HICP inflation growth down to 1.5% in December

Chart 6

HICP inflation and contributions by subcomponents in the euro area

Change on the same month of the previous year in %



Source: Eurostat.

¹ The Chinese economy also lost some steam but continued to grow at a robust rate (6%).

Price stability objective

For the euro area, price stability has been defined as a year-on-year increase in the Harmonised Index of Consumer Prices (HICP) of below, but close to, 2% over the medium term and on average across all participating countries.

2018. Ultimately, the annual inflation rate reached 1.8% in 2018, compared with 1.5% in 2017. In other words, inflation continued to

converge toward the inflation objective defined by the Governing Council of the ECB.

Eurosystem net asset purchases reduced in stages

According to the December 2018 Eurosystem staff macroeconomic projections for the euro area, HICP inflation is expected to remain at about the levels prevailing in December 2018 in the near future, averaging 1.6% in 2019. Only thereafter will wage growth accelerate, pushing up consumer price growth, so that HICP inflation is expected to rise to 1.8% in 2021.

In its regular reviews of the outlook for inflation, the Governing Council of the ECB has been looking at three criteria: The starting point is the question as to whether HICP inflation is expected to be on

track to converge with the price stability objective in the medium term. With the projections pointing to HICP inflation of 1.8% in 2021, the Governing Council was able to answer this question in the affirmative in June 2018. The second criterion is whether the

Expanded asset purchase programme (APP)

Under the expanded asset purchase programme, the Eurosystem buys four types of securities based on the four underlying programs: (1) the covered bond purchase programme (CBPP3), (2) the asset-backed securities purchase programme (ABSPP), (3) the public sector purchase programme (PSPP) as well as (4) the corporate sector purchase programme (CSPP). The PSPP accounts for the lion's share (more than 80%) of the entire APP portfolio.

convergence of inflation is expected to be sustained. The third criterion is whether the sustained convergence of inflation would be maintained even after the end of net asset purchases.

Here, the Governing Council's conclusion was that progress toward a sustained adjustment in inflation had been substantial so far. Accordingly, the Governing Council announced that the pace of monthly net purchases of securities under the Eurosystem's expanded asset purchase programme (APP) would be kept up at EUR 30 billion until the end of September 2018. From October to December 2018, the net volume of APP purchases was reduced to EUR 15 billion.

Another review in December 2018, on the basis of incoming information, broadly confirmed the assessment at which the Governing Council of the ECB had arrived in June, thus prompting the decision to end the net purchase of assets under the APP at the end of 2018. At the same time, the Governing Council conveyed that significant monetary policy stimulus was still needed to support the further build-up of domestic price pressures and headline inflation developments over the medium term. This meant that principal payments from maturing securities purchased under the APP continued to be reinvested in full, thereby keeping the stock of assets acquired under the APP stable at levels of close to EUR 2,600 billion. This investment policy would be retained for an extended period of time past the date when the ECB starts raising its key policy interest rates.

Box 1

Reinvestment of principal payments from maturing APP assets

From March 2015 to December 2018, the Eurosystem bought public sector and private sector assets worth close to EUR 2,600 billion under its expanded asset purchase programme (APP). This stock of assets is now an integral part of the balance sheets of the ECB and of the national central banks of the euro area countries and continues to exert a substantial dampening effect on the level of long-term interest rates in the euro area – even though no new net purchases will be forthcoming. By reducing the supply of these assets in the markets, the APP has been driving up their prices and, as a consequence, lowered yields.

To ensure the sustained dampening impact on long-term yields in the euro area, the Eurosystem will continue to reinvest, in full, the principal payments from maturing securities purchased under the APP, thus maintaining the level of investments at the levels prevailing at the end of December 2018. In 2019, the reinvestment volume is expected to be in the range of EUR 200 billion. This reinvestment policy is planned to be retained for

an extended period of time past the date when the ECB starts raising its policy interest rates, and in any case for as long as necessary.

The reinvestments are taking place in all four sections of the APP – the third covered bond purchase programme (CBPP3), the asset-backed securities purchase programme (ABSPP), the public sector purchase programme (PSPP) as well as the corporate sector purchase programme (CSPP). Market capitalization continues to be the guiding principle for the reinvestments of assets purchased under the private sector purchase programmes (CBPP3, ABSPP and CSPP), whereas the ECB’s capital key continues to be the guiding principle for reinvestments under the public sector purchase programme (PSPP). In other words, maturing PSPP assets will, as a rule, be reinvested in the country in which the principal repayments were made. At the same time, minor shifts between the national reinvestments of PSPP assets are in the pipeline given the adjustment of the ECB’s capital key that was implemented at the beginning of 2019 (see box 2), with a view to realigning the portfolios of the euro area countries with the prevailing ECB capital key. Any ensuing adjustments of the portfolio structure will be implemented step by step, subject to adequate calibration so as not to disturb market conditions.

During the reinvestment phase, the Eurosystem will continue to adhere to the principle of market neutrality via flexible implementation. To this effect, the Eurosystem will pursue a staggered approach in order to ensure a regular and balanced market presence.

Favorable liquidity conditions maintained in the euro area

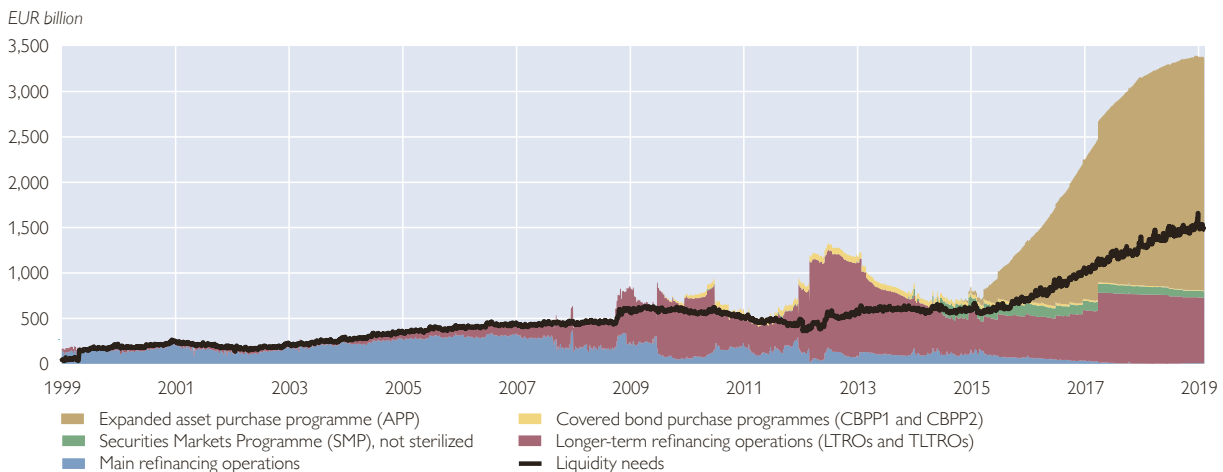
In the past few years, which were characterized by nonstandard monetary policy measures, the Eurosystem’s monetary policy operations provided the euro area markets with ample liquidity – totaling around EUR 3,400 billion by the end of 2018. The expanded asset purchase programme (APP) accounted for close to EUR 2,600 billion thereof. Targeted longer-term refinancing operations (TLTROs) contributed another EUR 720 billion (chart 7).

The first series of targeted longer-term refinancing operations, designed to mature in September 2018, was launched in September 2014. All in all, euro area banks took up about EUR 430 billion of central bank liquidity under

the TLTRO-I operations. The second series of longer-term refinancing operations (TLTRO-II), which was an enhanced version of TLTRO-I, was launched in June 2016. For instance, the TLTRO-II operations also came with a maturity of four years, but with staggered maturity dates. Most banks which had taken up TLTRO-I funds opted to switch to TLTRO-II funds. The shift of funding and new borrowing added up to a total take-up of funds under TLTRO-II of about EUR 740 billion. The small amount of outstanding funds that remained under TLTRO-I matured on September 26, 2018. By that date, the take-up of funds under TLTRO-I had shrunk to EUR 9 billion. The outstanding operations were wound up smoothly.

Chart 7

Eurosystem monetary policy operations



Source: ECB, OeNB calculations.

Five FAQs on the recalculation of the ECB's capital key

What is a capital key?

The central banks of all EU Member States – i.e. those that have adopted the euro as well as those that have not adopted the euro – hold shares in the capital of the ECB the size of which is specified in a capital key. The paid-in capital of the ECB now stands at EUR 7.66 billion. While the national central banks of Member States whose currency is the euro have paid in 100% of their capital shares (EUR 7.54 billion), the central banks of the non-euro area countries have paid in only 3.75% each of their subscriptions.

How is the capital key calculated?

The capital key reflects the shares of all EU countries in the total population and total GDP. These shares of the EU countries are then converted into shares in the euro area. The capital key is reviewed at five-year intervals and/or following the accession of additional countries to the EU (or the euro area). In line with this cycle of updates, the capital key has been adjusted with effect from January 1, 2019.

What's the difference between the new and the old capital key?

Until the end of 2018, the OeNB's share in the ECB's capital was 1.96% among all EU countries and 2.79% among all euro area countries. Under the new capital key applicable as of 2019, this share has gone up to a share of 2.03% (all EU countries) and 2.92% (all euro area countries), respectively. Alongside Austria, Germany also saw an increase in its capital share compared with 2014, whereas the shares of, e.g., Greece, Italy or Spain, to name a few other countries, have gone down. In the case of Austria, the increase reflects the fact that both the GDP as well as the population figure grew at rates above the EU averages.

What are the implications of the bigger weight of the OeNB in the new capital key?

Following the adjustment of the capital key at the beginning of 2019, the OeNB's share in the ECB's capital has gone up to EUR 220 million, which means that it had to pay in another EUR 7.5 million. The higher share in the capital key has implications for the distribution of the monthly amounts of monetary income pooled as well as for the distribution of the ECB's profits to the national central banks within the euro area, because the ECB's capital key determines the respective national shares.

How is Brexit likely to affect the ECB's capital key?

If and when the U.K. leaves the EU, the ECB's capital key would have to be adjusted accordingly. The share in the ECB's capital that the Bank of England has paid in would be returned, and the ECB's capital would be redistributed among the remaining 27 rather than currently 28 national central banks.

At the end of 2018, banks' borrowings under the TLTRO-II had remaining maturities ranging from 18 to 27 months. Banks continue

to have the option to repay some or all of their TLTRO-II funds prematurely at quarterly intervals. So far, close to EUR 18 billion have been repaid early to the Eurosystem, which left the total amount of outstanding TLTRO-II funds at around EUR 720 billion at the end of 2018.

The ECB's policy rates – last adjusted in

March 2016 – were left unchanged throughout 2018, i.e. at 0.00% (main refinancing rate), 0.25% (marginal lending facility) and –0.40% (deposit facility rate). Looking ahead, the Governing Council of the ECB expects these rates to remain at their present levels at least through the summer of 2019 and in any case for as long as necessary.

As a result of the ample provision of liquidity, resulting in an excess liquidity of EUR 1,900 billion, money market rates stayed close to the lower bound of the corridor created by the policy rates. Specifically, the EONIA and the pre-ESTER (box 3) hovered at rates of slightly above and below –0.40%, respectively, throughout the year.

Targeted longer-term refinancing operations (TLTRO-II)

TLTRO-II operations refer to the second generation of longer-term refinancing operations with a maturity of up to four years. It consists of a series of four central bank lending operations implemented in the period between June 2016 and March 2017 (i.e. one such operation per quarter). The applicable interest rate depends on the amount of onward lending by banks and can even turn negative. The more loans participating banks extend, the cheaper borrowing under the TLTRO-II becomes, the cheapest rate being –0.4%.

Five FAQs on EONIA, the current money market benchmark, and ESTER, its replacement

What is the EONIA?

The EONIA, short for euro overnight index average, is the existing reference rate for euro overnight lending in the unsecured interbank market. The EONIA reflects the weighted average of the overnight unsecured interbank lending transactions reported on a voluntary daily basis by a panel of about 30 banks. As such, the EONIA is an important financial benchmark for monetary policymakers and financial market agents. Among other things, it serves as a basis for a range of derivative instruments and plays a role in the pricing of financial assets.

Why will the EONIA no longer serve as a benchmark, and what about its replacement?

From 2020 onward, the use of the EONIA in its current form will be prohibited as it does not meet the minimum requirements for data quality and calculation transparency defined by the EU Benchmarks Regulation. The European Money Market Institute (EMMI), the administrator of EONIA, announced in February 2018, that no change in the EONIA's methodology would be pursued. This means that a replacement for the EONIA is urgently needed. The ECB started to work on its own euro short-term rate ("ESTER") in 2017, which has since been recommended as the replacement rate for the EONIA by the private sector working group on euro risk-free interest rates. It is generally expected that the ESTER will indeed take over the role of the EONIA.

Do the ESTER and the EONIA differ in any way?

What the two rates have in common is that they represent the interest rate costs of unsecured overnight transactions in the money market. At the same time, they are different in that the EONIA is a lending rate whereas the ESTER is a borrowing rate. Moreover, the EONIA is an interbank lending rate whereas the ESTER captures reporting banks' borrowing from a broad range of financial institutions, including pension funds and insurance companies.

What about the underlying data of the ESTER?

The Eurosystem has already been collecting data from the 52 largest banks in the euro area under the Money Market Statistical Reporting Regulation (MMSR). Under this regulation, reporting banks are required to submit data (including interest rates, volumes and maturity periods) on all transactions they conduct on the secured and unsecured money market. Having collected these data since July 2016, the ECB is now in a position to use parts thereof for the calculation of the ESTER. The corresponding data series has been published under the name "pre-ESTER." The data release started with data for March 2017.

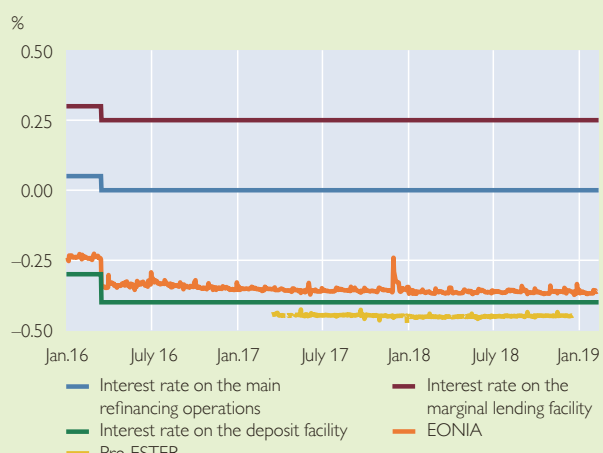
Why is the pre-ESTER below the interest rate for the deposit facility?

While the EONIA has been hovering at levels of some 5 basis points above the deposit facility rate, the pre-ESTER has been moving at a level of about 5 basis points below this rate (chart 8). The pre-ESTER reflects the interest rates for unsecured euro overnight borrowing in wholesale banking and as such also contains loans from financial institutions such as pension funds and insurers who do not have access to the deposit facility. These institutions rely solely on the banking sector for investing their excess liquidity. If these institutions accumulate a lot of excess liquidity, the bulk of their money market operations will be operations for which banks charge transaction fees, which will in turn be reflected by lower interest rates.

In a consultation process conducted by the working group on euro risk-free interest rates and running up to February 1, 2019, stakeholders were invited to share their views on the available options for replacing the EONIA with the ESTER. At the time of writing, it was still to be decided how the transition would be implemented in practice.

Chart 8

ECB and money market interest rates



Source: Macrobond, ECB.



Carrying out research on various aspects of the global banking system is both challenging and rewarding – here, our Europe-wide and international networks have proven to be invaluable.

Esther Segalla
Economic Studies Division

Austria's economy still going strong in 2018

Domestic demand remained robust, but the economic cycle is maturing

Real GDP grew at a rate of 2.7% in Austria in 2018, the same as in 2017. However, the underlying strength of the economy weakened somewhat during 2018 as the economy entered a stable growth path and the strong expansion cycle started to mature.

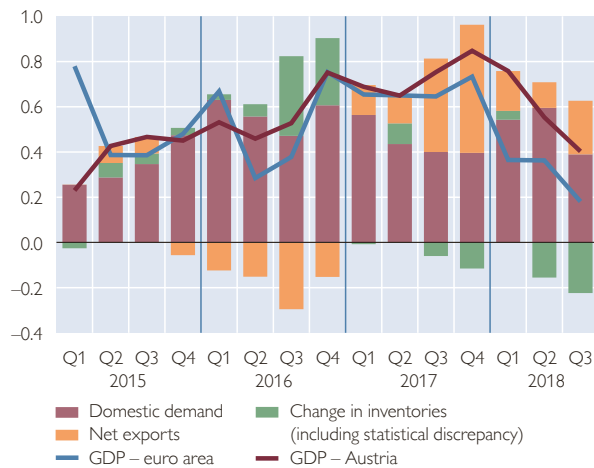
Growth was driven by both strong domestic demand as well as a solid export performance in 2018. In the first three quarters, the contribution of private consumption was almost on a par with the contribution of gross fixed capital formation. While investment in equipment was characterized by dynamic growth above all in the first half of 2018, followed by a significant dip in the third quarter, residential construction investment grew at a steady rate in all three quarters. Growth of private consumption was fueled above all by the exceptionally fast growth of employment and the higher wage settlements secured for 2018, as a result of which real disposable household income increased at a stronger rate than in 2017.

As captured by the national accounts, the Austrian export industry was doing well in the first three quarters of 2018, even though the growth of export demand had gone down after the boom year of 2017. Given broad regional diversification, exports are expected to have grown by 4.2%. To a large extent, this is attributable to goods exports to Central, Eastern and Southeastern European (CESEE) economies, which grew at a nominal rate of 10% from January to October 2018 according to Statistics Austria, i.e. at almost twice the rate of goods exports to all other countries. The balance of payments for goods was in surplus by EUR 2.8 billion in the first half of 2018. At the same time, the positive contribution of net exports continued to be driven mainly by services, as in previous years. Services contributed a surplus of EUR 6.6 billion in the first half of 2018, with Austria's tourism industry once again the mainstay of growth: For the first time, tourism revenues increased to above EUR 10 billion in the

GDP growth and contributions of demand components in Austria

Chart 9

Growth on the previous quarter in %, contributions to growth in percentage points



Source: OeNB, WIFO.

Note: Data on Austria are trend-cycle data.

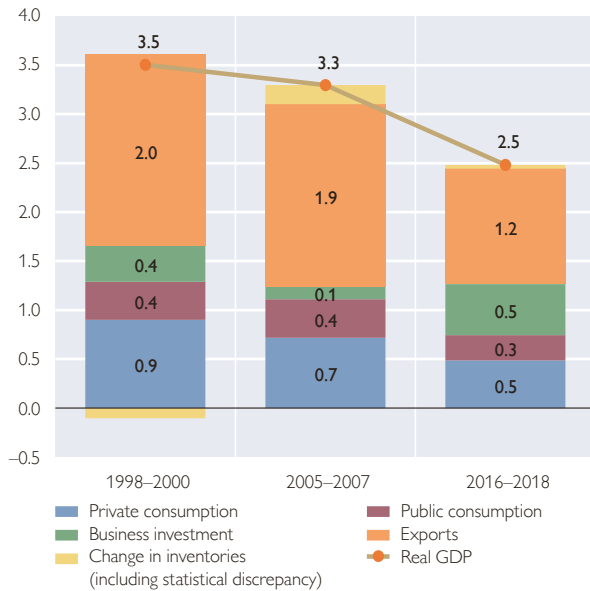
first half of 2018, thus contributing substantially to the improvement of the balance of trade. Austria's balance of trade (the balance of exports and imports of goods and services taken together) was in surplus by EUR 9.4 billion in the first half of 2018, making 2018 the first year in which pre-crisis levels were exceeded.

The current account surplus, while being diminished above all by negative net labor income and secondary income, reached EUR 6.3 billion in the first half of 2018. The financial account recorded a transaction-related net increase in portfolio investment and other investment in the form of deposits and loans. On this basis, Austria's net international investment position totaled EUR 19.0 billion at the end of June 2018.

The current expansion cycle has been considerably weaker than the two previous boom cycles (1998–2000 and 2005–2007), as evidenced by the contributions to the import-adjusted demand components of GDP for those periods (chart 10). While exports were the key drivers of the boom cycle in early 2000 and mid-2000, the contribution of exports to GDP growth was rather limited in the past three

Import-adjusted contributions to GDP growth in the three latest boom periods

Average annual change in %, contributions to growth in percentage points



Source: WIFO, OeNB.

years both in absolute and relative terms. This pattern reflects the weakening of global trade, as indicated by the decline in market elasticity between global output growth and global trade growth. Being a small open economy, Austria has been feeling the impact of these developments more than others.

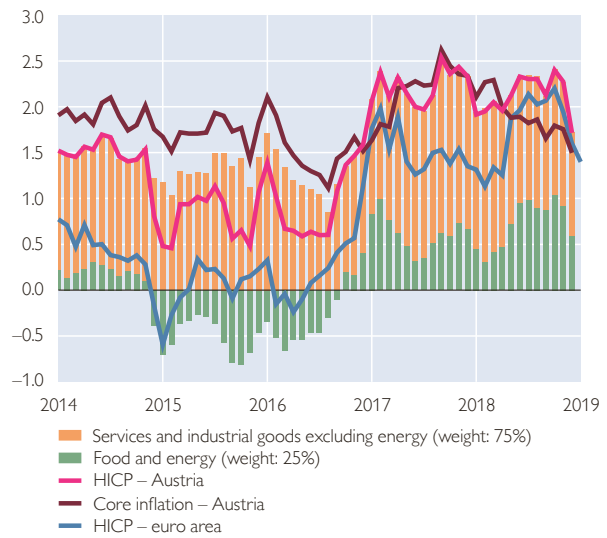
In fact, the current expansion has been driven above all by an above-average contribution from gross fixed capital formation, specifically from investment in equipment (with a high share of imports) and residential construction investment (with a low share of imports). Private consumption has made a smaller contribution to growth in the current expansion than in the previous two booms. While employment growth was exceptionally dynamic, real wage growth remained rather moderate given the relatively high rate of inflation in Austria.

Employment and inflation continue to mirror the strength of the economy

Labor market conditions continued to improve markedly during 2018. Both the levels of payroll employment as well as the number of hours

HICP inflation and contributions by subcomponents in Austria

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



Source: Eurostat, Statistics Austria.

Note: Latest observation: December 2018.

worked peaked in early 2018 but also remained high thereafter. Due to the strong initial momentum, payroll employment numbers increased by 2.2% in 2018 as a whole, which is an acceleration by 0.3 percentage points on the year. The high employment momentum caused Austria's unemployment rate (Eurostat definition) to drop to below 5% in 2018, from 5.5% in 2017 and 6.0% in 2016.

The Austrian rate of HICP inflation fluctuated between 1.9% and 2.4% in 2018. In the first quarter, the decreasing contribution of energy prices, compared with end-2017, drove HICP inflation below 2%. By summer, the energy share of inflation had rebounded. However, because of an offsetting contribution of services inflation, headline inflation did not start to rise again until May. Between June and August, inflation accelerated, to 2.3%, reflecting newly increasing oil prices. With the contribution of energy and food prices remaining broadly stable until November, inflation continued to stand at third-quarter levels in October and November. In 2018 as a whole, HICP inflation inched up moderately, to 2.1%, on account

of rising oil prices. Core inflation dropped to 1.8% in November 2018, from 2.3% in December 2017, and averaged 1.9% in 2018 as a whole.

OeNB December 2018 outlook for Austria: From high growth to stable growth

Following a strong expansion, the Austrian economy had reached a mature phase of the cycle by the end of 2018. In line with the weakening global economy, GDP growth was expected to slow down to 2.0% (2019) and 1.9% (2020). In other words, the Austrian economy has started to move onto a stable growth path. Unemployment (Eurostat definition) was expected to drop to a rate of 4.7% in 2019 and 2020. HICP inflation was projected to reach 2.1% in 2019, before dropping slightly to 2.0% in 2020.

Austrian real estate market going strong

In 2018, the Austrian real estate market was characterized by brisk residential construction activity in a period of declining population growth. The number of completed dwellings is expected to have reached about 64,000, thus outperforming the already strong result of 2017 (60,000). This is mirrored by strong construction growth rates for residential housing. Housing supply grew at a faster rate than demand, thus reducing the demand overhang and price pressures. This notwithstanding, real estate prices have continued to surge. In the first three quarters of 2018, residential property prices climbed by 6.8% on the year (according to the residential property price index produced by the OeNB in cooperation with DataScience Service GmbH). This translated into strong annual growth (+3.8%) compared with 2017 as a whole. The growth of housing loans to households was largely stable in the course of 2018. The share of housing loans denominated in foreign currencies continued to drop further, to 12.3% in September 2018 (see the section entitled Foreign currency loans in Austria and CESEE continue to decline sharply). Like-

wise, the share of variable rate loans in new lending, which has been very high by international standards, still implies substantial interest rate risks even though it has been contracting further.

Fiscal developments supported by favorable cyclical and interest rate conditions

While the fiscal stance was slightly expansionary in 2018, the general government fiscal budget balance improved significantly essentially for two reasons: the high growth rate of public revenues on account of the strong economy as well as the sharp reduction of interest payments on account of the low interest rate environment created by monetary policy. The fiscal stance will remain expansionary in 2019, as the withdrawal of temporary stimulus measures will not suffice to completely offset the cost of introducing higher tax relief for families with children. Nonetheless, thanks to the continued favorable cyclical and interest rate conditions, the budget balance is expected to keep improving slightly. Thus, the general government is expected to run a surplus from 2019 onward at the latest.

Furthermore, the absolute level of indebtedness – and hence general government debt as a percentage of GDP – shrank visibly in 2018. 2017 and 2018 even brought a nominal contraction of sovereign debt, results last seen in the 1970s. The key drivers include broadly balanced budgets, the continued reduction of the debt of public wind-down vehicles as well as – with regard to the reduction of the debt-to-GDP ratio – the high level of nominal GDP growth. The substantial contraction of the debt ratio is set to continue in the years ahead.

House price measures for Austria

The OeNB calculates a quarterly residential property price index in cooperation with DataScience Service GmbH. The index is based on a decomposition of key housing features (age, condition and location) and the construction of add-ons and deductions, thereby adjusting for differences in quality. A double imputation approach makes it possible to produce measures for different regions – such as for Vienna (from 1986 on), Austria excluding Vienna and Austria as a whole (from 2000 on) – for new and existing housing. The measures are based on purchase prices derived from the brokerage software JUSTIMMO and enhanced with land register data on an ad hoc basis.

Growth in CESEE continued to exceed long-term average

The economies of the EU Member States in Central, Eastern and Southeastern Europe (CESEE) grew at an aggregate average rate of 4% in 2018. This growth rate was slightly below the growth outturn in 2017 but well above the average of the past ten years. Moreover, the CESEE economies continued to outperform the euro area with a positive growth differential of close to 2 percentage points. Countries maintaining close economic ties with CESEE, like Austria, have thus benefited from positive spillover effects.

Exchange rate mechanism II (ERM II)

The ERM II provides the framework for exchange rate policy cooperation between the euro area countries and other EU countries seeking to adopt the euro. This framework specifies central rates to the euro and exchange rate fluctuation bands (up to $\pm 15\%$ around the central rates; narrower bands may be agreed) for participating currencies. The underlying idea is to support stability-oriented economic policies and facilitate a later introduction of the euro. A stable exchange rate is one of the convergence criteria that must be met as a precondition for introducing the euro, alongside stable prices, stable public finances and stable long-term interest rates.

Robust growth of private consumption was the key engine of growth in the CESEE area, fueled by strong economic sentiment and rising lending (box 5) but above all by the continued improvement of labor market conditions. The ratio of unemployment averaged 4.2% in the region in October 2018, touching the lowest level ever since the fall of the Iron Curtain. Strong employment

growth went hand in hand with a further increase in employment ratios. About half of the CESEE economies already had higher employment ratios than the euro area in 2018.

The other side of the coin is that the slack in the labor market has been largely absorbed, leading to labor shortages. In business surveys, a rising share of firms have been pointing to labor shortages as a factor limiting production. At the same time, labor shortages have been fueling wage growth.

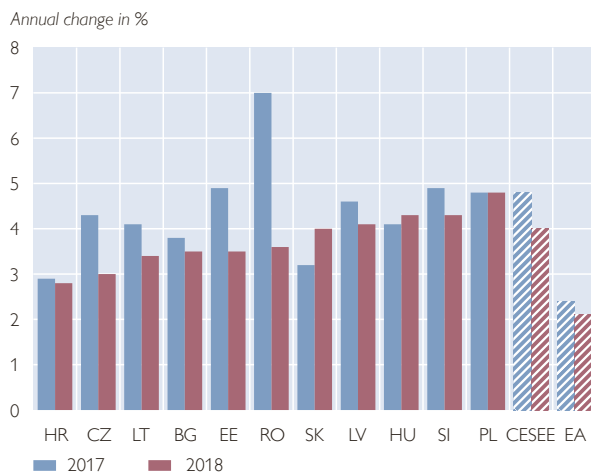
Business investment has been driven by favorable financing conditions, full order books, historically high capacity utilization as well as the high underlying level of business sentiment. Construction activity was boosted by funding received from the European Structural and Investment (ESI) Funds. The strong growth of investment helped close the investment gap that had emerged as a result of the crisis. The contribution of net exports to output growth tended to be negative on account of weaker international demand amid continued dynamic import growth.

Despite the strong economy, consumer prices grew at moderate rates in 2018, remaining within the interest rate corridors defined by the respective central banks in most countries. The somewhat higher price pressures observed in the first half of the year were attributable above all to rising energy prices, while core inflation remained broadly stable. A number of central banks continued to gradually tighten their monetary policies. For instance, the Czech central bank raised its key policy rate from 0.5% to 1.75% during 2018, and the Romanian central bank increased its key policy rate from 1.75% to 2.5% in the same period.

In July 2018, Bulgaria announced its intention to join the European exchange rate mechanism II (ERM II). In this context, the Eurogroup indicated, also in July 2018, that participating in ERM II requires a positive decision on the part of the ECB regarding close cooperation with the SSM. The comprehensive assessment of Bulgarian credit institutions that is required in this respect will take at least 12 months.

Chart 12

Real GDP growth in CESEE



Source: Eurostat, European Commission autumn forecast (November 2018).

International monetary and financial system

EU-related developments

In the second half of 2018, Austria assumed the rotating presidency of the Council of the EU. During its EU presidency, Austria put the focus on jobs, growth and security, covering among other things issues with a particular relevance for central banks, such as the deepening of Economic and Monetary Union (EMU), completing the banking union and the capital markets union, and the Brexit negotiations. Important topics for EU policymakers included, again, Brexit (i.e. the negotiations seeking to establish the modalities under which the United Kingdom would leave the EU) as well as the negotiations regarding the next EU budget (i.e. the multi-annual fiscal framework for the period from 2021 to 2027).

EU activities toward deepening EMU were characterized by efforts to consolidate and bring forward ongoing activities to strengthen crisis resilience and enhance economic policy coordination. Naturally, activities related to building the banking union and the capital markets union activities were high on the agenda in this context.

A new focus area that has evolved more recently is cross-border cooperation to combat money laundering. As rising geopolitical tensions have increased awareness for issues related to the global monetary system, the European Commission launched a proposal to develop measures with a view to strengthening the international role of the euro.

The European Semester, during which policy recommendations are formulated at the European level and addressed to the national level, has been established as a key process of economic policy coordination. In its 2018 key country-specific recommendations, the European Commission recommended that Austria take action to achieve the medium-term budgetary objective for 2019 and take tax and other measures to strengthen groups of people who are disadvantaged on the labor market.

Within the Eurosystem, OeNB Governor Ewald Nowotny was elected as the new chair of the Audit Committee of the ECB. The Audit Committee, consisting of high-level representatives, is tasked with monitoring the ECB's operations.

International Monetary Fund (IMF)

During its annual round of Article IV consultations with Austria, the IMF issued a number of recommendations to economic policymakers in Austria in September 2018, including measures to strengthen the crisis resilience of the financial sector (see the section entitled The OeNB contributes to financial stability).

IMF member countries shape IMF decisions by constituency voting. Austria is a member of the Central and Eastern European constituency, and the first Alternate Executive Director of this constituency is Austrian. The representative from Turkey became the Executive Director of this constituency on November 1, 2018.

What could be a better symbol of European integration than the euro? Today, around 340 million people in 19 EU Member States use the euro as their currency.



Reserve management in times of political uncertainty and divergent monetary policies

Global uncertainties weigh on financial markets

In early 2018, financial market developments were heavily influenced by U.S. economic and trade policies. While initially, the ongoing escalation of trade conflicts caused strain on the U.S. dollar, later in the year, investors increasingly shifted their focus to the positive effects on growth triggered by the U.S. tax reform and rising U.S. interest rates, thereby contributing to a notable appreciation of the U.S. dollar.

The tax reform led to a significant repatriation of funds and stock buybacks, which supported especially U.S. stock markets and helped key stock indices reach new all-time highs. In Europe, by contrast, financial markets suffered not only from general concerns about an escalation of trade disputes but also from uncertainty surrounding Brexit and controversies over Italy's fiscal plans.

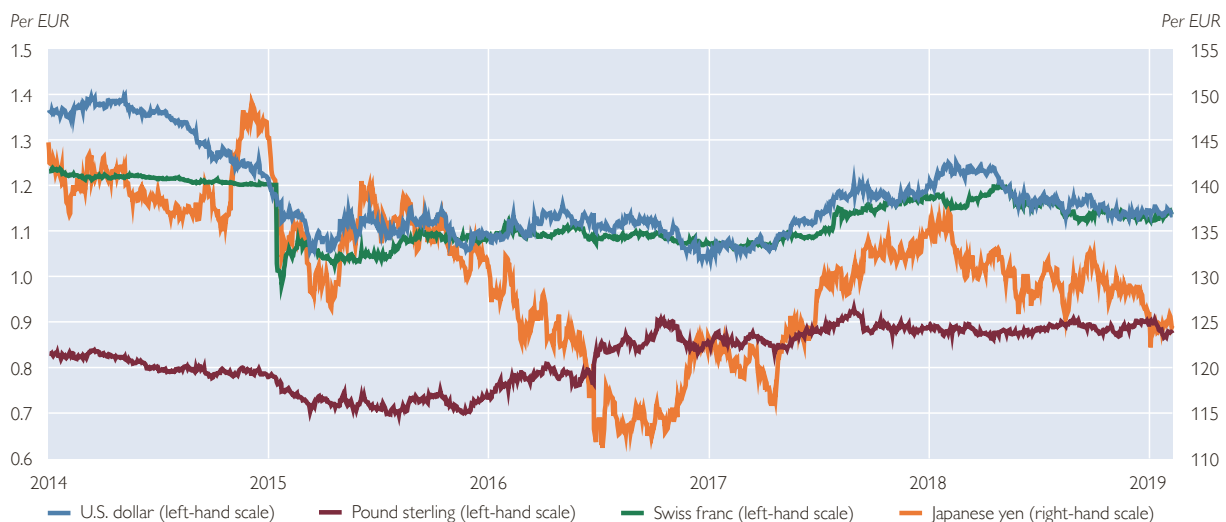
Toward year-end, stock markets came under pressure as concerns about the sustainability of the global upswing took hold. The Federal Reserve's monetary tightening course put an

additional burden on markets: The Fed continued with its interest rate hiking cycle and the balance sheet shrinking process, which resulted in a further increase in treasury yields and a flattening of the yield curve. In the course of the year, the yields of two-year and ten-year U.S. government bonds expanded by 61 and 28 basis points, respectively, reaching 2.49% and 2.68% at the end of the year. In early November 2018, ten-year government bond yields reached a multi-year high of 3.24%, some 56 basis points above its year-end value. After the stock market slump and the ensuing flight to safety, U.S. government bond prices advanced markedly, however.

At end-2018, the leading U.S. stock index, the S&P 500, closed some 6% down on the previous year – even though it had been at an all-time high at the end of September – as the U.S. mid-term elections also failed to provide any growth stimulus. The European stock market index Euro STOXX 50 even lost about 14% in the same period. Overall, global stock markets suffered their worst year since the outbreak of the economic and financial crisis in 2008, with

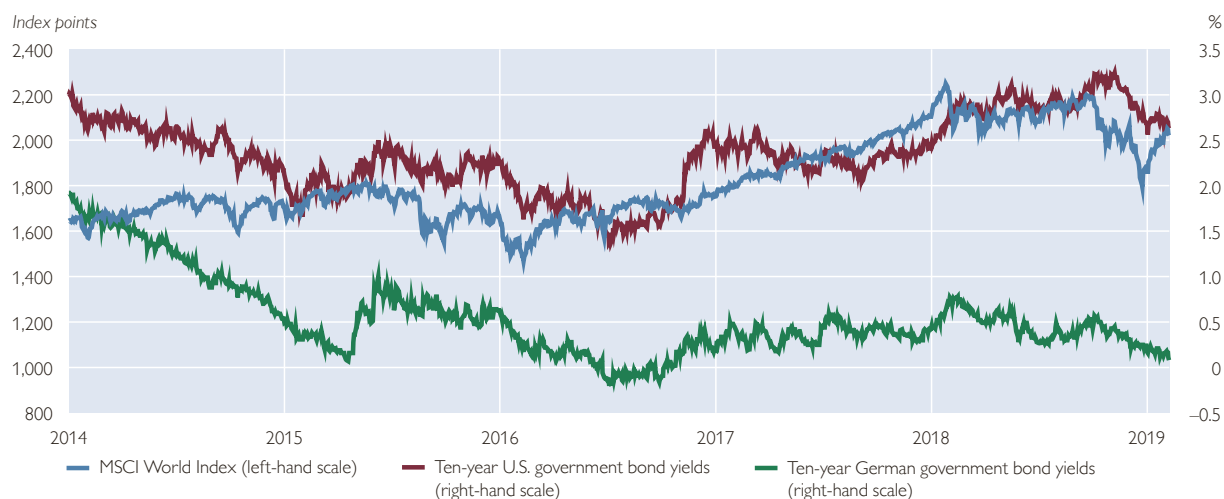
Chart 13

Exchange rates of major currencies against the euro



Source: Macrobond.

MSCI World Index and ten-year government bond yields in the U.S.A. and Germany



Source: Macrobond.

the MSCI World Index ending 2018 more than 10% below the previous year's value.

In the euro area, where the ECB terminated its net asset purchases under the APP at the end of 2018 but key interest rates remained unchanged, the yield of two-year German government bonds stood at some -0.61% at year-end, which is about the same level seen at the beginning of the year. With the growth outlook starting to deteriorate and stock markets faltering, the yields of German ten-year government bonds contracted by some 19 basis points to 0.24% . Risk premiums for government bonds of euro area peripheral countries, especially Italy, rose markedly over the course of the year.

The financial market tensions also had an impact on currency markets, as mirrored by the strong performance of the Japanese yen, the U.S. dollar and the Swiss franc against the euro in 2018 ($+7.7\%$, $+4.8\%$ and $+3.9\%$, respectively); all these currencies are considered safe-haven currencies that are set to benefit from increasing market turbulences. At the same time, the currencies of Australia and Sweden, two very open economies that are highly dependent on world trade, showed the worst performance (-5.5% and -3.4% , respectively) among the currencies of the world's leading economies.

Similar to U.S. stock prices and the yields of safe government bonds, oil prices fluctuated

heavily in 2018. The price of a barrel of North Sea Brent crude oil surged by roughly 36% between January and early October 2018, reaching its highest level since 2014 at more than USD 85, but slumped afterward, which resulted in a loss of -14% for the whole year. One of the reasons for the temporary price increase were renewed sanctions imposed by the U.S.A. on oil producer Iran, whereas the sharp drop seen in the last quarter was due to concerns about OPEC's ability to act, high U.S. capacities, a potential decline in demand in the light of a deteriorating growth outlook and the partial reversal of the U.S. sanctions against Iran.

The gold price benefited from jittery financial markets in the fourth quarter of 2018, but at year-end still posted a loss of about -1.6% on the previous year.

OeNB reserve management characterized by risk-reducing measures and enhanced diversification

The OeNB's 2018 investment strategy was characterized by both risk-mitigating measures and broad diversification, taking into account current financial market developments, investors' decreasing risk appetite and the challenges of foreign currency investments. In the prevailing low interest rate environment in the euro area, it was above all the balanced mix of currencies in the OeNB's portfolio that contributed

to stable earnings under difficult market conditions. Due to changes in the OeNB's organizational setup, investments of U.S. dollar and Canadian dollar holdings will be managed in Vienna again from 2019. The OeNB's investment activities are guided by the key principles security, liquidity and return and are in line

with international practices and subject to strict risk management procedures and controls. In close cooperation with the ECB and the euro area national central banks, the OeNB continues to ensure the provision of liquidity to the Austrian banking system, thereby supporting the economy.

Box 4

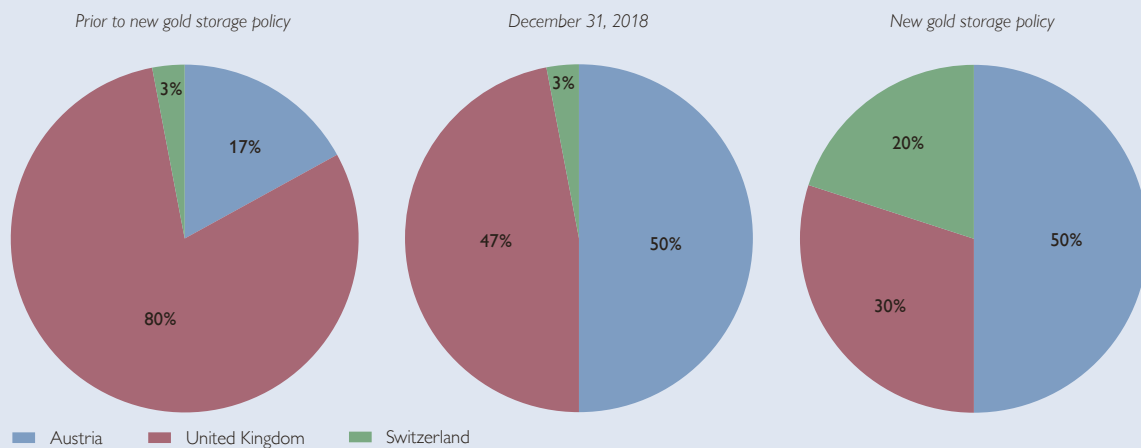
Repatriation of gold reserves to Austria concluded

The OeNB's current gold storage policy has been in force since 2015, when it was last adjusted in the course of a regular review. The goal formulated under this policy was to store half of the OeNB's gold holdings in Austria from 2020 onward at the latest. This goal was already achieved in 2018, two years ahead of schedule. In 2015 and 2016 each, 15 tons² of gold were transported to Austria and stored in vaults in Vienna. An additional 40 tons followed in 2017 and 20 tons in 2018, which completed the repatriation.

Now 140 tons of gold are stored in Austria, 90 tons in the OeNB's own vaults and 50 tons in the vaults of one of the OeNB's subsidiaries, Münze Österreich AG. In line with the current storage policy, the remaining 140 tons of gold will be stored in the United Kingdom (84 tons) and Switzerland (56 tons). Using different locations helps reduce concentration risk and allows the OeNB to quickly use its gold in international gold markets should the need arise.

Chart 15

The OeNB's gold holdings by storage or delivery location




Source: OeNB.

Note: Differences are due to rounding.

Each of the OeNB's gold bars transported to Austria was checked for authenticity. The weight of the gold bars was measured with high-precision scales, ultrasonic devices were used to check their cores, and x-ray fluorescence tests served to determine the fineness of the gold. Gold bars held by central banks as reserve assets usually correspond to the Good Delivery specifications defined by the London Bullion Market Association (regarding, e.g., dimensions, weight and fineness). The minimum fineness, which determines a gold bar's actual gold content, must be 995 parts per thousand fine gold. All tested gold bars met the required specifications.

The OeNB's total gold reserves amount to 280 tons or 22,400 gold bars. This level has remained unchanged since 2007. The OeNB is the sole owner of these gold assets, which it maintains and manages with utmost care. Storage costs are kept as low as possible without compromising on precautionary and crisis management requirements.

² All figures referring to tons and bars are rounded.

A man with curly brown hair, wearing a dark suit jacket over a blue and white striped shirt, is seated at a table. He is gesturing with both hands as if speaking. In the background, a portion of the European Union flag (blue with yellow stars) is visible. The table in front of him has papers and glasses. The overall setting appears to be a formal meeting or conference.

Over the past few years, we have intensified our cooperation in Europe to safeguard financial stability. Sharing methods, findings and views on macroprudential measures at the European level, the OeNB helps strengthen the stability of the Austrian financial market.

Stefan Kerbl
Financial Stability and Macroprudential
Supervision Division

The OeNB contributes to financial stability

Austrian banks face rising risks despite benign environment

Profitability of Austrian banks at pre-crisis level

The strong economic upswing in Austria and CESEE³ is reflected in Austrian banks' 2018 results. Credit growth gained further momentum, and for the first time in years, interest income was also up, after having seen a continuous decline since 2010 on account of changes in the size and structure of banks' balance sheets (e.g. declining interbank business) and the low interest rate environment. Given the benign macroeconomic environment and the prevailing low interest rate level, banks released more risk provisions than they set aside in the first three quarters of 2018, which notably supported profitability. Despite the release of risk provisions, the coverage ratio – i.e. loan loss provisions to nonperforming loans (NPLs) – remained at a solid level, also by international comparison.

Austrian banks' credit quality has continued to improve in the domestic market and in CESEE. The NPL ratio has dropped further both at the consolidated level and for the domestic business, amounting to 2.9% and 2.2%, respectively, in the third quarter of 2018. Once again, Austrian banks' subsidiaries in CESEE posted the sharpest decrease in their aggregate NPL ratio, which improved from 5.2% to 3.8% in the third quarter of 2018 on the previous year.

Austrian banks' consolidated net profit for the first three quarters of 2018 amounted to EUR 5.5 billion (+EUR 0.3 billion or +6% year on year). The aggregate end-of-period profit of Austrian banks' CESEE subsidiaries came to EUR 2.4 billion in the first three quarters of 2018. Subsidiary banks in Romania recorded a comparatively high increase in earnings, and profits in the Czech Republic, Slovakia and Russia remained at a high level.

The restructuring efforts undertaken by banks and the adjustments of their business models as well as supervisory measures implemented

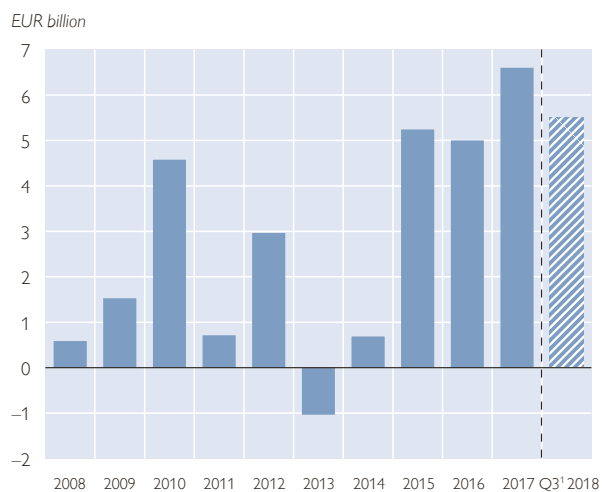
in the past few years have strengthened financial stability in Austria. However, banks are called upon to take further steps toward enhancing their cost efficiency and resilience to improve their capacity to absorb the effects of a potential economic downturn.

Accelerating growth of lending by Austrian banks in Austria and CESEE

Credit growth in Austria gained momentum in 2018. In particular, the growth of credit to nonfinancial corporations,⁴ which had been accelerating strongly since mid-2017, remained vigorous and stood at 6.2% year on year at the end of September 2018. The growth of lending to households was 3.6% in September 2018, continuing the trend of rates above 3% seen since mid-2016. Consumer loans have recorded slightly positive growth rates since mid-2017. Overall, the stock of outstanding loans to households and nonfinancial corporations amounted to EUR 310 billion (which corresponds to almost 90% of all loans issued in Austria) at end-September 2018, with households accounting for EUR 160 billion of this amount.

Chart 16

Austrian banks' consolidated net profits



Source: OeNB.

¹ Q3 data are not comparable with year-end data.

³ In this section, a broader definition of Central, Eastern and Southeastern Europe (CESEE) that also includes, for instance, Russia, Ukraine and Belarus is used.

⁴ I.e. loans to nonbank financial intermediaries are not included.

Lending by Austrian subsidiary banks in CESEE and macroprudential measures taken by local supervisors to address credit risks⁵

The macroeconomic environment in CESEE improved significantly in 2017, which is also reflected in the lending of Austrian banks' subsidiaries in the region. These subsidiary banks recorded credit growth rates of 7% and 10% (on the previous period, exchange rate-adjusted), respectively, in 2017 and in the first half of 2018. The total amount of outstanding loans issued by Austrian banks' subsidiaries in CESEE was EUR 119 billion in the first half of 2018. Since 2014, the focus of lending has been on loans to households. In this segment, the amount of outstanding mortgage loans was twice as high as the amount of consumer loans at the end of June 2018. At the same time, however, consumer loans expanded at a faster pace than mortgage loans. Lending by Austrian banks' subsidiaries in CESEE is primarily in local currency and based on local deposits. As a result, the stock of foreign currency loans continues to decrease. These developments show that the macroprudential measures initiated by the OeNB and the Financial Market Authority (FMA) (Guiding Principles, Sustainability Package) still have the intended effect.

Lending by Austrian banks' subsidiaries to households expanded faster than lending by the entire banking system in the Czech Republic, Slovakia, Hungary and Russia. Given the already high volume of outstanding loans, the growth rates seen in the Czech Republic and Slovakia have a greater impact by comparison. In Romania, Croatia and Hungary, the lending activities of Austrian banks' subsidiaries focused on consumer loans in 2017.

All CESEE countries covered in the study (the Czech Republic, Slovakia, Romania, Croatia, Hungary and Russia) have already implemented macroprudential measures. These are either legally binding measures or recommendations with a view to mitigating risks arising from lending to households. While some of the analyzed countries have been faced with high credit growth rates, others have implemented measures to prevent an increase in risks should credit growth accelerate further. These measures include, above all, debt caps or debt service ratios, measures to reduce foreign currency lending and countercyclical capital buffers. The latter have been activated in Slovakia and the Czech Republic because the supervisory authorities had identified a tendency of overheating in lending growth.

The OeNB has been closely monitoring the growth of lending by Austrian banks in CESEE and maintaining a dialogue with the local supervisory authorities.

Higher capital levels at Austrian banks, but further improvement required at large institutions

Austrian banks' consolidated common equity tier 1 (CET1) ratio amounted to 14.8% at the end of September 2018, after 14.9% a year earlier. This trend shows that in an environment of accelerating credit growth (which has been going hand in hand with increasing risk-weighted assets), retaining profits for the purpose of building up capital is particularly important for the Austrian banking sector.

A balance between profit distributions and the build-up of capital is crucial for ensuring that banks can continue to act as reliable lenders also in an economic downturn.

The Austrian banking sector's overall capitalization is slightly above the European average, whereas the capital levels of domestic large institutions are below those of their European peers. That said, the Austrian banking sector as a whole is now significantly better capitalized than before the outbreak of the financial crisis more than ten years ago.

⁵ This box is based on the study "Lending to households in CESEE with regard to Austrian banking subsidiaries and macroprudential measures addressing credit-related risks" published in the OeNB Financial Stability Report 36.

Austrian banks' performance in stress test meets expectations

In the 2018 stress test conducted by the European Banking Authority (EBA), the CET1 ratios for the Austrian banking groups Erste Group Bank AG (Erste Group) and Raiffeisen Bank International AG (RBI) were higher than in the 2016 exercise, even in the adverse scenario.

The assumptions underlying the hypothetical adverse scenario designed by the EBA included a slump in economic growth, negative exchange rate developments and a fall in real estate prices as well as a very pessimistic growth outlook for CESEE, which would be of particular relevance to Austrian banks. These assumptions placed an above-average strain on banks with a strong deposit base.

At slightly below –4 percentage points, the effect the adverse scenario had on the two Austrian banks' capital positions roughly corresponded to the average of all banks included in the stress test exercise. Erste Group's and RBI's stressed capital ratios were once again below the average of all banks covered by the stress test, which can be attributed to the fact that, despite significant improvements, the two banks had entered the stress test with capital ratios clearly below average.

In addition to the EBA's stress test, the OeNB conducts an annual stress test for the entire Austrian banking sector with a focus on less significant institutions (LSIs) in line with its statutory mandate. This exercise is based on the same adverse scenario the EBA uses. The results for the banking system confirm the findings for the two large banks; higher capital levels help mitigate losses in times of stress. This notwithstanding, banks must enhance their cost structure, profitability and capitalization further as long as the economic environment remains favorable. Stress tests allow forward-looking "what if" analyses on the basis of various scenarios. They are one among several analytical tools used to arrive at an overall risk assessment of a bank or the entire banking sector.

Adjustments in the Austrian banking sector and macroprudential measures contribute to improved external ratings

The external ratings of Austrian banks continued to improve in 2018. Since end-May 2018, the Austrian banking sector has been ranked among the world's 13 most stable banking systems according to S&P.⁶ This means that the Austrian banking sector is seen on par with the banking systems of, for instance, Germany, France, Belgium and the Netherlands. In the same vein, the IMF (in its Article IV mission concluding statement) and the European Commission identified improvements in banks' capitalization, profitability and business models (referring, in particular, to de-risking in CESEE). The high NPL coverage ratios were also seen as a positive factor. However, the IMF also called on banks to take additional measures to strengthen their capital buffers, increase cost efficiency and ensure sustainable lending. Moody's changed the outlook for the

Austrian banking sector from positive to stable in August 2018, assuming a slower increase in capitalization due to increased dividend payments, among other factors. At the same time, the Austrian supervisory authorities' proactive approach and macroprudential initiatives toward sustainable lending were positively acknowledged. The developments currently seen in the Austrian real estate market and in real estate funding are not considered a systemic risk at this point.

The supervisory activities pursued by the OeNB in cooperation with the FMA and the Financial Market Stability Board (FMSB) have mitigated systemic risks. There is agreement among international rating agencies that this has contributed to a stabilization of the Austrian financial market and reduced the risks to the Austrian government, thereby ensuring access to bond markets and the availability of credit to the real economy.

⁶ S&P draws on Banking Country Risk Assessments (BICRA) for its bank ratings. There are ten BICRA groups, ranging from 1 (lowest risk) to 10 (highest risk). Austria is assigned to group 2, and there is currently no banking system that qualifies for group 1.

Macprudential measures successfully contribute to risk mitigation

Sustainable lending standards in real estate financing in Austria

International experience has shown that the bursting of credit-financed real estate price bubbles may generate high costs for a banking system, an economy and public finances. Unlike many other countries, Austria has not seen such adverse developments in the real estate sector in the past decades. However, future structural change cannot be ruled out, given that interest rates are still low and property prices are expected to rise further, which might go hand in hand with an easing of lending standards. While systemic risks emanating from real estate financing are limited in Austria at present, compliance with sustainable lending standards is vital to ensure that such risks will be contained also in the future. Sustainable lending standards are in the interest of both the banking sector on the one hand and borrowers and the real economy as a whole on the other.

Lending standards

Lending standards are the criteria defined by banks that must be met in order for a loan to be issued. General criteria are, for instance, loan-to-value ratios or monthly repayments. In addition, banks and borrowers may also agree on individual requirements.

Responding to an OeNB initiative, the FMSB therefore specified its definition of sustainable real estate lending in its meeting of September 21, 2018.

The OeNB's communication and the publication of the FMSB's expectations regarding sustainable lending standards underline that the authorities are willing and able to take supervisory action. The availability of the necessary data has been ensured and the statutory basis

for a comprehensive toolkit has been established. A structured dialogue with banks and the involvement of microprudential supervisors ensure that banks comply with the FMSB's expectations and reduce the danger of emerging systemic risks.

The OeNB will continue to closely monitor developments in the real estate market and keep the FMA and the FMSB well informed. Should systemic risks from real estate financing arise, the FMSB can recommend that the FMA take measures in line with Article 22b Austrian Banking Act.⁷

Macprudential capital buffers strengthen resilience

The systemic risk buffer (SyRB)⁸ has been applied to 11 banks at the consolidated level since January 1, 2016, and to 13 banks since January 1, 2018. Its activation had been proposed by the OeNB and recommended by the FMSB. An evaluation of the SyRB conducted in 2018 showed that banks had been building up capital without constraining lending in Austria and in their core markets in CESEE. Improvements from a systemic risk perspective were found in terms of capitalization, sector size, foreign exposure as well as ownership and group structures. Despite such progress, the fundamental assessment that had led to the activation of the SyRB remained unchanged, however.

Given that these systemic risks may manifest themselves both at the consolidated and the unconsolidated level and that, in particular within cross-border banking groups, capital allocation in crisis situations would not be flexible,

Figure 2

Sustainable real estate lending standards in Austria

Minimum borrower down payment	Benchmark: 20% of loan
Maturity	More than 35 years should be granted only in exceptional cases
Debt servicing	Benchmark: no more than 30% to 40% of the borrower's net income; calculations of income and expenditure must be conservative (income must be verified, regular, sustainable)

⁷ This includes, among other things, the specification of caps on the loan-to-value ratio, the debt service-to-income ratio and maturities.

⁸ The SyRB was designed to mitigate long-term noncyclical systemic risks. Its activation was recommended by the FMSB in June and September 2015. Following the end of the phase-in period (January 1, 2019), the SyRB amounts to up to 2% of risk-weighted assets.

the SyRB has also been applied to seven banks at the unconsolidated level since January 1, 2018.

Every year the OeNB evaluates the importance of individual banks for the Austrian financial system to ascertain whether their malfunctioning or failure might trigger systemic risks. At its meeting on July 4, 2018, the OeNB recommended that the FMSB include additional indicators when assessing the importance of individual banks in order to ensure that all systemically important banks are recognized as other systemically important institutions (O-SIIs).⁹ The banks that are considered highly relevant for the system include especially banks that hold a large amount of guaranteed deposits, which would (over)burden the deposit guarantee system in an insurance event. In addition, banks may be systemically relevant not only at the consolidated but also at the

unconsolidated level. Following the expansion of the O-SII definition over time, the O-SII list now includes Volksbanken Verbund and Erste Bank der oesterreichischen Sparkassen (in both cases because of their large volumes of guaranteed deposits), and the banks previously identified as O-SIIs are now considered to be systemically relevant also at the unconsolidated level.

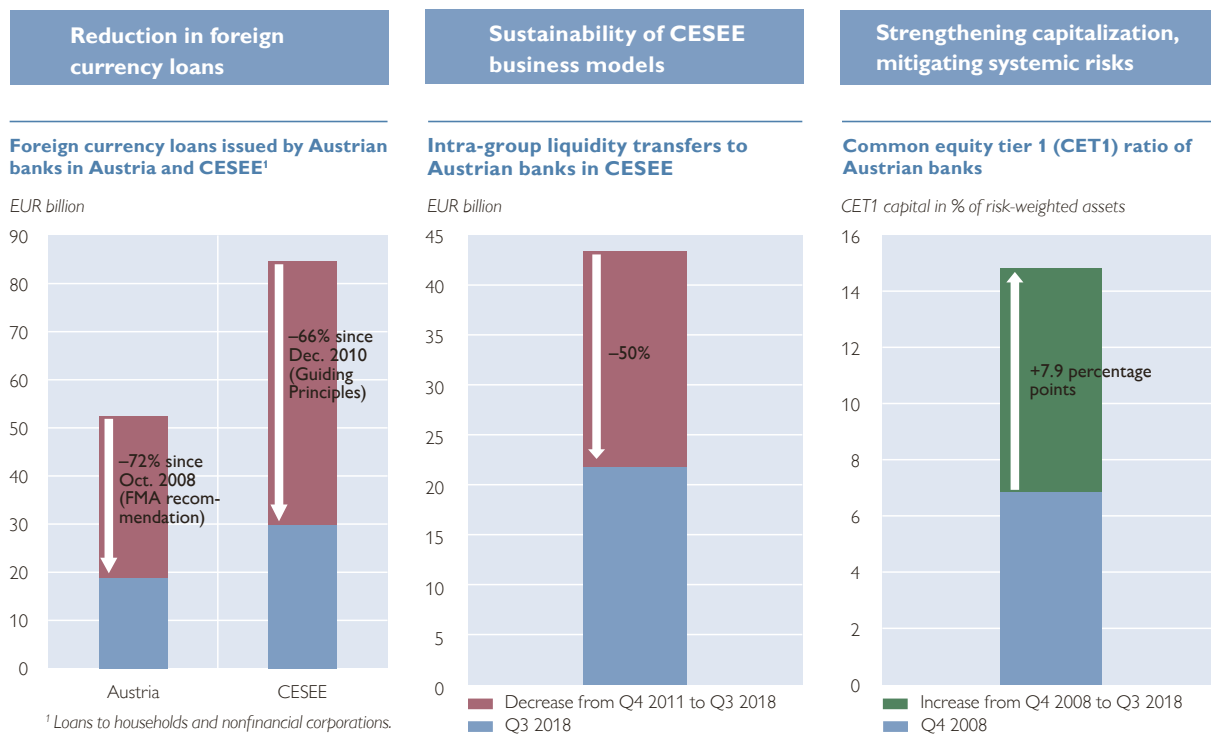
Based on regular OeNB analyses in 2018, the FMSB recommended that the FMA maintain the countercyclical capital buffer (CCyB)

The systemic risk buffer in Austria

The systemic risk buffer (SyRB) is a supervisory tool that was introduced with the aim of increasing Austrian banks' capital requirements. It was activated on the basis of an analysis conducted by the OeNB in 2015 which had shown that Austria was exposed to particularly high systemic risks because – while being a small, open economy – it had an above-average size banking sector with an exceptionally high emerging market exposure and its banks had capital ratios below those of banks in other countries with comparable business models as well as vulnerabilities resulting from specific ownership structures.

Figure 3

Macroprudential measures in Austria successfully contribute to risk mitigation



Source: OeNB.

Note: The percentages in the left-hand panel are exchange rate-adjusted decreases in the volume of loans in Austria (from October 2008 (when the FMA issued a recommendation on foreign currency lending) to September 2018) and in CESEE (from December 2010 (when the Guiding Principles were published) to June 2018).

⁹ The O-SII buffer is prescribed for banks whose malfunctioning or failure may trigger a systemic risk which could entail serious negative consequences for the financial system and the real economy (Article 23c in conjunction with Article 2 para. 41 Austrian Banking Act).

rate at 0% of risk-weighted assets as no signs of excessive credit growth had been identified. The CCyB is intended to counteract risks arising from the credit cycle (especially excessive credit growth).

Foreign currency loans in Austria and CESEE continue to decline sharply

Prudent and timely supervisory measures have contributed to the fact that foreign currency loans no longer pose a systemic risk for the Austrian banking sector. The OeNB maintains its recommendation that banks that issue foreign currency loans should assess borrowers' risk-bearing capacity together with the borrowers and, if necessary, take measures to reduce these risks.

The total amount of outstanding foreign currency loans to domestic nonbanks continues to decline sharply. In the year to September 2018 alone, it dropped by 7.8% to EUR 18.9 billion (exchange rate-adjusted). A 2018 survey on foreign currency loans and loans with repayment vehicles showed that at end-2017, the shortfall between the outstanding loan amount in euro and the forecast value of the repayment vehicle upon maturity had equaled around 29% of the outstanding volume of repayment vehicle loans or EUR 4.4 billion. The volume of foreign currency loans issued by Austrian subsidiary banks in CESEE has also been decreasing, shrinking by about two-thirds since end-2010 in exchange rate-adjusted terms. The remaining amount of outstanding foreign currency loans totaled EUR 30 billion at end-June 2018 and is predominantly (80%) denominated in euro.

Funding situation of Austrian banks' CESEE subsidiaries has improved further

The OeNB's and FMA's supervisory guidance on strengthening the sustainability of the business models of large internationally active Austrian banks (Sustainability Package) aims at improving foreign subsidiaries' stable local funding base to prevent excessive credit

growth, thereby reinforcing financial stability both in host countries and in Austria. The OeNB's ongoing analysis confirms that Austrian banks' CESEE subsidiaries have a more balanced funding base: in the third quarter of 2018, the loan-to-deposit ratio stood at 82%, compared with 106% at end-2011.

The OeNB and its role in the decentralized banking supervisory framework

Further improvements in supervisory processes under the SSM

Since November 4, 2014, the ECB has been responsible for banking supervision under the Single Supervisory Mechanism (SSM). In fulfilling this mandate and in particular in carrying out the day-to-day tasks in supervisory practice, the ECB cooperates closely with the national supervisory authorities, which, in Austria, are the OeNB and the FMA. The ECB directly supervises all institutions that are classified as significant (SIs).¹⁰ The national supervisory authorities (including the FMA and the OeNB) support the ECB in this task and, in addition, directly supervise the less significant institutions (LSIs).

Joint supervisory teams (JSTs) conduct the day-to-day supervision of SIs. Each SI is assigned a JST, which is responsible for preparing and implementing all supervisory decisions. Each JST is led by a coordinator at the ECB and is composed of staff from the ECB and the relevant national supervisory authorities.

The annual supervisory review and evaluation process (SREP) is one of the core activities under the SSM. In the SREP, supervisors review the overall risks credit institutions are exposed to and assess whether the institutions have sufficient equity capital to cover these risks. On the basis of extensive analyses, institutions are assigned their individual capital requirements for the following year. These ratios reflect the minimum capital necessary for covering institutions' overall risk. According to the current SREP, the 2019 capital ratios applicable to the

¹⁰ As on February 6, 2019, 119 banking groups were classified as SIs.

six Austrian SIs¹¹ remain largely unchanged from the previous SREP. Overall, the performance of key indicators suggests that the situation of Austrian SIs has stabilized. For instance, their CET1 ratio increased from 10.4% to 12.9% from 2014 to end-September 2018.

Following the implementation of the EBA SREP guidelines, the FMA and the OeNB also apply the SREP methodology for reviewing and assessing Austria's LSIs. In the year under review, the supervision of LSIs was carried out by applying, in its entirety, the ECB's SREP methodology, which had been finalized at the end of 2017. A special focus was put on a detailed assessment of risks in data security and IT infrastructures, which was carried out for the first time. Overall, LSI supervisors produced more than 400 analyses and reports, including more than 40 SREP analyses. Now work is underway on a supplementary capital recommendation for LSIs under Pillar 2¹² (Pillar 2 guidance, P2G), which is to be applied from 2020 on.

Reduction of NPLs remains priority for the SSM

High stocks of NPLs remain one of the key challenges of banking supervision in Europe. In the euro area, EUR 628 billion or 4.2% of total outstanding loans are currently considered to be nonperforming. For the Austrian SIs, the NPL ratio stands at 3.1%, which is to a large part attributable to nonperforming exposures in CESEE. Over the past few years, a number of measures have been adopted and initiatives have been launched at the European level to prevent the emergence of insufficiently covered NPLs and to help reduce the stock of existing NPLs. In this context, the ECB has published two guidance documents: The Guidance to banks on nonperforming loans published in March 2017 provides detailed descriptions of the measures and procedures banks should

comply with when dealing with NPLs. In March 2018, the ECB published an addendum to this guidance, setting out its quantitative expectations that are to ensure that provisioning for NPLs takes place in a more timely manner. The High Level Group on NPLs, which has been established by the SSM Supervisory Board and to which the OeNB has also contributed, provided a further specification of the provisioning rules. It says that under the SREP (Pillar 2), secured NPLs shall be fully provisioned after two years of vintage, and unsecured NPLs shall be fully provisioned after seven years.

Progress in harmonizing the European framework

The SSM is continuously taking measures to move forward the harmonization of supervisory processes and to foster a common supervisory culture. This includes, for instance, harmonizing the exercise of options and national discretions (ONDs) that EU law affords the national supervisory authorities in interpreting specific supervisory provisions.

In addition, there has been some success in harmonizing the SREP further and refining the process in certain aspects. Supplementing these efforts, in November 2018 the ECB published guides for banks on their capital and liquidity management, setting out its expectations with regard to banks' internal capital and liquidity adequacy assessment processes. The methodology developed together with the SSM ensures common supervisory practices. However, in line with the principle of proportionality, the depth and frequency of supervisory activities may vary at individual banks, depending on banks' size and risk profiles.

Other ongoing harmonization efforts include the targeted review of internal models (TRIM), a project launched by the ECB in 2016. The TRIM reviews banks' internal models in terms of

¹¹ Erste Group Bank AG, Raiffeisen Bank International AG, Raiffeisenbankengruppe OÖ Verbund eGen, BAWAG Group AG, Volksbank Wien AG, Sberbank Europe AG.

¹² If the capital demand resulting from the SREP exceeds the statutory minimum capital ratio (Pillar 1), a capital add-on will be prescribed (Pillar 2).

their compliance with regulatory requirements, reliability and comparability. In other words, the ECB checks the internal models used for calculating risk-weighted assets under Pillar 1. The results of these assessments feed into ongoing model supervision, thereby reinforcing supervisory work on risk modeling.

The ECB seeks to handle internal decision-making as efficiently as possible. To this end, a framework has been put in place that makes it possible to adopt routine decisions that involve limited discretion by means of delegation. This means that such decisions do not have to be adopted by the SSM Supervisory Board and the ECB Governing Council but can be delegated to senior managers in ECB Banking Supervision.

Transfer of supervisory responsibilities to the FMA

In November 2018, the Austrian federal government decided to restructure the banking supervisory framework; the reform is set to take effect on January 1, 2020. The FMA will take over microprudential analysis from the OeNB, while the OeNB will remain in charge of financial stability monitoring (macroprudential analysis). In addition, a competence center for financial market strategy and financial market development as well as a pool of experts dealing with quality assurance in official bank inspections shall be established at the OeNB. Work toward implementing the restructuring of the supervisory framework is underway and scheduled to be concluded by end-2019.

New developments in regulation

Substantial progress in negotiations on banking package under Austria's EU Council Presidency

On December 4, 2018, the Economic and Financial Affairs Council (Ecofin) endorsed an agreement that the European Commission, the European Parliament and the EU Council had reached in their negotiations on key elements of the so-called banking package.¹³ Work continued at the technical level with a view to finalizing the relevant legal texts, which are scheduled to be adopted in the first quarter of 2019 under Romania's EU Council Presidency. Hence, the legislative process initiated by the European Commission in the fall of 2016 is close to being concluded. During Austria's Council Presidency, the OeNB actively supported the Austrian Ministry of Finance in the trilogue negotiations, contributing its expertise in supervisory and regulatory issues.

From an Austrian perspective, satisfactory solutions were found in the following particularly relevant areas:¹⁴

- Reinforcing the principle of proportionality: Small and non-complex¹⁵ institutions will see a relaxation of reporting and disclosure requirements and of remuneration rules.
- Ensuring the credibility and feasibility of the supervisory review process (Pillar 2): The process will include a recommendation by the supervisory authority on a bank's own funds. Moreover, the Pillar 2 process will focus on bank-specific risks and not cover macroprudential (systemic) risks. At the same time, the macroprudential framework will be expanded.

¹³ The banking package comprises changes to the Capital Requirements Regulation and the Capital Requirements Directive, the Recovery and Resolution Directive and the Single Resolution Mechanism Directive.

¹⁴ In addition to the banking package, the following topics relevant to the banking sector were on the agenda during Austria's EU presidency: legislative measures with regard to the reduction of NPLs, covered bonds, facilitating cross-border payments in the EU, sustainable finance, the reform of the European System of Financial Supervision (ESFS review), Brexit, the regulatory treatment of government bonds, a sovereign backstop to the Single Resolution Fund (SRF).

¹⁵ Small and non-complex institutions are understood to be banks with total assets of below EUR 5 billion that are subject to no or simplified requirements for recovery and resolution and that have a small trading book.

- A clear distinction of supervisory and resolution regulatory requirements: Cooperation between supervisory and resolution authorities is to become more efficient.
- Fine-tuning of regulatory requirements for financial holding companies: New EU rules make licensing and supervision compulsory for financial holding companies.

Furthermore, some progress has been made in the reform of the European System of Financial Supervision (ESFS review). In the fight against money laundering, agreement was reached under Austria's Council Presidency on a negotiating position that is in favor of reinforcing the EBA's role and enabling the EBA, on certain conditions, to address decisions directly to banks. In 2018, a few European banks were involved in money laundering scandals. To ensure that the existing rules for combating money laundering and terrorist financing are complied with and monitored more stringently in future, the Ecofin Council adopted an action plan in December 2018.

The establishment of a European deposit insurance scheme (EDIS), which will represent the third pillar of the banking union, was initiated by the European Commission through a legislative proposal already in 2015; in October 2017, the European Commission published changes to its initial proposal, renewing its push toward EDIS. Under Austria's Council Presidency, the EDIS working group discussed additional models for the first phase of EDIS (liquidity assistance without co-insurance). Work at the technical level is still challenging since no political agreement has been reached so far. On December 3, 2018, the Eurogroup decided to establish a high-level working group with the mandate to draw up a roadmap for beginning political negotiations on EDIS and to submit a report on the results of its activities in June 2019.

Common Austrian deposit insurance operational since 2019

Until EDIS is implemented, national deposit protection schemes will continue to play a central role. In Austria, the Act on Deposit Guarantee Schemes and Investor Compensation (ESAEG), implementing the Deposit Guarantee Scheme Directive (DGSD) adopted in 2014, governs the protection of savings. The ESAEG stipulates that Austria must have in place a uniform deposit insurance and investor compensation scheme by the end of 2018. With effect from January 1, 2019, the former system of multiple deposit guarantee systems at the sectoral level¹⁶ was replaced by a central deposit insurance scheme established at the Austrian Federal Economic Chamber (WKO). The Sparkassen sector opted out of this regime, in line with the ESAEG, maintaining its own deposit guarantee and investor compensation scheme (Sparkassen-Haftungs GmbH). From January 1, 2019, all Austrian credit institutions must be part of either the central WKO deposit insurance scheme or their own deposit insurance and investor compensation schemes. In any case, if a bank becomes insolvent, deposits of up to EUR 100,000 per customer per bank will be refunded across the EU.

Fintech Advisory Council is working on growth-promoting regulation

The OeNB is also represented on the Fintech Advisory Council, a group established by the Austrian Ministry of Finance in April 2018. The Fintech Advisory Council is mandated to explore viable approaches to regulation for digital financial service providers that are also in the interest of Austria as a business location. Work is underway to draw up more flexible regulatory rules for certain financial start-ups (fintechs). These businesses will be given the chance to participate in regulatory sandboxes,

¹⁶ Deposit guarantee schemes of the Austrian Bankers' Association (Fachverband der Banken und Bankiers), the Volksbanken sector, the state mortgage banks and the Raiffeisen sector.

which give start-ups the chance to test their innovative financial services under close regulatory scrutiny. Other priorities on the Fintech Advisory Council's agenda include digital know-your-customer solutions, the challenges of initial coin offerings (ICOs) and digital securities management. The OeNB has been closely involved in particular in the work on regulatory sandboxes.

Digitalization and information and communication technology

Around the world, rapid technological change and progress in digitalization have led to an increase in the threat of cyber crime and disruptions in IT systems. The high interconnectivity of financial systems and markets makes the financial system particularly vulnerable to cyber attacks and their potential effects. For years, global and European institutions have been taking measures and launching initiatives to combat these risks. The ECB has made IT and cyber risks a priority in its 2019 supervisory activities, assessing these issues under the SREP and in on-site inspections. The European

Systemic Risk Board (ESRB) is currently focusing on the contagion channels and concentration risks of cyber threats. During the Austrian EU Council Presidency, the OeNB, in cooperation with the Austrian Federal Chancellery, organized the conference "Finance 5.0 – a challenge for cyber security." At the national level, preparations are underway for a cyber simulation exercise for the Austrian banking sector, organized jointly by the FMA, the OeNB and the organization "Kuratorium Sicheres Österreich" and scheduled to take place in spring 2019.

Payment systems oversight by the OeNB

The OeNB is in charge of payment systems oversight in Austria. Financial infrastructures' resilience to cyber risks remains a focus of oversight activities; the OeNB has already initiated substantial improvements in the infrastructures that it oversees. Moreover, the OeNB contributed to the ECB's cyber resilience oversight expectations for financial infrastructures, which were adopted by the ECB Governing Council in December 2018.

Enhancing the OeNB's statistics in the European context

By compiling, processing, publishing and communicating financial statistics, the OeNB contributes substantially to safeguarding price stability and financial stability. In 2018, the focus was on improving statistical reporting, expanding financial datasets and optimizing the presentation of results for specific target groups.

Current trends in data collection

The European initiatives to achieve integrated and harmonized data collection, as already implemented in Austria, have progressed further in 2018: Over the next few years, the collection of statistical data by the ESCB central banks will be harmonized within the Integrated Reporting Framework (IReF). To this end, a qualitative stock-taking exercise was carried out for banks, data quality analysts and users of statistics in 2018. Based on the results of this exercise, efficiency-enhancing measures were taken.

Moreover, the Banks' Integrated Reporting Dictionary (BIRD) – a harmonized data model providing a uniform, nonredundant basis for banks' statistical and supervisory reporting – was developed further in 2018 by adding the EBA's harmonized reporting requirements for banks' financial data, e.g. balance sheet data, profitability data, risk provisions or the volume of nonperforming loans.

AnaCredit – a future-oriented database for credit data

AnaCredit is a framework for the collection of granular credit and credit risk data as harmonized under European law; data reported to AnaCredit serve to analyze the lending business of euro area banks. All euro area credit institutions taking deposits or other repayable funds from the public and granting credits for their own account (i.e. credit institutions as defined in the Capital Requirements Regulation) are subject to AnaCredit reporting requirements. Since September 30, 2018, domestic credit

institutions have reported to the OeNB monthly or quarterly data on loans or credit lines granted to natural or legal persons exceeding EUR 25,000 (in total) per borrower; reports include financial and accounting data, counterparty reference data and collateral information.

The legal basis for AnaCredit reporting in Austria are Regulation (EU) 2016/867 and its Austrian extension, the 2018 Regulation on the Collection of Granular Credit Data (formerly Regulation on Reports to the Central Credit Register). To ensure high data quality, the ECB's validation checks for AnaCredit data were implemented in the data collection procedures at the national level and supplemented by additional validation rules. The collection of data according to the OeNB's integrated data model ensures consistency with other reported data, e.g. monetary statistics or unconsolidated financial information based on national accounting standards (FINREP solo). In cooperation with the ECB, the OeNB leads a working group to promote the further methodological, conceptual and legal development of AnaCredit, the building of the AnaCredit database and the full roll-out of AnaCredit reporting.

Granular data

The granular data, or microdata, collected in statistical surveys refer to individual reporting units and are subject to strict confidentiality rules. By means of data aggregation, they can be used to generate macrodata that can then be made available to the public.

Additional new reporting requirements

New and harmonized reporting requirements ("single data flow") for the OeNB and the FMA have been implemented, in line with the applicable ECB regulation, for both the supervisory and statistical reporting of pension fund statistics. In the course of 2018, the new reporting framework was developed jointly by the FMA, pension funds and the OeNB. It is based on granular data, which are subsequently compiled into final products as required (secondary statistics, reports, etc.).

In addition, resolution authorities must report information on banks' resolution plans

to the EBA in the context of implementing the Single Resolution Mechanism (SRM). Resolution reporting has been aligned as much as possible with liability data reporting to the Single Resolution Board and is compiled at regular intervals from banks' reporting data.

Moreover, in line with ESRB recommendations, the OeNB decided in 2018 to launch

a new national survey on households' real estate financing. The first reporting date will be June 30, 2020, and reporting will be based on the OeNB's integrated data model, which was developed further during the past year in anticipation of adding the new survey and meeting the EBA requirements outlined above.

Box 7

Security-by-security data enable quick and detailed analyses

The OeNB's securities database is fed more than a million datasets per month and maps a large part of Austria's domestic and cross-border securities transactions. Stemming from different sources, the data show a complex and detailed picture of securities transactions that provides insights into individual securities issues, lender-borrower relationships, instruments used, corresponding maturity periods or economic sectors involved. Apart from national data sources, information from the ESCB's securities holdings statistics is included as well (partly in aggregated form), containing data on securities holdings in the euro area as well as in some other EU Member States broken down by economic sectors according to ESA. These data have been harmonized and are therefore comparable. Securities data are a key element of many statutory statistics such as monetary statistics, mutual fund statistics, insurance statistics, balance of payments statistics, the financial accounts or the Central Credit Register.

Given their multifunctional character, these data can be analyzed in different ways to fulfill given analysis needs. For instance, they can be used to identify the actual investment instruments households or enterprises hold, indirectly, through their investments with institutional investors such as mutual funds, pension funds or insurance companies. A respective analysis shows that Austrian households' indirect holdings of debt securities are around three-and-a-half times higher than their direct holdings of debt securities. Also, share holdings are 1.5 times higher when indirect investment is factored in. In the same vein, when indirect investment is taken into account, the regional focus of Austrian households' investments clearly shifts toward investments abroad, as institutional investors rely on international markets both to comply with respective legal requirements and to reach their own liquidity and diversification targets.

Comprehensive sets of financial data for different target groups

The OeNB supports national and international (supervisory) authorities by preparing data to meet the needs of specific target groups. In 2018, for instance, regular reporting data were supplemented by data from ad hoc requests to banks. This additional information is required for various supervisory, resolution or financial stability purposes of the ECB, the EBA, the SRB, the FMA and the OeNB. Moreover, a structured, IT-supported demand management was introduced to ensure that the growing need for processing and providing data for supervisory purposes can be met in an effective, efficient and – as far as possible – standardized manner.

Subject to certain (eligibility) conditions, euro area banks may use loans to nonfinancial corporations as collateral to obtain central bank liquidity and overnight loans from the Eurosystem. The Common Credit Assessment System (CoCAS), a joint project of the Deutsche Bundesbank and the OeNB, serves to conduct credit assessments of nonfinancial corporations. In 2018, the CoCAS expert analysis was revised further, and the underlying technical procedures were adjusted accordingly. By leading the ESCB working group on the Inhouse Credit Assessment System (ICAS), the OeNB has contributed essentially to developing and advancing the corresponding framework.

Presentation and communication of statistical data

Presenting and communicating statistical data with target audiences in view helps enhance their understanding of financial sector phenomena and interrelations. Press conferences on major developments in banks' lending and deposit business, on the balance of payments or Austrians' financial behavior resulted in strong media coverage in 2018. The OeNB also published press releases on the financial position and results of operations of Austrian banks and provided comprehensive sets of related data.

An interactive statistics dashboard (www.oenb.at/en/Statistics.html) illustrates economic indicators and explains both their analytical value and methodological background. Since early 2018, moreover, around 350 statistical tables on the OeNB's statistics website can be visualized as line charts, thus providing a quick overview of financial sector developments at the touch of a button.

Inhouse Credit Assessment System

The Inhouse Credit Assessment System (ICAS) serves to assess the credit quality of nonfinancial corporations according to Eurosystem standards. Around 6,000 ratings per year are based on ICAS.

Die Währungshüterin – Die Oesterreichische Nationalbank



Euro banknotes and coins have come to stand for European unity. At the OeNB, we are committed to ensuring the efficient supply of secure cash in Austria and beyond.

Anton Schautzer
Cashier's Division

Efficient and secure payment services in Austria

The OeNB's role in the cash cycle

Cash continues to play a major role in Austria. In line with its legal mandate, the OeNB, together with its subsidiaries, provides the Austrian population and economy with euro banknotes and coins. This core task covers all stages of the cash cycle, from planning and production to provision, including safe storage and adequate stockholding.

Within the Eurosystem, the OeNB has been assigned the role of a cash supply hub in Central Europe – a task which it accomplished successfully also in the reporting year. ESCB cooperation partners appreciate, in particular, the OeNB's flexibility in cash logistics planning and in organizing cross-border cash transports. For this reason, the OeNB was chosen as a

location for holding Eurosystem Strategic Stock. The OeNB's strategic importance is reinforced by the fact that considerable volumes of euro cash are returned to the euro area via Austria, given Austrian commercial banks' strong ties to Central, Eastern and Southeastern Europe (CESEE).

Austrian schilling banknotes without an exchange deadline

The exchange deadline for the ATS 500 "Otto Wagner" banknote and the ATS 1,000 "Erwin Schrödinger" banknote expired on April 20, 2018. As a result of its media efforts preceding this exchange deadline, the OeNB recorded a rise in the exchange of Austrian schilling banknotes in March and April 2018. The

Figure 4

Austrian schilling banknotes without an exchange deadline



ATS 20 (5th motif) – Moritz M. Daffinger
 ATS 100 (6th motif) – Eugen Böhm von Bawerk
 ATS 1,000 (5th motif) – Karl Landsteiner

ATS 50 (4th motif) – Sigmund Freud
 ATS 500 (4th motif) – Rosa Mayreder
 ATS 5,000 (1st motif) – Wolfgang A. Mozart

OeNB's Euro Bus toured Austria for two weeks specifically to facilitate the exchange of these two schilling banknotes. They had ceased to be legal tender already before the euro was introduced, which is why they became subject to a 20-year exchange deadline. A total of 1,145,614 ATS 1,000 "Erwin Schrödinger" banknotes and 655,585 ATS 500 "Otto Wagner" banknotes had not been exchanged by April 20, 2018, and thus lost their value. The OeNB transferred the corresponding balance – some EUR 107.1 million – to the Austrian Federal Ministry of Finance.

The "Erwin Schrödinger" and "Otto Wagner" banknotes were the last Austrian schilling banknotes for which an exchange deadline had been in place. The OeNB will exchange all Austrian schilling banknotes of the last series (see figure 4) free of charge and for an unlim-

ited period of time at the irrevocable euro conversion rate of EUR 1 = ATS 13.7603. Of the around ATS 200 billion worth of Austrian schilling banknotes and coins in circulation before Austria's changeover to the euro, ATS 6.95 billion were still outstanding on December 31, 2018 – an amount equivalent to EUR 505.25 million.

New EUR 100 and EUR 200 banknotes unveiled

On September 17, 2018, the OeNB presented the new EUR 100 and EUR 200 banknotes, which are the last two denominations of the Europa series and will enter into circulation on May 28, 2019. This is going to mark the completion of the Europa series, which has been introduced gradually since 2013, starting with the EUR 5 banknote.

Box 8

Completion of the Europa series

To make it easy to distinguish the first and second series of euro banknotes, the colors of the denominations of the Europa series were adapted slightly and their design was modernized. In addition, the format of the two highest denominations has been changed: Both are now the same height as the EUR 50 banknote. The series of raised lines on the left and right edges is interrupted once on the EUR 100 banknote and twice on the EUR 200 banknote. The emerald number has additional innovative security features: Both banknotes feature € symbols on the emerald number.



Moreover, the silvery stripe on the right-hand side of both banknotes features the new satellite hologram at the top. When tilted, the satellite hologram shows € symbols that move around the number. The silvery stripe also contains the portrait window revealing a portrait of the mythological figure of Europa, the main image of the banknote and a large € symbol.



The euro banknotes of the first series will continue to be legal tender and remain in circulation. The ECB has decided to stop producing the EUR 500 banknote and to exclude it from the Europa series. The EUR 500 banknotes of the first series that are still in circulation will remain legal tender and can be exchanged for an unlimited period of time at all national central banks (NCBs) in the euro area. They may thus be used as a means of payment and a store of value also in the future.

Trends in cash demand

At end-2018, 22.61 billion euro banknotes worth EUR 1,231.13 billion were in circulation. The overall number of euro coins in circulation was 130.72 billion; their value stood at around EUR 29 billion. The total value of euro cash in circulation at end-2018 was EUR 1,260.14 billion, up 5.1% against the previous year. The steady rise in demand for euro cash partly reflects the increasing role of the euro as a store of value.

Chart 17 shows the development of euro cash demand broken down by denominations. The low and medium denominations, which are usually the default denominations dispensed by cash machines, are used most often in everyday transactions. With 10.4 billion banknotes in circulation, the EUR 50 banknote continues to be the most widely used denomination in the euro area. It is used both for everyday payments and for cash holdings.

As the use of the EUR 500 banknote has been declining, the EUR 100 banknote is becoming more popular. In terms of value, its share in total euro banknotes in circulation has already exceeded that of the EUR 500 banknote (see chart 18). With euro banknotes circulating across euro area countries (and beyond), the actual circulation of euro banknotes in Austria can only be estimated. For a number of years, the OeNB has based its estimations on the amounts of banknotes actually lodged with the OeNB, considering the velocity of circulation, amounts processed by professional cash-handlers other than the OeNB or the GSA as well as data reported by banknote wholesalers. According to these estimations, around 621 million euro banknotes worth EUR 31 billion were in circulation in Austria at end-2018 (2017: 593 million banknotes worth EUR 29.6 billion). This corresponds to a 4.7% rise against 2017.

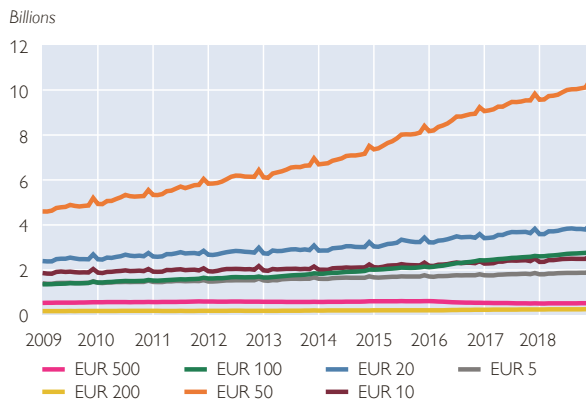
Trends in cash processing

Managing the volumes of cash in circulation is a major task for the euro area NCBs; it involves issuing banknotes and coins, monitoring cash in circulation, including its quality and the cash cycle, and ensuring confidence in the currency. NCBs process lodged banknotes and recirculate them into the cash cycle following authentication and fitness checks. In fulfilling these tasks, the OeNB contributes essentially to cash security in Austria.

The annual volume of banknotes processed by the OeNB and the GSA went up significantly in 2018 as banknote wholesalers lodged higher volumes of banknotes with the OeNB and the GSA (see chart 19). The volumes of

Chart 17

Total number of euro banknotes in circulation by denomination



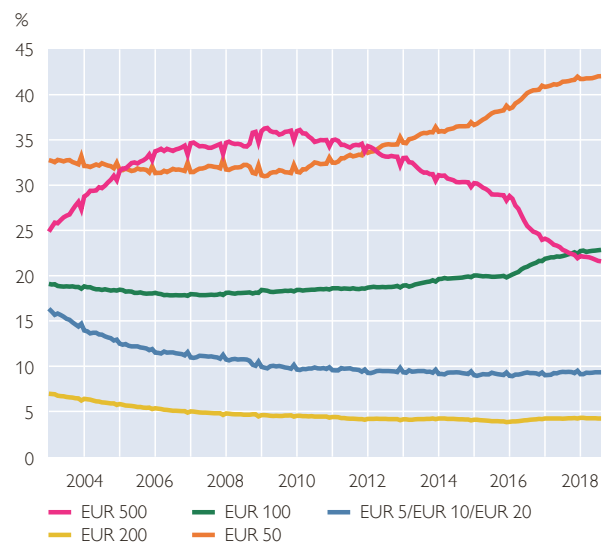
Source: OeNB, ECB.

banknotes processed by professional cash handlers have been on a steady rise ever since 2009.

Cash handlers in Austria must regularly report semiannual data to the OeNB to ensure that the OeNB is able to monitor their compliance with the provisions on the processing and recirculation of cash by cash handlers other than the OeNB. In addition, on-site inspections of cash handlers were carried out more frequently

Chart 18

Share in value of total euro banknotes in circulation by denomination



Source: OeNB, ECB.

Professional cash handlers

Professional cash handlers within the meaning of laws and regulations are primarily credit institutions, bureaux de change and cash-in-transit companies, as well as traders and casinos if they are involved in sorting and issuing cash by operating cash dispensers.

in 2018. During these inspections, cash recycling machines must be found to reliably sort out test sets of banknotes containing suspected counterfeits as well as damaged

and unfit banknotes.

Moreover, the cash processing procedures that cash handlers have in place are examined as well. Cash handlers must provide evidence of deploying only trained staff at cash counters. In general, credit institutions have responded well to the OeNB's monitoring activities.

Banknote counterfeits recovered in Austria

A total of 11,698 counterfeit euro banknotes were recovered from circulation in Austria in 2018 (2017: 9,892) (see chart 20).

Across Europe, counterfeits of the EUR 50 banknote top the list of counterfeit euro banknotes recovered from circulation (61.8%); together with counterfeits of the EUR 20 and the EUR 100 banknote, they account for around 94% of all counterfeit euro banknotes recovered in Europe in 2018. The situation in Austria is very similar, with counterfeits of the

EUR 50, EUR 20 and EUR 100 banknotes accounting for around 95% of all counterfeits recovered in the reporting year.

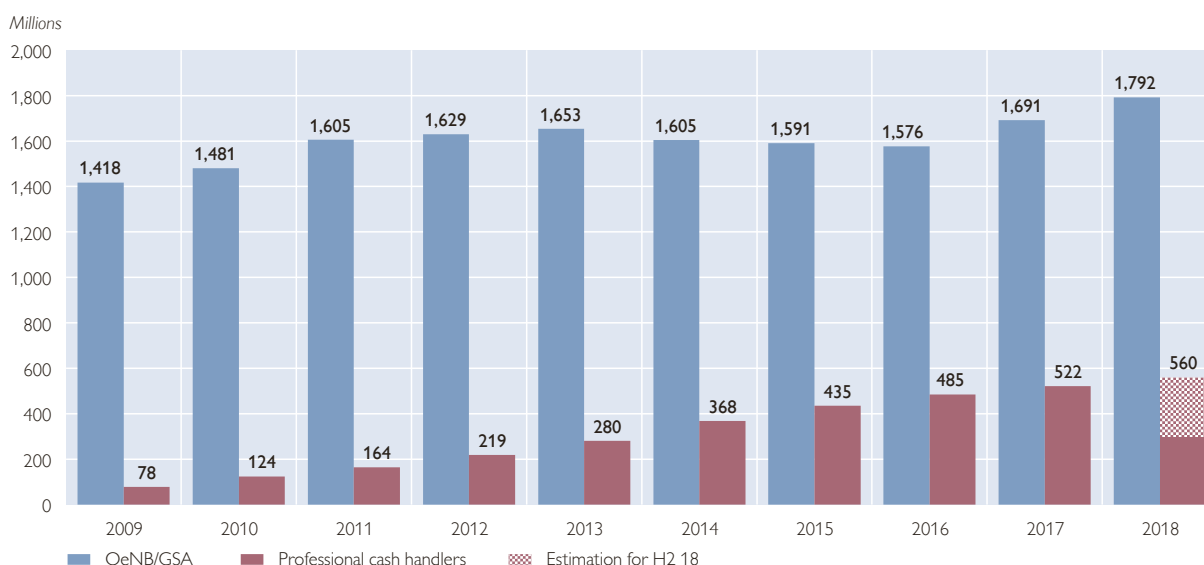
Most incidences of counterfeit banknotes in Austria (around 46%) continued to be recorded in the greater Vienna area. In 2018, the overall damage caused by counterfeits in Austria came to EUR 641,320 (2017: EUR 567,075). As in previous years, Austria's share in the total volume of counterfeits recovered from circulation in the euro area remained relatively low (around 2%). Most people still have only a minimal chance of coming across a counterfeit banknote in Austria. Euro banknotes can be easily checked for authenticity by using the FEEL, LOOK and TILT method, which does not require any technical equipment.

Payment systems for the Austrian financial market

Together with other Eurosystem providers, the OeNB offers secure and efficient high-capacity interbank payment systems for the Austrian financial market. TARGET2 and ASTI, the Austrian Settlement & Transaction Interface, are used to settle real-time large-value payments. In 2018, these two systems processed around 3.6 million payment orders totaling

Chart 19

Processing of euro banknotes by the OeNB, the GSA and professional cash handlers, 2009–2018



Source: OeNB.

around EUR 13,677 billion for the Austrian financial market.

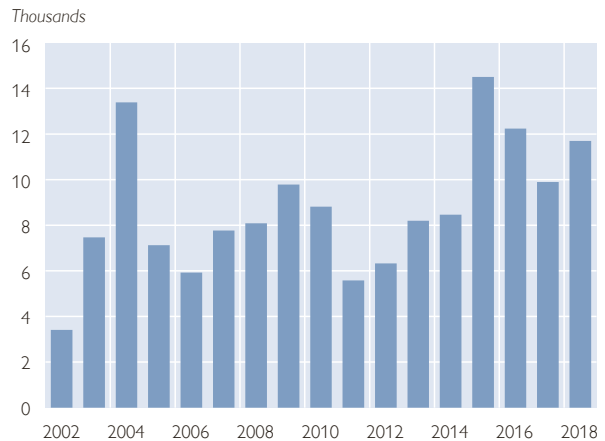
Clearing services are provided by Clearing Service Austria (CS.A) and Clearing Service International (CS.I). Domestic interbank payments are settled via CS.A and cross-border interbank payments are settled via CS.I.

New legal framework for payment services

The revised Payment Services Directive (PSD2), which entered into force on January 13, 2016, was transposed into Austrian law in June 2018 by the 2018 Payment Services Act (ZaDiG).

One of the key provisions of the PSD2 is that banks will have to grant third-party providers (e.g. fintechs) direct access to their systems for the purpose of viewing account data and initiating payments – subject to prior consent by users. These new market players mainly offer web-based payment initiation services (PIS) and account information services (AIS); under the original PSD, they were not subject to licensing requirements. The PSD2 largely harmonizes the provisions applying to PIS and AIS providers with those applying to other payment service providers (PSPs) such as credit institutions or payment institutions, for instance regarding registration and licensing requirements. This is intended to facilitate the market entry of new providers and thereby increase

Chart 20
Counterfeit euro banknotes recovered from circulation in Austria



Source: OeNB.

competition. The applicable conditions were defined by the EBA and will enter into force on September 14, 2019.

Moreover, the PSD2 lays down stricter security provisions for electronic transactions, requiring strong customer authentication (two-factor authentication) in most cases, and provides for better consumer protection in cases of abuse (PSP liability in case of unauthorized transactions).

Payment Services Directive 2 (PSD2)

The PSD2, the revised Payment Services Directive, governs payment services in the internal market. It has replaced the original PSD, which was transposed into Austrian law in November 2009 by the Payment Services Act (ZaDiG).

Payment systems provided by central banks are crucial for our common economic area. At the OeNB, we cooperate closely with stakeholders across Europe to guarantee that payment infrastructures are both reliable and innovative.

Hannes Hermanky
Equity Interest and Payments Management Division



New Eurosystem market infrastructures (Vision 2020)

The Eurosystem's Vision 2020, which was adopted by the Governing Council of the ECB in 2017, envisages three projects. The first project – developing a system for the settlement of instant payments – was successfully implemented in 2018 as scheduled. Since the end of November 2018, TARGET Instant Payment Settlement (TIPS) has offered settlement services for instant national and international payments to participating banks around the clock, every day of the year, within a few seconds, for 0.20 cent (EUR 0.002) per transaction. Austrian banks will start participating in TIPS in the course of 2019.

The second project envisages the consolidation of the TARGET2 (T2) large-value inter-bank payment system and the TARGET2-Securities (T2S) securities settlement system. Implementing T2-T2S consolidation requires major efforts from the credit institutions participating in the Eurosystem's monetary policy operations, as migration to new message formats according to the current ISO 20022 standard and to a new service structure is to take place in one single step ("big bang"). Implementation is scheduled for November 2021.

The third project concerns the harmonization and centralization of the Eurosystem Collateral Management System (ECMS) for the collateralization of monetary policy operations. The ECMS is scheduled to go live in November 2022, one year after the implementation of T2-T2S consolidation.

The Eurosystem's monetary policy operations must be settled in TARGET2. TARGET2 is the world's third-largest large-value payment system and the most important payment settlement system in the euro area. More than 340,000 payment transactions totaling

EUR 1,700 billion are processed in real time in central bank money via TARGET2 every day. The average value per transaction is EUR 5 million. TARGET2 has more than 1,000 direct and more than 700 indirect participants and can be reached by over 5,000 credit institutions around the world.

TARGET Instant Payment Settlement (TIPS)

A Eurosystem service for commercial banks that facilitates the final settlement of payments in real time in central bank money.

TARGET2-Securities (T2S) is a technical platform operated by the Eurosystem that enables participating central securities depositories (CSDs) to provide integrated real-time cash and securities settlement services in central bank money according to harmonized rules as well as transparent and uniform conditions. T2S contributes to realizing the EU Single Market in securities post-trading by reducing barriers in cross-border securities settlement and supporting further harmonization efforts. The European Commission's Action Plan on Building a Capital Markets Union names T2S as a key element for facilitating cross-border investment. 21 European CSDs participate in T2S. Settling a daily average of some 500,000 securities transactions totaling more than EUR 578 billion, T2S is one of the world's largest securities settlement platforms. In close cooperation with the OeNB, OeKB CSD GmbH, the Austrian CSD, migrated to T2S in February 2017. Transactions in T2S can be settled in euro and, since October 2018, also in Danish krone. The system may be expanded to include other currencies.

Central bank money

Central bank money refers to money created by central banks. Central bank money comprises sight deposits commercial banks hold with the central bank as well as currency in circulation (banknotes and coins).

Market participants were closely involved in planning and designing the future market infrastructures described above that help advance the integration of European financial markets.

Payment behavior in a digital world

There are two means of payment that dominate modern economic life: cash and money deposits. Money deposits comprise sight deposits of commercial banks with the central bank and businesses' and households' sight deposits with commercial banks. By contractual agreement, all these sight deposits can be converted into cash (which is issued exclusively by the central bank) at their nominal value at any time. New deposits with commercial banks are created when customers make cash deposits into their bank accounts or when they are granted a loan. For households, the main payment methods are electronic transfers of deposits held with commercial banks and cash payments.¹⁷

Will advancing digitalization change the supply of means of payment and/or payment behavior? This question is currently discussed not only in research, but also by commercial and, particularly, central banks.

Given the pronounced fluctuations in the value of privately issued crypto coins such as bitcoin observed over the past few months, it remains unlikely that such initiatives will become widespread means of payment.¹⁸

Issuing central bank digital currencies to be used by households is currently only considered in countries where gaps in the product variety of means of payment are emerging, reducing customers' choice. In Sweden, for example, the sharp decrease in the use of cash has been a main driver of such considerations.¹⁹

In the euro area, and in particular in countries like Austria, cash continues to be very popular – but given the rapid evolution of new payment methods (notably contactless payments), cash payments can be expected to decrease over time. The Eurosystem has identified the speed and security of payments as the most important requirements to support digitalization-related payment innovations. This is why it implemented TARGET Instant Payment Settlement (TIPS), which enables the secure real-time settlement of retail payments (see the above section for details).

A representative survey carried out by the OeNB in Austria shows that there is a “digital gap” concerning people's use of digital technologies for banking and financial services.²⁰ On the one hand, 58% of Austrians aged 14+ were found to use online banking, of which 36% already do so on their mobile devices. One-third of respondents claimed to visit a bank counter only once a year at most. On the other hand, 45% of respondents stated that they preferred paying cash for grocery shopping worth EUR 50, and 43% said they still contacted a bank teller at least once a month.

Subsidiaries support the OeNB in fulfilling its tasks

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

Within European monetary union, MÜNZE is the official mint of the Republic of Austria. Its exclusive right to mint and issue coins in Austria is laid down in the provisions of the Coinage Act. In line with the prevailing legal provisions, MÜNZE meets the domestic demand for euro coins. In 2018, MÜNZE supplied the OeNB with a total of 237.9 million euro coins with a face value of EUR 63.5 million. Moreover, MÜNZE is internationally renowned for first-class precious metal processing and the production of innovative and durable precious metal investment products and collectors' items. Since the Italian legislator prohibited the production of 1 cent and 2 cent coins – despite

¹⁷ Weber, B. 2018. *Democratizing Money?* Cambridge University Press. 41ff.

¹⁸ Beer, C. and B. Weber. 2014. *Bitcoin – The Promise and Limits of Private Innovation in Monetary and Payment Systems*. In: *Monetary Policy & the Economy Q4/14*. OeNB.

¹⁹ Pichler, P., A. Schierlinger-Brandmayr and M. Summer. 2018. *Digital money*. In: *Monetary Policy & the Economy Q3/18*. OeNB; Barontini, C. and H. Holden. 2019. *Proceeding with caution – a survey on central bank digital currency*. BIS Paper 101.

²⁰ Ritzberger-Grünwald, D. and H. Stix. *How Austrians bank and pay in an increasingly digitalized world – results from an OeNB survey*. In: *Monetary Policy & the Economy Q3/18*. OeNB.

the continued local demand for these denominations – MÜNZE issued euro coins directly to Italian cash-in-transit companies in 2018, ensuring that local demand for these coins could be met.

In its capacity as a Eurosystem technology partner, the OeBS focuses its R&D activities on technologies for the printing of security features and for banknote authentication sensors used in banknote-sorting machines that are employed in the cash cycle. Within the Eurosystem, the OeBS produces the share of annual euro banknote production volumes assigned to Austria on the basis of the OeNB's share in the ECB's capital key. In 2018, the OeBS produced 55.4 million EUR 100 banknotes and 54.6 million EUR 200 banknotes of the second, i.e. Europa, series of euro banknotes that will enter into circulation on May 28, 2019.

Individual tasks defined in the Eurosystem's R&D strategy have been assigned to specific national central banks. The OeBS was first entrusted in 2012 with performing test prints for the Eurosystem and monitoring patents to avoid unnecessary duplication in the field of prototype banknote production. The ECB has extended the contract for the provision of these services until 2020.

The GSA, whose core tasks include cash logistics, was established as a limited liability company. Its majority owner is the OeNB, which holds a 95.34% share, with the remaining shares primarily held by stakeholder Austrian commercial banks. This makes the GSA a public-private partnership that, by utilizing synergies between the OeNB and commercial banks, contributes to the overall efficiency of cash supply in Austria.

Banknotes in circulation are processed in the GSA's cash centers in Vienna, Graz, Linz, Salzburg, Innsbruck, Klagenfurt and Bregenz. They are checked for authenticity and fitness and recirculated if deemed fit for circulation. In 2018, the total value of banknotes processed by the GSA came to more than EUR 109 billion.

Since 2011, the GSA has been operating a clearing house for the settlement of national interbank payments, Clearing Service Austria (CS.A). By providing this payment infrastructure, the GSA contributes to making noncash payments in Austria more efficient and secure. In 2018, a total of 618.7 million payment transactions were settled in CS.A.

On behalf of the OeNB, the GSA is responsible for operating Clearing Service International (CS.I), which Austrian commercial banks may use to settle cross-border payments within the Single Euro Payments Area (SEPA). In 2018, a total of 64.5 million payment transactions were settled in CS.I.

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

Table 10 (p. 91) provides a comprehensive list of the OeNB's direct and indirect equity interests.

I have the great job of organizing events aimed at facilitating the international exchange of ideas and of welcoming colleagues from all over the ESCB to Vienna.

Nicole Fruhmann
Communications and Financial Literacy Division



The OeNB – a sustainable enterprise



Working for OeNB Language Services, I help translate the European idea for the Austrian public.

Barbara Meinx
Foreign Research Division

Forward-looking knowledge management

As a modern central bank, the OeNB strives to ensure efficient processes and a lean organizational structure. In this spirit, the OeNB closed its branch offices in Graz and Linz with effect from April 30, 2018, because the local exchange of schilling for euro – one of the main tasks of the branch offices – had been declining. People who still have old schilling cash they wish to exchange can use the OeNB cash counters in Innsbruck and Vienna or other channels (insured mail, Euro Info Tour).

As a responsible employer, the OeNB is committed to maintaining or, if need be, restoring the health of its employees. To this end, it optimized and reorganized its occupational health management in 2018. The OeNB's willingness to embrace change and innovation is also evident in the programs it has developed to unlock organizational excellence and to inspire more creativity among its staff.

The OeNB stands ready to meet future challenges

To meet the challenges of an increasingly complex operational environment, the OeNB relies on state-of-the-art methods. As a case in point, the OeNB has applied the scrum approach to project management for more than ten years, in particular in the area of software development. Because this method has helped improve projects involving different organizational units, and today is best practice, the OeNB actively supports certified scrum training courses. In

the areas of IT, organizational development and change management, the OeNB has recently started exploring new methodologies, such as “interaction room” sessions, design thinking and different creativity techniques.

2018 also saw the launch of the OeNB Innovation Lab, an initiative to promote innovation across different business areas by testing new ideas inspired by technological advances. Most recently, the OeNB Innovation Lab has addressed issues of artificial intelligence, deep learning and distributed ledger technologies. In this context, the IT department and experts from other business areas cooperate within the limits of fixed time and resources budgets, while enjoying considerable freedom with regard to research topics and organizational structures.

In performing its statutory tasks, e.g. monitoring financial market developments from a stability perspective, the OeNB also keeps abreast of related technological changes. To this end, it has established the OeNB Fintech Core Group, which monitors and analyzes new financial technologies, connecting experts in different areas of the OeNB in an interdisciplinary information network.

Modern staff management – a crucial success factor

Mobility and training enhance staff qualifications

2018 showed the clear success of ongoing activities to promote mobility within the ESCB and

Table 2

Indicators of knowledge-based processes

Unit	2015	2016	2017	2018	
Process efficiency					
Certified areas	number	10	10	10	10
Entries in the OeNB's terminology database	number	21,892	22,289	22,628	22,901
Error-free payment transactions	%	100	100	100	100
Staff suggestions for improvements	number	36	36	30	48
Technical infrastructure					
IT services for the ESCB/Eurosystem	number	3	3	3	3
Major IT projects	number	6	6	6	6

Source: OeNB.

Table 3

Indicators of investment in knowledge-based capital

	Unit	2015	2016	2017	2018
Staff structure					
Full-time equivalent staff (year-end) ¹	number	1,085.9	1,091.8	1,100.0	1,079.3
aged up to 30 years	%	10.6	11.5	10.9	9.2
aged 31 to 40 years	%	28.1	28.4	28.3	28.6
aged 41 or older	%	61.3	60.1	60.8	62.2
Fluctuation rate	%	1.9	1.7	1.3	2.8
Share of university graduates in total staff	%	59.3	61.5	63.2	64.9
Staff-to-manager ratio	number	6.8	7.1	7.0	7.0
Gender management					
Share of women in total staff	%	38.5	39.5	39.1	38.8
Share of women in the specialist career track	%	37.0	35.8	33.1	37.9
Share of women in management positions	%	27.5	27.9	28.7	27.9
Flexible working arrangements					
Part-time employees	%	11.6	13.9	15.3	16.0
Staff in teleworking scheme	%	8.9	9.0	10.0	11.2
Staff on sabbatical	number	4	2	4	6
Mobility					
Participants in in-house job rotation program	number	42	46	39	40
Working visits to national and international organizations (external job rotation)	number	45	52	52	56
Working visits at the OeNB (incoming)	number	1	3	7	32
Interns	number	55	67	66	75
Knowledge acquisition					
Education and training days per employee (annual average)	days	4.8	4.5	4.1	4.1
Education and training participation rate (share of employees that attended at least one training event per year) ²	%	61.3	81.3	73.9	82.2

Source: OeNB.

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

² Different calculation method from 2016.

the SSM. Thanks to new programs, which were initiated in 2017, there was a significant rise in both OeNB staff members' working visits to national and international institutions and incoming working visits at the OeNB. Based on these efforts, knowledge exchange and cooperation at the European level has been facilitated. Promoting further training and personal development among staff is also key for the OeNB to ensure that its employees have the toolkit they need for fulfilling their responsibilities in a challenging environment. That this training offer is well received is evident in several related indicators (e.g. an education and training participation rate of 82.2% and an average of 4.1 education and training days per employee). In terms of HR processes, digitalization progressed in 2018, strengthening the efficiency of day-to-day operations. As a case in point, in-house

recruiting has become much easier from a technical perspective, which in turn will favor internal mobility.

Balancing work and family life

Helping its employees balance their work and family commitments is very important to the OeNB. A healthy work-life balance is not only crucial for the working climate but is also decisive if the OeNB wants to remain an attractive employer, which is why it offers various family-friendly options to its staff members, such as flexible part-time models, a month of paid paternity leave and a company kindergarten. In the reporting year, this offer was complemented with new initiatives, e.g. three summer camps the OeNB organized for six- to fourteen-year-olds, giving them the opportunity to learn new things in a relaxed and fun setting.

Since the camps proved a great success, there will be a similar offer in 2019. The second re-certification of the OeNB as a family-friendly employer (“berufundfamilie” audit) is a testament to the many successful measures it has implemented to help its staff balance work and family life.

Diversity and equal opportunities

One of the key pillars of the OeNB’s working culture is proactive diversity management, which focuses not only on gender and sexual orientation, for example, but also on issues related to people with disabilities at the workplace. In 2018, the OeNB once more served as a partner organization in the DisAbility Talent Program set up by the consulting firm myAbility: Under the auspices of the OeNB’s disability representatives, students with disabilities were given the opportunity to gain practical insights into the work of a central bank. Moreover, students with disabilities were offered facilitated access to internships at the OeNB. In this context, the OeNB also organized workshops for staff to raise awareness for the needs of colleagues with disabilities. With these efforts, the OeNB is determined to create a working environment in which all staff members can reach their full potential and make an optimum contribution to the OeNB’s success.

Governance, risk management and compliance rules protect the OeNB and its staff

Many of the corporate governance rules that apply to the OeNB are laid down in the Federal Act on the Oesterreichische Nationalbank. Next to national legislation, the OeNB must also comply with international rules and regulations, in particular with the Statute of the European System of Central Banks and of the European Central Bank, as well as other legal

provisions applicable to central banks. To reflect these specific requirements as well as the general provisions of the Federal Public Corporate Governance Code, the OeNB has drawn up the Corporate Governance Code of the Oesterreichische Nationalbank, taking into account input by the Federal Ministry of Finance.

In the area of risk management, the OeNB, in 2018, completed work on a review of compliance risk assessment (CRA), which had been initiated in the previous year. Reflecting the international focus on the issue of fraud, which has also been mirrored by the ECB’s efforts, the OeNB has also placed increased emphasis on this topic.

The OeNB has been aiming to harmonize compliance standards across its entire network of subsidiaries to the greatest extent possible. To this end, it has promoted and mostly completed the implementation of adjusted and harmonized minimum compliance standards at the subsidiaries in its sole or majority ownership.

Data protection

It is of prime importance to the OeNB that personal data are protected and processed in conformity with the applicable law. In the first half of 2018, related efforts focused on the implementation of the General Data Protection Regulation (GDPR). In the course of these implementation measures, the OeNB compiled a completely new inventory of all its data processing activities and exhaustively examined their compliance with data protection law. In 2018, the OeNB also made determined efforts to meet increased transparency obligations under data protection law, to optimize its data protection management system and to appoint a data protection officer. By the second half of 2018, all data protection processes and procedures had been fully implemented in regular operations.

At the OeNB, we implement the Eurosystem's monetary policy in Austria and provide banks with central bank money in return for collateral. Naturally, this involves a great deal of coordination with all our partners.

Belinda Sperch
Treasury – Front Office



Risk management

Financial risk

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

Market risk

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

Moreover, a three-month risk horizon is calculated in addition to the risk range.

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

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

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

Credit risk

Credit risk is the risk that a counterparty will fail to meet some or all of its obligations. In principle, the OeNB manages the credit risk arising from its own funds portfolio and related investment activities with a limit system which provides up-to-date information on all risk limits and exposures. Credit risk arising from monetary policy operations is calculated by the ECB and accounted for on a pro rata basis in OeNB risk reporting. Credit risk arising from holdings for own account and investments of own funds is calculated by the OeNB and taken into account when monitoring the use of the risk budget. All VaR and ES calculations of ECB and OeNB risk are consistently based on a one-year horizon and a confidence interval of 99%.

Market liquidity risk

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

maximum residual maturities of transactions. Security and liquidity considerations take precedence over yield in managing assets.

Operational risk

Operational risk is the risk of incurring losses due to deficiencies or inadequacies in internal processes or systems, human errors or disruptions from external events. Management of operational risk at the OeNB is governed by the rules laid down in its Risk and Crisis Management Handbook (ORION). The OeNB is aware of its responsibility as an operator of critical infrastructure and has therefore identified current security requirements in the event of failure. These requirements are reflected in the

OeNB's contingency plans to minimize the impact resulting from disruptive events on the OeNB's business activities.

Information security risk

The OeNB's IT operates an information security management system certified to ISO27001, examining and dealing with information security risks on a systematic basis. Technical and organizational vulnerabilities are identified in line with protection requirements defined by the OeNB to ascertain whether they present a confidentiality, an integrity or availability risk. In this context, protection and security of information need to be balanced with costs and usability.

Keeping the public informed – PR work at the OeNB

The OeNB enjoys high trust and steps up its public presence

The continued confidence in the OeNB's expertise is reflected by the large number and diversity of people – teenagers, students, media representatives and experts – who regularly address questions to the OeNB (table 4). Press conferences and releases as well as comments, interviews and analyses related to the OeNB's economic forecasts, crypto assets and Austrians' payment behavior were particularly well received in 2018. Likewise, about 27,000 downloads of OeNB publications confirm the public's interest. Meanwhile, the OeNB's YouTube channel has generated more than 97,000 views (as at end-2018), a large number of which (19,000) were attracted by a clip explaining one of the OeNB's core tasks – monetary policy – in simplified terms. This shows the great demand for educational videos.

The OeNB's press work again generated a large number of news items in the media in 2018, in particular on the economy and banks. The media also showed keen interest in the supervisory reform.

To track its image among the Austrian public, the OeNB relies on a regularly conducted representative survey. The OeNB's latest confidence rating – 71%²¹ – is the highest value recorded in the last 10 years. Among the respondents, 64% believe that information provided by the OeNB is objective and well founded. The OeNB will keep up the hard work in 2019 to live up to the expectations inspired by such a vote of confidence. A central focus of OeNB events and press work in 2019 will be the 20th anniversary of the euro.

Expert exchanges with high impact

The OeNB organizes numerous events to promote the exchange of monetary and economic policy views. The largest audiences (several hundred participants) are reached with the annual Economics Conference and the annual

Conference on European Economic Integration (CEEI). The 2018 Economics Conference addressed the topic “Economic and Monetary Union – Deepening and Convergence.” It was hosted in cooperation with the Austrian Federal Economic Chamber on July 5 and 6 in Linz, accompanying the start of Austria's EU presidency. The question of “How to finance cohesion in Europe?” was explored at the 2018 CEEI, which was held on November 26 and 27 in Vienna. The OeNB also organized numerous other workshops and seminars, which generated lively interest among economists in Austria and abroad.

Promoting financial literacy in Austria

As an independent advocate of financial and economic literacy among the Austrian population, the OeNB provides a broad and growing range of cost-free products for different audiences under the brand name “Eurologisch.”

This product range has been recently complemented by the board game “Eurologisch ACTIVITY,” which helps children and teenagers to learn about financial concepts in a fun way.



The OeNB also restructured and expanded its seminar offer for teachers under the new name “Euro-Prof's.” In addition to its teacher training offer organized in cooperation with Volkswirtschaftliche Gesellschaft Österreich, the OeNB has stepped up its cooperation with universities. Next to various lectures in the framework of different training courses at the University of Vienna, the OeNB will provide a series of geography and economics lectures on eight questions on current monetary policy in the summer semester of 2019. From 2019, the OeNB will also offer an elective course on financial literacy at the Institute for



²¹ Source: OeNB Barometer survey, H2 2018.

Business Education at Vienna University of Economics and Business.

A particular highlight in the reporting year was the expansion of the OeNB's digital financial literacy offer. A newly developed online tool ("m€ins") helps users monitor their personal income and expenditure. The special feature of this tool, which is equipped to factor in several accounts and savings books, is that it also reflects cash transactions and offers an



extensive planning function. By netting planned and actual income with planned and actual spending, the tool yields the disposable income for the current month.

As a response to strong demand, the OeNB allocated greater resources to some existing projects, such as the Euro Logo Tour, in 2018.



This project, which targets pupils in lower-secondary school with five different workshops on price stability, cash, markets, prices and handling money responsibly, visited almost twice

as many schools in 2018 as in the previous years.

In addition to the regular annual Euro Info Tour, the OeNB organized a two-week extra tour of the Euro Bus in April 2018 because of the approaching exchange deadline for the ATS 500 banknote "Otto Wagner" and the



ATS 1,000 banknote "Erwin Schrödinger." During the ten extra stops, which included all regional capitals in Austria, more than ATS 8 million were exchanged for euro.

2018 marked the 15th anniversary of the OeNB's Money Museum. One highlight in this anniversary year was the reopening of the permanent exhibition, which had been modernized to reflect state-of-the-art concepts of museology. The key topics money, currency and economy are now presented in a more accessible fashion. For the first time, the Money Museum



GELDMUSEUM

has also compiled an audio guide accompanying its permanent exhibition. Early November saw the opening of an exhibition on Tyrolean coinage under Habsburg reign which had been specifically designed for the OeNB – Western Austria office in Innsbruck ("442 – Habsburg, Tirol & die Münzen"). Other highlights included the launch of the holiday activity program for young people organized by the City of Vienna, where around 1,000 visitors showed great interest in the Money Museum's booth. Moreover, the annual Museum Night organized by the Austrian Broadcasting Corporation ORF proved to be a big success for the Money Museum, drawing nearly 1,350 visitors. Overall, 315 tours and workshops were organized in the Money Museum in the reporting year.

20 years ago, the OeNB established the Bank History Archives to react to growing public interest in the history of economic and monetary policy of the 19th and 20th centuries. The corporate materials stored in the archives are made available to researchers subject to the relevant access restrictions. The historical



archive materials date back to the OeNB's origins in 1816 and today comprise more than 2 million records.

Supporting supraregional knowledge transfer

Agreement on Joint Vienna Institute (JVI) extended

In 2018, 123 training weeks with a total of 2,282 participants were completed at the JVI. This significant increase against previous years speaks to the JVI's importance as a training institution. In 2018, the OeNB designed and organized nine JVI courses on the following topics: supervision and financial stability, European integration, financial literacy, HR and

compliance, cash and payment systems as well as monetary and financial statistics. Some of these courses were offered in cooperation with partners, in particular with the Federal Ministry of Finance, the Deutsche Bundesbank and the ECB.

Technical cooperation within the ESCB

The OeNB is part of the ESCB Task Force on Central Bank Cooperation, which aims to coordinate the activities of different central banks in an attempt to use the scarce resources available as efficiently as possible and to avoid the unnecessary duplication of efforts. In 2018, related projects concentrated on preparing an EU-funded regional technical assistance program for EU candidate countries and potential candidates in the Western Balkans. Moreover, OeNB experts supported the Deutsche Bundesbank in carrying out EU Twinning projects for the central banks in Belarus and Serbia. The OeNB also shared its expertise in a working group on evaluation, which assesses the effectiveness of cooperation measures.

The OeNB is committed to its social responsibility

Development aid

Supported by the OeNB's Governing Board, the development aid group within the OeNB has been run by dedicated volunteers for more than 30 years. In line with the UN Sustainable Development Goals, the group's main objec-

tives are eradicating extreme poverty and hunger, achieving universal primary education, improving the health of mothers and children, promoting the economic participation of women and ensuring the sustainable use of resources. With donations, OeNB staff supported development aid projects in the Democratic Republic of Congo, in Burkina Faso, Kenya, Ghana, Uganda, Bangladesh, India, Vietnam and Togo in 2018.

“Anissa” refugee project comes to an end

In late 2018, the container village “Anissa,” which had been set up by the OeNB for asylum seekers on the premises of its seminar and sports center in the Vienna suburbs, was closed after three years. Managed by the Austrian charity Caritas (Archdiocese of Vienna), Anissa gave a home to more than 150 people who received basic care and support to facilitate their integration and training. The OeNB itself, as well as many former and current OeNB staff and many volunteers from the local community, supported the project through active involvement or donations.

Joint Vienna Institute (JVI)

Founded in 1992, the JVI is the oldest regional training center established by the International Monetary Fund (IMF) worldwide. It offers training to central bank experts and public sector officials on a broad range of topics with a focus on economic, fiscal, monetary and financial market policy. The course participants mostly come from countries in Central, Eastern and Southeastern Europe and the Commonwealth of Independent States. The JVI is co-sponsored by the Austrian Federal Ministry of Finance, the IMF and the OeNB. The related agreement between Austria and the IMF was extended by another four years in April 2018. Since its foundation in 1992, the JVI has trained a total of 43,695 course participants.

Table 4

Indicators of knowledge-based output

	Unit	2015	2016	2017	2018
Cooperation and networks					
National bodies with OeNB representatives	number	82	86	86	84
International and European bodies with OeNB representatives (ESCB, etc.)	number	287	303	364	356
Technical assistance activities with CESEE and CIS central banks	days	563	410	557	451
Course participants at the Joint Vienna Institute (JVI)	number	2,197	2,060	2,155	2,282
OeNB-hosted national and international events	days	181	163	186	209
Lectures delivered by OeNB staff to external audiences	number	686	760	828	870
Communication and information					
Queries to OeNB hotlines	number	17,376	14,518	13,335	12,449
Research cooperation projects with external partners	number	90	83	90	100
Visitors to the Money Museum	number	13,732	11,703	13,027	11,482
Cash training course participants (including Euro Shop Tour)	number	15,322	8,279	16,159	5,979
Children and teachers reached through school activities	number	18,802	23,546	22,565	29,252
Seminars for teachers	number	9	8	7	21
Contacts during the Euro Info Tour	number	35,892	30,143	45,562	30,208
Press conferences	number	12	18	12	13
Press releases	number	153	190	177	187
Publications					
Articles published by OeNB staff	number	139	106	111	119
of which: refereed papers	number	39	35	30	30
Confidence and image					
Confidence index in the second half of the year	%	57	61	67	71
Image index in the second half of the year (values between 5.5 and 10.0 signal a positive image)	value	6.3	6.5	6.9	6.9

Source: OeNB.

The OeNB promotes research, science, art and culture

Contributing to research funding

Set up in 1966 to celebrate 150 years of central banking in Austria, the OeNB Anniversary Fund has since then supported nearly 10,000 basic research projects (up to 2003 also applied research) in Austria, providing about EUR 810 million in funding.

In 2018, the Governing Board of the OeNB approved funding totaling about EUR 9.14 million for 76 Anniversary Fund research projects in the following areas:

- economics (32 projects):
EUR 3.82 million
- medical sciences (19 projects):
EUR 2.61 million
- social sciences (13 projects):
EUR 1.35 million
- humanities (12 projects):
EUR 1.36 million

The current focus area “financial market and financial stability” (11 projects) received funding in the amount of EUR 1.61 million. For 2019, “Digital change – opportunities and challenges for labor markets, competitiveness and sustainability and related measurement problems” has been defined as a new focus area for economics projects.

Committed to Austria’s cultural heritage

Currently, the OeNB’s collection of historical string instruments numbers 44 instruments, all of them crafted by the most renowned violinmakers of the Italian and French schools. The OeNB lends all of these instruments to Austrian musicians free of charge, thus making a contribution to Austria’s international reputation

as a musical nation. The four violins that were added to the collection in 2018 will be made available to outstanding students enrolled at Austria’s music universities, allowing them to prepare for competitions and auditions. The purchase of another valuable violin, subject to an international two-stage procurement procedure, is in the pipeline.

In the course of a long-standing cooperation between the OeNB and the Austrian radio station Ö1, eight concerts took place throughout Austria in 2018 at which musicians played instruments from the OeNB’s collection. Additional concerts were organized at Stift Ossiach in cooperation with the Carinthian Summer Music Festival, in Hall in Tyrol as well as at Vienna Hofburg in the context of Austria’s EU presidency.

In 2018, the OeNB was able to add some eminent pieces to its collection of Austrian artworks, i.e. a painting by Franz Sedlacek²², a representative of the *Neue Sachlichkeit* (“New Objectivity”), as well as paintings by Zoran Mušič²³ and Alfons Schilling²⁴. Moreover, the OeNB commissioned a suspended brass pipe and wire sculpture with artist Constantin Luser, which was mounted in the foyer of the OeNB’s Money Museum in late 2018.

By loaning out artwork from its collection, the OeNB contributed to nine exhibitions in the reporting year, i.e. at LENTOS Kunstmuseum Linz, Palazzo Trentini in Trento, Neue Gallerie New York, Kunstmuseum Basel, the Albertina Museum in Vienna, vorarlberg museum in Bregenz, Sprengel Museum Hannover, Burg Hasegg (Museum of the Hall Mint in Tyrol) and Staatliche Kunstsammlungen Dresden.

²² “Waldlandschaft mit Jäger,” 1928.

²³ “Motif Végétal,” 1972.

²⁴ “Ohne Titel,” 1960.

In my job, I greatly appreciate the cultural diversity afforded by ESCB-wide collaboration, which has already opened many new perspectives.

Sophie Bauer
Personnel Division



Environmental Statement 2018 – the OeNB as an ecological organization

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

The OeNB has been committed to environmental protection for many years. It achieved certification under the European Eco-Management and Audit Scheme (EMAS) as early as in 1999 and has been an EMAS-registered organization ever since. The objective of EMAS is promoting the continued improvement of environmental protection within organizations by integrating ecological criteria into everyday business processes. In this spirit, the OeNB has implemented an environmental management system and reports on its ecological objectives and measures in its Environmental Statement, which must be fully updated every three years.

The OeNB's environmental policy (see box 10) is determined by its EMAS management representative, who is responsible for ensuring that the OeNB complies with the obligations laid down in the EMAS Regulation (e.g. compliance with environmental laws, establishment and pursuit of environmental objectives, binding obligations, voluntary activities). To achieve the continued improvement required under EMAS, the OeNB has defined projects and activities aimed at realizing its objectives in its environmental program.

The OeNB's Environmental Officer is entrusted with developing its ecological strategy and implementing its environmental management system. Other members of the OeNB's environmental protection team (EPT) include the Environmental Coordinator, energy, waste and security experts as well as environmental controllers. In addition to their core job responsibilities,

the members of the EPT contribute to implementing the environmental program and continuously improving the OeNB's environmental performance and its in-house communication on environmental issues. The OeNB has also specially trained staff members to conduct in-house environmental audits. The training and coordination of these environmental auditors are handled in the course of regular meetings (auditor forum). The members of the environmental protection team convene at monthly meetings to exchange up-to-date information and discuss the coordination of OeNB-wide green initiatives. These initiatives include lectures and documentary film screenings that provide staff members with new ecological information, creating a knowledge advantage for the organization as a whole.

An important part of the EMAS environmental management system is raising environmental awareness among staff members and giving them the opportunity to become involved. This is why the OeNB regularly offers information events for all employees – most recently on March 22, 2018 – to promote the careful use of resources and efficient energy management. The high level of environmental awareness at the OeNB is also reflected in the many related proposals its employees make under the staff suggestion scheme. Moreover, the OeNB's staff magazine regularly features ecological pointers for staff members. During the European Mobility Week from September 16 to 22, 2018, EPT members handed out information materials on green mobility at the OeNB entrances to mark the car-free day.

The OeNB's corporate environmental policy

Stability, security and trust guide us in fulfilling our responsibility toward society. These principles are reflected in the OeNB's corporate governance, which is geared toward sustainability, and apply equally to its core business and to its commitment to people and the environment. The OeNB is a top environmental performer among Austrian enterprises – nevertheless we seek to continuously improve our environmental track record. Apart from meeting the environmental standards required by law, we comply with the principles of the EMAS Regulation.

Responsible resource consumption

We endeavor to minimize negative impacts on the environment by preventing unnecessary energy and resource use while observing business management principles. It is our aim to avoid unnecessary resource and energy consumption with the help of a comprehensive energy management system.

Ecologically sound procurement

We observe ecological criteria for purchases of products and services, especially in tenders. Moreover, the OeNB ensures that selected products are made of environmentally friendly materials and that their energy efficiency and life cycles are ecologically sustainable.

Ecological awareness among staff

We promote ecological awareness and behavior among all our employees by providing targeted information and training measures.

Partnerships for research and cooperation

We cooperate with partners and representatives of civil society to implement environmental protection measures. In addition, we provide impulses beyond the scope of the OeNB's mandate and work toward a livable environment, e.g. by undertaking related research projects.

Information policy

We pursue an open, responsible policy in providing the public with information.

Climate change

We acknowledge the risks involved in climate change as a key challenge of our times and therefore strive to make the OeNB's activities fully carbon neutral in the long run.

Promoting ecological awareness at conferences and events

The OeNB regularly participates in or hosts conferences and events that address environmental issues. In March 2018, for example, it organized a symposium on new trends in green finance in Europe and the challenges and opportunities they imply for Austria. The event was prepared in cooperation with the Austrian Chapter of the Club of Rome, the Environment Agency Austria and investors from the banking sector. In fact, the topic green finance (see box 11) was the focus of several OeNB events in 2018. In May, for instance, representatives of central banks, financial institutions and universities gathered at a conference on “Green finance, regulation and monetary policy,” which was organized by SUERF (Société Universitaire Européenne de Recherches Financières),

Vienna University of Economics and Business and the OeNB. In October, an event in Innsbruck (Tyrol) addressed the question how green finance will change banks and financial markets, and the OeNB hosted a ceremony in Vienna to mark the 50th anniversary of the Club of Rome. On November 14, OeNB experts participated in two debates at the international “Growth in Transition” conference held at the Austria Center Vienna, addressing questions like: “Future Without Natural Areas?” and “Green or Brown Investments – Another Bubble in the Making?”. The OeNB's annual Conference on European Economic Integration (CEEI), which took place on November 27 and 28, also dealt with the issue green finance, e.g. with a lecture on financing the transition to a low-carbon economy.

Table 5

The OeNB’s ecological indicators

	Site	2016	2017	2018	Unit ¹	Benchmark ²		
						+	~	-
Energy								
Electricity consumption per employee ³	Vienna	6.59	5.95	6.66	MWh	< 4.5	6	> 8
Heat consumption	Vienna	52	54	43	kWh per m ²	< 110	130	> 150
District cooling	Vienna	31	36	47	kWh per m ²	not available		
Total energy consumption ⁴	Vienna	11,085	10,992	15,380	MWh			
of which: renewable energy ⁵	Vienna	5,523	4,957	8,026	MWh			
Water								
Water consumption per employee ⁶	Vienna	80	82	93	liters per day	< 60	100	> 120
Consumption of materials and products								
Total paper consumption per employee ⁷	All sites	68	44	50	kg	< 100	200	> 500
Consumption of printing/photocopying paper per employee	All sites	6,037	4,745	6,318	sheets	< 8,000	10,000	> 12,000
Share of recycled photocopying paper	All sites	85	85	85	%	> 30%	20%	< 10%
Consumption of cleaning agents ⁸	Vienna	15	15	26	g per m ²	not available		
Total CO₂ emissions per employee⁹	All sites	2.3	2.3	3.0	tons	< 2.8	4	> 4.5

Source: OeNB.

¹ Number of employees: 2016=1,091.8; 2017=1,100; 2018=1,079.3 (full-time equivalents). The OeNB’s environmental management system according to EMAS covers the following locations: Vienna (main building, Otto-Wagner-Platz 3; northern office building, Rotenhausgasse 4; and the areas in the Money Center that are assigned to the OeNB, Garnisongasse 15; all 1090 Vienna) and OeNB – Western Austria (Adamgasse 2, 6020 Innsbruck).

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

³ All energy data from 2018 include the Money Center but exclude the location OeNB – Western Austria and the Brussels Representative Office.

⁴ Total energy consumption from 2018 includes the Money Center; large consumption of cooling energy in the summer of 2018.

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

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

⁷ Measurement of paper consumption is based on paper purchased and therefore includes stocks. “All sites” includes OeNB – Western Austria and the Brussels Representative Office (about 22 full-time equivalents).

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

⁹ Operation of facilities and business travel; total in 2018: 3,196 tons; the increase is due to the inclusion of the Money Center; conversion factors according to the Environment Agency Austria, including indirect greenhouse gas emissions. Including energy consumption, business travel, transport and emergency generators.

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

Box 11

Five FAQs on green finance

What is green finance?

Green finance aims to achieve a greening of the financial system by channeling financial flows toward public and private investments that are environmentally friendly and will stop or at least limit the effects of climate change, wherever possible. Examples of green finance products range from loans for roof solar collectors to “green bonds” used to finance complete wind farms, for example, or an investment in sustainable mutual funds. At the moment, green investments are still a niche market, but they are growing very fast. Studies document that green investments generate similar yields as comparable mainstream investments.

Why is green finance important?

With the Paris Agreement of 2015, the overwhelming majority of countries represented in the United Nations have laid down the joint aim of countering the threatening global climate catastrophe by keeping the global temperature rise this century well below 2 degrees Celsius. That is why the global economy needs to change and reorient itself toward a sustainable generation and use of energy, which will require massive investment. According to estimates by the European Commission, Europe alone will

need to spend additional annual funds of EUR 180 billion, e.g. in infrastructure for transport and energy and technological research. Although this amount corresponds to only 1% of the EU's GDP, it equals the EU's overall budget. Obviously, a large part of green investments will need to come from private sources.

What does this mean for governments and central banks?

The effects of climate change are increasing risks for price and financial stability. For instance, funding has already become difficult for insurance companies that hedge against crop failures caused by extreme weather conditions or damages in the wake of environmental catastrophes. Moreover, inevitable environmental protection legislation can cause financial losses for those who have invested in energy-intensive industries. At the same time, the diversity of terms used to denote environmentally friendly investments (e.g. green, sustainable or responsible finance) is confusing for investors and may even mask greenwashing. Currently, governments, central banks and financial supervisors are working to create harmonized definitions and comparable standards to make it easier to identify climate-related risks. In some countries, it is already mandatory for financial institutions to disclose related risks to supervisory authorities. The EU action plan on sustainable finance presented in spring 2018 spells out similar objectives.

What's the OeNB's role in all this?

The OeNB acknowledges the risks involved in climate change as a key challenge of our times and therefore, in 2007, adopted its strategy of making its activities fully carbon neutral in the long run (OeNB Environmental Statement). The OeNB is certified under the Eco-Management and Audit Scheme (EMAS) and is committed to a sustainable and careful use of resources. In the past two decades, it has, for example, managed to cut energy consumption per employee by almost half. Moreover, the OeNB joined the recently established Central Banks and Supervisors Network for Greening the Financial System (NGFS) in 2018, as core tasks of central banks are increasingly being looked at from a sustainability perspective. Also, the OeNB is setting up an internal green finance platform connecting researchers, financial service providers and authorities all over Austria.

Do the OeNB's investment decisions reflect sustainability criteria?

The OeNB's risk management in the area of reserve management has incorporated specific sustainability criteria for many years. Reflecting international standards, the OeNB initially defined exclusion criteria to prevent reputation risks. Then, in 2011, it established that external asset managers may only make investments for the OeNB if they have committed themselves to the UN Principles for Responsible Investment. In international financial markets, the past years have given rise to new possibilities to take into account sustainability aspects when making portfolio decisions, in particular through the extensive application of Environmental, Social and Governance (ESG) criteria. In April 2018, the OeNB placed an investment order with an ESG filter in selected asset classes and, over the remainder of the year, it awarded several external investment mandates tied to ESG benchmarks and ESG criteria. Based on this experience and in line with best practices emerging in the market, the OeNB plans to expand the application of such criteria to further asset classes.

Enhanced energy management and district cooling

Despite optimization measures in the OeNB's energy management, annual energy consumption per employee increased to 6.6 MWh in 2018, because energy consumption in the OeNB's Money Center building was for the first time included in overall calculations. District heating consumption, on the other hand, could be kept at a very low level.

For many years, the OeNB has exclusively procured electricity from renewable sources certified with the Austrian Ecolabel. Further measures to reduce the emission of greenhouse gases have included setting up a heat recovery system, integrating a photovoltaic system into the building facade (as early as in 1998), ensuring sustainable use of the OeNB buildings, implementing an optimized lighting concept, improving technical facilities such as pump and ventilator controls, raising ecological awareness among employees (e.g. encouraging the use of public transport for getting to work and for business travel) and supporting research programs financed by the OeNB Anniversary Fund. Moreover, in 2018, the OeNB purchased four plug-in hybrid electric vehicles, which, powered by certified green electricity, have proven a valuable addition to corporate environmental protection measures. The fact that the OeNB has been certified under energy management standard ISO 50001 since 2014 underlines its commitment to energy efficiency.

The OeNB's ecological indicators

Thanks to optimization measures and the use of electronic media, total paper consumption could be kept at a low level (table 5). The corresponding CO₂ equivalents were calculated on the basis of updated conversion factors according to the Environment Agency Austria, taking into account indirect greenhouse gas emissions. The successful reduction of waste

Table 6

Transport mileage

	2016	2017	2018
Business travel by airplane, km	2,871,330	2,919,000	2,791,800
Business travel by car, km	459,186	402,000	350,200
Business travel by train, km	195,000	215,000	288,600
Fuels for transport, liters	36,940	34,879	31,028

Source: OeNB.

and increase in the share of recyclables is evident in table 7. For the first time, total waste was cut to clearly below 200 tons in 2018.

Environmental database project

For many years, the OeNB has been using a database to collect information on energy and material consumption, which shows if targets prescribed by environmental protection law have been met according to plan. The OeNB plans to further enhance this database in 2019. The EMAS management report, which summarizes the most important achievements, is presented to the OeNB's governor – in his function as EMAS management representative – once a year.

Some environmental impact scores need to be improved

In line with the EMAS Regulation, the OeNB regularly reviews the direct and indirect environmental aspects with a significant impact on the environment. In assessing the significance of an environmental aspect, one must take into account issues such as the aspect's potential to cause environmental harm, the fragility of the local, regional or global environment, the size, number, frequency and reversibility of the aspect, relevant legislation and the aspect's importance to stakeholders. Table 9 shows an environmental impact assessment for different areas as well as the potential for organizational improvement.

Waste generation by the OeNB, 2016–2018

	2016	2017	2018	Waste code number
	kg			
Nonhazardous materials	101,420	91,265	66,444	
Commercial waste ¹	68,080	57,440	54,840	91101
Electronic scrap ²	3,545	4,588	5,406	35202
Large and small electrical appliances	135	2,277	83	35221, 53231
Bulky waste ³	10,624	0	0	91401
Treated and untreated wood waste ³	12,036	20,960	115	17201, 17202
Sand filter contents	7,000	6,000	6,000	94704
Nonhazardous waste per employee	93	84	62	
Hazardous materials	10,638	9,959	2,965	
Waste paint and varnish containing solvents	0	35	70	55502, 59405
Cooling apparatuses	194	257	10	35205
Air conditioning devices	0	0	0	35206
Unsorted batteries, lithium-ion and nickel-cadmium batteries	489	450	65	35338, 35337, 35323
Lead accumulators ⁴	112	876	345	35322
Heating oils and fuels	0	0	132	54108
Oil separator contents ⁵	4,280	2,360	0	54702
Fluorescent tubes, PCB-free capacitors	186	0	708	35210, 35339, 35209
Laboratory waste	116	0	70	59305
Monitors, waste from electronic equipment	1,231	1,853	470	35212, 35201, 35220
Solvent-water mixture, other oil-water mixtures	0	3,020	1,050	55374, 54408
Cleaning agent and solvent waste ⁶	4,000	0	0	59405, 55377
Gases in pressure containers (fire extinguishers), aerosol cans	0	1,078	0	59802, 59803
Plastic packaging with harmful residues	0	0	15	57127
Wastes from pharmaceuticals	30	30	30	53510
Hazardous waste per employee	10	9	3	
Recyclables	177,460	102,840	116,653	
Colored glass	2,720	2,760	2,760	31469
Clear glass	2,720	3,020	3,020	31468
Metal/cans	2,840	2,760	2,280	35315
Biodegradable waste ⁷	12,890	12,890	11,290	91701
Plastic packaging material including PET	7,560	4,360	6,040	57118, 57130
Iron scrap ⁸	51,470	18,790	11,460	35103, 35105
Scrap paper ⁹	93,460	58,120	72,280	18718
Styrofoam/Polystyrene	200	140	190	57108
Coated paper and cardboard ⁹	3,600	0	7,333	18702
Recyclables per employee	165	95	108	
Total waste	289,518	204,064	186,062	

Source: OeNB.

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

² Increases due to stronger and more diverse usage (e.g. mobile devices, digital working culture).

³ Pieces of furniture were disassembled and disposed of with wood and metal waste. Hence, no bulky waste recorded in 2017 and 2018.

⁴ Lead accumulators are required for safeguarding uninterrupted power supply.

⁵ Oil separators in the parking garage.

⁶ Tank cleaning in 2016.

⁷ Including green waste (garden/park waste).

⁸ Metal containers had to be disposed of in 2016.

⁹ Fluctuations due to relocations; some archives have been dissolved.

Table 8

The OeNB’s environmental performance up to 2018 and environmental program for 2019

	Responsible	Deadline	Status
Further greening of procurement			
Procurement of environmentally friendly printers	specialist division	2018	implemented
Hiring a new cleaning contractor with EMAS certification	specialist division	2019	planned
Responsible resource use, reduction of emissions, further reduction of electricity consumption by 2% against the year 2014			
Environmental database project	EPT	2019	planned
Enhancing energy management, evaluating energy expenditures in the Money Center	specialist division	2019	implemented
Assessing combination of basement ventilation systems	specialist division	2018	implemented
Implementing a demand-dependent lighting concept for work lamps	specialist division	2018	continued
Developing a mobility strategy	EPT	2019	continued
Electricity saving projects			
Evaluating energy saving potential	specialist division	2018	implemented
LED safety lighting and hallway lighting in the Money Center	specialist division	2018	implemented
Central ventilation unit	specialist division	2018	implemented
Optimization of lighting in cold stores	specialist division	2019	evaluation
Transition to LED lighting on service floors in the main building and in the northern office building	specialist division	2019	planned
Modernization of plumbing, cooling and heating pipes	specialist division	2019	planned
Modernization of electricity supply with buffer function/security area	specialist division	2019	planned
Promoting environmental awareness, training			
Promoting green mobility (bicycle use, including Citybike rental system)	specialist division	2019	continued
Promoting the exchange of goods on the intranet	EPT	2019	planned
Mobility survey	EPT	2019	planned
Urban gardening, information: plants in the city	specialist division	2019	planned
Networking and communication			
Environmental research initiative – discussion fora, analyses, reports	EPT	2018	implemented
Information campaign, including lectures, more information on the intranet	EPT	2019	continued
Cooperation with environmental organizations such as the WWF, the Club of Rome and B.A.U.M	EPT	2019	continued
Auditing the waste disposal contractor	waste management officer	2019	planned
Further greening of food offered at the OeNB	EPT	2019	evaluation

Source: OeNB.

Note: EPT = environmental protection team.

Table 9

Environmental impact assessment at the OeNB

	Electricity ¹	Heat ²	Water ³	Waste water ⁴	Procurement ⁵	Use of consumables, e.g. paper ⁶	Waste ⁷	Mobility incl. business travel, transport ⁸
Environmental impact	high	high	medium	low	high	medium	high	high
Potential for improvement	medium	low	low	low	medium	low	medium	medium

Source: OeNB.

^{1, 2, 5} General impact on resources, greenhouse effect.

³ General impact on resources, ecosystems.

⁴ General impact on biodiversity, ecosystems.

⁶ General impact on resources, ecosystems, greenhouse effect.

⁷ General impact on ecosystems, greenhouse effect, land.

⁸ General impact on soil and air quality, resources, ecosystems, greenhouse effect.

EMAS validation

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



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

Vienna, January 2019

Martin Nohava, Lead Verifier

The next update of the Environmental Statement is due to be published in the spring of 2020.

Direct and indirect equity interests

Table 10

Direct and indirect equity interests of the OeNB as on December 31, 2018

Share in %	Company	Capital issued
100	Münze Österreich Aktiengesellschaft, Vienna (Austria)	EUR 6,000,000.00
100	Schoeller Münzhandel GmbH, Vienna (Austria)	EUR 1,017,420.00
(100)	100 Schoeller Münzhandel Deutschland GmbH, Freiburg (Germany)	EUR 6,000,000.00
50	PRINT and MINT SERVICES GmbH, Vienna (Austria)	EUR 35,000.00
16.67	World Money Fair Holding GmbH, Berlin (Germany)	EUR 30,000.00
(16.67)	100 World Money Fair Berlin GmbH, Berlin (Germany)	EUR 25,000.00
(16.67)	100 World Money Fair AG, Basel (Switzerland)	CHF 300,000.00
100	Oesterreichische Banknoten- und Sicherheitsdruck GmbH, Vienna (Austria)	EUR 10,000,000.00
50	PRINT and MINT SERVICES GmbH, Vienna (Austria)	EUR 35,000.00
0.25	Europafi S.A.S., Vic-le-Comte (France)	EUR 133,000,000.00
95.34	GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination G.m.b.H., Vienna (Austria)	EUR 3,336,336.14
25	Studiengesellschaft für Zusammenarbeit im Zahlungsverkehr (STUZZA) G.m.b.H., Vienna (Austria)	EUR 100,000.00
100	IG Immobilien Invest GmbH, Vienna (Austria)	EUR 40,000.00
100	Austrian House S.A., Brussels (Belgium)	EUR 5,841,610.91
(100)	100 MA-Viso Sprl., Brussels (Belgium)	EUR 99,157.41
100	City Center Amstetten GmbH, Vienna (Austria)	EUR 72,000.00
100	EKZ Tulln Errichtungs GmbH, Vienna (Austria)	EUR 36,000.00
100	HW Hohe Warte Projektentwicklungs- und ErrichtungsgmbH, Vienna (Austria)	EUR 35,000.00
100	IG Belgium S.A., Brussels (Belgium)	EUR 19,360,309.87
100	IG Döbling Herrenhaus-Bauträger GmbH, Vienna (Austria)	EUR 40,000.00
100	IG Hungary Irodaközpont Kft., Budapest (Hungary)	EUR 11,852.00
100	IG Immobilien Beteiligungs GmbH, Vienna (Austria)	EUR 40,000.00
100	IG Immobilien M97 GmbH, Vienna (Austria)	EUR 120,000.00
100	IG Immobilien Management GmbH, Vienna (Austria)	EUR 40,000.00
100	IG Immobilien Mariahilfer Straße 99 GmbH, Vienna (Austria)	EUR 72,000.00
100	IG Immobilien O20-H22 GmbH, Vienna (Austria)	EUR 110,000.00
100	IG Netherlands N1 and N2 B.V., Uithoorn (Netherlands)	EUR 91,000.00
100	BLM Betriebs-Liegenschafts-Management GmbH, Vienna (Austria)	EUR 40,000.00
100	BLM-IG Bauträger GmbH, Vienna (Austria)	EUR 35,000.00
(100)	100 OWP5 Betriebs-Liegenschafts-Management GmbH, Vienna (Austria)	EUR 35,000.00

Source: OeNB, subsidiaries.

Note: The OeNB's share of the paid-up capital of the European Central Bank (ECB), Frankfurt (Germany), which totals EUR 10,825,007,069.61, amounted to 1.9631% as at December 31, 2018. The OeNB also holds 8,000 shares (at SDR 5,000 each) and 564 nonvoting shares in the Bank for International Settlements (BIS), Basel (Switzerland), as well as 56 shares (at EUR 125.00 each) in S.W.I.F.T. (Society for Worldwide Interbank Financial Telecommunication), La Hulpe (Belgium).

Table 10 shows the OeNB's direct and indirect equity interests in line with Article 68 paragraph 4 Nationalbank Act.



At the OeNB, we take an active role in advancing the European project by participating in numerous EU and ESCB working groups and committees. This way, we join the European effort to ensure that the euro remains a stable currency.

Johannes Asel
Equity Interest and Payments
Management Division

Gabriele Stöffler
Supervision Policy, Regulation and
Strategy Division

Thomas Gruber
European Affairs and International Financial
Organizations Division

Financial statements
of the Oesterreichische Nationalbank
for the year 2018

Balance sheet as at December 31, 2018

Assets

	December 31, 2018 EUR	December 31, 2017 EUR
1 Gold and gold receivables	10,091,011,456.69	9,739,210,762.77
2 Claims on non-euro area residents denominated in foreign currency	10,231,052,302.67	8,228,811,658.23
2.1 Receivables from the IMF	2,836,227,479.19	2,575,290,640.01
2.2 Balances with banks and security investments, external loans and other external assets	7,394,824,823.48	5,653,521,018.22
3 Claims on euro area residents denominated in foreign currency	932,846,792.10	1,103,167,186.67
4 Claims on non-euro area residents denominated in euro	1,304,555,812.59	1,128,301,343.87
4.1 Balances with banks, security investments and loans	1,304,555,812.59	1,128,301,343.87
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	21,114,390,000.00	20,112,390,000.00
5.1 Main refinancing operations	1,302,000,000.00	285,000,000.00
5.2 Longer-term refinancing operations	19,812,390,000.00	19,827,390,000.00
5.3 Fine-tuning reverse operations	–	–
5.4 Structural reverse operations	–	–
5.5 Marginal lending facility	–	–
5.6 Credits related to margin calls	–	–
6 Other claims on euro area credit institutions denominated in euro	100,515.38	88,472.37
7 Securities of euro area residents denominated in euro	67,399,284,639.51	62,823,202,513.36
7.1 Securities held for monetary policy purposes	59,516,224,456.64	53,970,733,703.22
7.2 Other securities	7,883,060,182.87	8,852,468,810.14
8 General government debt denominated in euro	396,791,618.60	399,345,338.73
9 Intra-Eurosystem claims	29,609,213,907.51	31,048,083,462.51
9.1 Participating interest in the ECB	221,613,272.84	221,613,272.84
9.2 Claims equivalent to the transfer of foreign reserves	1,137,636,924.67	1,137,636,924.67
9.3 Claims related to the issuance of ECB debt certificates ¹	x	x
9.4 Net claims related to the allocation of euro banknotes within the Eurosystem	28,249,963,710.00	29,688,833,265.00
9.5 Other claims within the Eurosystem (net)	–	–
10 Items in course of settlement	–	–
11 Other assets	8,871,280,062.85	9,133,802,729.63
11.1 Coins of euro area	111,346,286.71	99,876,771.51
11.2 Tangible and intangible fixed assets	129,055,954.97	134,934,925.95
11.3 Other financial assets	6,967,277,865.81	7,288,507,931.72
11.4 Off balance sheet instruments' revaluation differences	–	–
11.5 Accruals and prepaid expenses	739,849,254.97	687,067,180.60
11.6 Sundry	923,750,700.39	923,415,919.85
	149,950,527,107.90	143,716,403,468.14

¹ Only an ECB balance sheet item.

Liabilities

	December 31, 2018 EUR	December 31, 2017 EUR
1 Banknotes in circulation	31,584,742,770.00	30,034,718,980.00
2 Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	42,290,247,110.34	35,658,747,001.60
2.1 Current accounts (covering the minimum reserve system)	37,521,247,110.34	31,638,747,001.60
2.2 Deposit facility	4,769,000,000.00	4,020,000,000.00
2.3 Fixed-term deposits	–	–
2.4 Fine-tuning reverse operations	–	–
2.5 Deposits related to margin calls	–	–
3 Other liabilities to euro area credit institutions denominated in euro	–	–
4 Debt certificates issued¹	x	x
5 Liabilities to other euro area residents denominated in euro	6,147,018,111.83	9,250,130,380.49
5.1 General government	1,609,939,690.53	2,171,922,121.52
5.2 Other liabilities	4,537,078,421.30	7,078,208,258.97
6 Liabilities to non-euro area residents denominated in euro	2,065,493,242.09	939,579,533.34
7 Liabilities to euro area residents denominated in foreign currency	44,136.40	82,909.68
8 Liabilities to non-euro area residents denominated in foreign currency	–	–
8.1 Deposits, balances and other liabilities	–	–
8.2 Liabilities arising from the credit facility under ERM II	–	–
9 Counterpart of Special Drawing Rights allocated by the IMF	2,110,315,860.58	2,062,046,335.39
10 Intra-Eurosystem liabilities	45,428,115,491.82	45,804,508,534.96
10.1 Liabilities equivalent to the transfer of foreign reserves ¹	x	x
10.2 Liabilities related to the issuance of ECB debt certificates	–	–
10.3 Net liabilities related to the allocation of euro banknotes within the Eurosystem	–	–
10.4 Other liabilities within the Eurosystem (net)	45,428,115,491.82	45,804,508,534.96
11 Items in course of settlement	–	–
12 Other liabilities	545,322,741.28	457,723,807.90
12.1 Off balance sheet instruments' revaluation differences	153,593,341.94	43,148,251.58
12.2 Accruals and income collected in advance	168,029,089.08	84,244,179.81
12.3 Sundry	223,700,310.26	330,331,376.51
13 Provisions	6,446,216,977.70	6,287,561,767.23
14 Revaluation accounts	9,045,788,305.35	8,898,368,220.69
15 Capital and reserves	4,266,760,819.27	4,303,606,838.57
15.1 Capital	12,000,000.00	12,000,000.00
15.2 Reserves	4,254,760,819.27	4,291,606,838.57
16 Profit for the year	20,461,541.24	19,329,158.29
	149,950,527,107.90	143,716,403,468.14

¹ Only an ECB balance sheet item.

Profit and loss account for the year 2018

	Year ending December 31, 2018 EUR	Year ending December 31, 2017 EUR
1.1 Interest income	1,782,588,295.39	1,546,072,620.59
1.2 Interest expense	-1,062,963,050.18	-882,360,466.27
1 Net interest income	719,625,245.21	663,712,154.32
2.1 Realized gains/losses arising from financial operations	63,619,044.56	239,265,990.42
2.2 Writedowns on financial assets and positions	-195,695,340.12	-187,090,466.90
2.3 Transfer to/from provisions for foreign exchange, interest rate, credit and gold price risks	-150,000,000.00	-275,000,000.00
2 Net result of financial operations, writedowns and risk provisions	-282,076,295.56	-222,824,476.48
3.1 Fees and commissions income	6,784,404.43	6,931,763.73
3.2 Fees and commissions expense	-4,790,375.06	-5,791,731.81
3 Net income from fees and commissions	1,994,029.37	1,140,031.92
4 Income from equity shares and participating interests	98,635,205.52	113,447,362.25
5 Net result of pooling of monetary income	124,364,464.43	72,278,380.89
6 Other income	30,905,607.17	37,185,648.23
Total net income	693,448,256.14	664,939,101.13
7 Staff costs	-151,767,185.41	-146,628,517.27
8 Expenses for retirement	-138,836,671.50	-108,500,325.89
9 Administrative expenses	-80,760,600.61	-80,884,011.01
10 Depreciation of tangible and intangible fixed assets	-15,842,357.44	-14,933,646.89
11 Banknote production services	-15,226,014.00	-18,035,302.32
12 Other expenses	-7,726,224.89	-9,599,397.20
Total expenses	-410,159,053.85	-378,581,200.58
Operating profit	283,289,202.29	286,357,900.55
13 Corporate income tax	-55,938,744.06	-71,589,475.14
	227,350,458.23	214,768,425.41
14 Transfer to the pension reserve and central government's share of profit	-206,888,916.99	-195,439,267.12
15 Profit for the year	20,461,541.24	19,329,158.29

Notes on the financial statements 2018

General notes on the financial statements

Legal framework

The Oesterreichische Nationalbank (OeNB) is obligated under Article 67 paragraph 2 of the Federal Act on the Oesterreichische Nationalbank 1984¹ (hereinafter Nationalbank Act), Federal Law Gazette No. 50/1984, as amended, to prepare its balance sheet and its profit and loss account in conformity with the rules established by the Governing Council of the ECB under Article 26.4 of the Protocol on the Statute of the European System of Central Banks and of the European Central Bank (Statute of the ESCB and of the ECB). The OeNB has adopted the ESCB's accounting rules² and applied them to these financial statements in their entirety. Activities not covered by these rules are to be treated as regulated by the generally accepted accounting principles referred to in Article 67 paragraph 2 second sentence Nationalbank Act and, according to Article 67 paragraph 3 Nationalbank Act, the provisions of the third volume of the Unternehmensgesetzbuch (Commercial Code) are to be applied in addition. The OeNB is exempt i.a. from Article 199 Commercial Code (contingent liabilities arising from guarantees) and from Articles 244 et seq. Commercial Code (consolidated financial statements). Moreover, Article 68 paragraph 3 Nationalbank Act exempts the OeNB from including specific disclosures under Article 243 Commercial Code. In light of the provisions of Article 72 Nationalbank Act, the OeNB is not required to draw up a balance sheet for taxation purposes. Thus, no differences can arise between the carrying values reported by the OeNB in the balance sheet for commercial and for tax purposes. Pursuant to the Federal Act governing the National Foundation for Research, Technology and Development (hereinafter National Foundation Act), Federal Law Gazette I No. 81/2017,

the OeNB is entitled, from 2018 to 2020, to transfer up to EUR 66.67 million of the central government's share of profit to the National Foundation for Research, Technology and Development (hereinafter National Foundation). Any payout under Article 4 paragraph 5 item 2 National Foundation Act by the OeNB to the National Foundation must be deducted from this amount. For the subsequent financial year, such transfer from the central government's share of profit reduces the corporate income tax base of the OeNB under Article 72 paragraph 1 Nationalbank Act.

Format of the balance sheet and the profit and loss account

The balance sheet and the profit and loss account in the financial statements 2018 were prepared in the format laid down by the Governing Council of the ECB.

Valuation rules and accounting policies

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

Time of recording

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

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

² Guideline of the European Central Bank of 3 November 2016 on the legal framework for accounting and financial reporting of the European System of Central Banks (ECB/2016/34).

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

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

Basis of accounting

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

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

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

Securities currently held for monetary policy purposes are accounted for at amortized cost (subject to impairment). Marketable securities (other than securities held for monetary policy purposes and those classified as held-to-maturity⁴) and similar assets are valued either at the mid-market prices or on the basis of the relevant yield curve prevailing on the balance sheet date, on a security-by-security basis. Options embedded in securities are not separated for

valuation purposes. For the year ending December 31, 2018, mid-market prices on December 31, 2018, were used.

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

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

Income recognition

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

Unrealized gains and losses arise during revaluation and correspond to the difference between the market value and the acquisition value calculated according to the average cost method. Unrealized gains must not be taken to the profit and loss account but must be transferred to a revaluation account on the liabilities side of the balance sheet. Unrealized losses are recognized in the profit and loss account when they exceed previous revaluation gains registered in the corresponding revaluation account. They may not be reversed against new unrealized gains in subsequent years. Unrealized losses in any one security or currency are not netted against unrealized gains in other securities or currencies (prohibition of netting).

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

Tangible and intangible fixed assets

Tangible and intangible fixed assets are valued at cost less depreciation. As a rule, depreciation is

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

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

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

Realized gains and losses and valuation differences and their treatment in the financial statements of December 31, 2018

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

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

Banknotes in circulation

The ECB and the 19 euro area national central banks (NCBs), which together comprise the Eurosystem, issue euro banknotes. The banknotes in circulation presented in the balance

sheet of the OeNB (and of the other NCBs in the Eurosystem) are calculated as per the last working day of each month in accordance with the banknote allocation key of the Eurosystem.⁵

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

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

Table 1

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

Table 2

	Realized gains profit and loss account item 2.1	Realized losses profit and loss account item 2.1	Unrealized losses profit and loss account item 2.2	Change in unrealized gains liability item 14
	EUR million	EUR million	EUR million	EUR million
Gold	0.003	-0.003	-	+351.800
Foreign currency	79.527	-0.574	-183.787	+37.836
Securities	31.758	-47.092	-11.908	-165.942
Participating interests (investment of own funds)	-	-	-	+5.893
Total	111.288	-47.669	-195.695	+229.588

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

the Eurosystem. Conversely, the OeNB records net claims related to the allocation of euro banknotes within the Eurosystem.

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

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

Intra-Eurosystem balances

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

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

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

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

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

Interim ECB profit distribution

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

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

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

Provisions for financial risks and loss-absorbing capital

The OeNB's risk provisions are broken down into provisions for financial risks and loss-absorbing capital. They are part of the OeNB's net equity, which is shown in table 5. In line with the principle of universality, the OeNB's financial risks are covered by the designated financial provisions. Taking into account the prohibition of netting, balances on revaluation accounts are used as risk-mitigating factors in calculating risk exposure. At the balance sheet date, the level of provisions for financial risks was adequate.

Table 3 shows provisions for financial risks and loss-absorbing capital as on December 31, 2017, and December 31, 2018.

Related-party transactions

Article 238 paragraph 1 no. 12 Commercial Code stipulates that the notes on the financial

statements must include information about material transactions with related parties that were not concluded under normal market conditions. The OeNB has a special reporting system and internal control measures for such instances in place.

Any business the OeNB transacted with related parties in 2018 was at normal market conditions.

In the financial year 2018, the OeNB provided funding to economic research institutions (Austrian Institute of Economic Research (WIFO), Institute for Advanced Studies (IHS), The Vienna Institute for International Economic Studies (wiiw)), the Austrian Society for European Politics (ÖGfE) and the Joint Vienna Institute (JVI), with total funding running to EUR 6.049 million (2017: EUR 6.649 million).

Information under section 9.2 Corporate Governance Code of the OeNB

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

Table 3

	December 31, 2017 EUR million	Increase EUR million	Decrease EUR million	December 31, 2018 EUR million
I. Provisions for financial risks				
L 15.2 Reserve for nondomestic and price risks	1,973.263	–	–	1,973.263
L 13 Risk provisions equivalent to reserves	3,950.000	+150.000	–	4,100.000
	5,923.263	+150.000	–	6,073.263
II. Loss-absorbing capital				
L 15.2 Profit-smoothing reserve	121.099	+8.129	–	129.229
L 15.2 OeNB Anniversary Fund for the Promotion of Scientific Research and Teaching				
OeNB Anniversary Fund National Foundation ¹ endowment	1,500.000	–	–47.100	1,452.900
OeNB Anniversary Fund (initial funding)	37.500	–	–	37.500
	1,658.599	+8.129	–47.100	1,619.629
Total	7,581.862	+158.129	–47.100	7,692.892

¹ National Foundation for Research, Technology and Development.

Note: L = liability item.

The Republic of Austria is the holder of 100% of the OeNB's shares. Pursuant to Article 69 paragraph 3 Nationalbank Act, the central government's share of profit corresponds to 90% of the OeNB's operating profit after corporate income tax; from the remaining share of the profit for the year, the central government additionally receives, by decision of the General Meeting, a dividend of up to 10% of its share of the OeNB's capital.

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

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

In 2018, the OeNB did not enter into any transactions with Governing Board members that did not directly concern the latter's tasks as members of the Governing Board.

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

The OeNB's net currency position

Table 4 shows the OeNB's net currency position as on December 31, 2017, and December 31, 2018.

Net equity

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

Notes on the balance sheet

Assets

1 Gold and gold receivables

Closing balance	EUR million
December 31, 2018	10,091.011
December 31, 2017	9,739.211
Change	+351.801 (+3.6%)

The OeNB's gold holdings amounted to 9,002,107.53 fine ounces or 279,996.84 kg of fine gold on December 31, 2018. Given a valuation price of EUR 1,120.961 per fine ounce (i.e. EUR 36,039.73 per kg of fine gold), the OeNB's gold holdings were worth EUR 10,091.011 million on the balance sheet date.

Table 4

	December 31, 2018	December 31, 2017	Change	
	EUR million	EUR million	EUR million	%
Gold and gold receivables	10,091.011	9,739.211	+351.801	+3.6
Claims on non-euro area residents denominated in foreign currency	10,231.052	8,228.812	+2,002.241	+24.3
Claims on euro area residents denominated in foreign currency	932.847	1,103.167	-170.320	-15.4
Other assets	63.233	39.033	+24.200	+62.0
less:				
Liabilities to euro area residents denominated in foreign currency	0.044	0.083	-0.039	-46.8
Counterpart of Special Drawing Rights allocated by the IMF	2,110.316	2,062.046	+48.270	+2.3
Other liabilities	9.537	2.964	+6.574	n.a.
Revaluation accounts ¹	29.769	24.804	+4.965	+20.0
	19,168.477	17,020.325	+2,148.152	+12.6
Transactions not disclosed in the balance sheet (net)	769.223	1,327.119	-557.895	-42.0
Total	19,937.700	18,347.444	+1,590.256	+8.7

¹ Resulting from the change in net unrealized exchange rate gains on foreign currency-denominated securities and off balance sheet transactions as on December 31, 2017, and December 31, 2018, respectively.

Table 5

	December 31, 2017	Increase	Decrease	December 31, 2018
	EUR million	EUR million	EUR million	EUR million
L 13 Risk provisions (equivalent to reserves)	3,950.000	+150.000	–	4,100.000
L 14 Revaluation accounts ¹	8,898.368	+147.420	–	9,045.788
L 15.1 Capital	12.000	–	–	12.000
L 15.2 Reserves				
Reserve for nondomestic and price risks	1,973.263	–	–	1,973.263
Profit-smoothing reserve	121.099	+8.129	–	129.229
OeNB Anniversary Fund for the Promotion of Scientific Research and Teaching				
OeNB Anniversary Fund National Foundation endowment	1,500.000	–	–47.100	1,452.900
OeNB Anniversary Fund (initial funding)	37.500	–	–	37.500
Net equity	16,492.231	+305.549	–47.100	16,750.680

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

Note: L = liability item.

The annual change reflects valuation as on December 31, 2018.

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

Closing balance	EUR million	
December 31, 2018	10,231.052	
December 31, 2017	8,228.812	
Change	+2,002.241	(+24.3%)

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

The claim on the participation in the IMF increased by EUR 212.160 million to EUR 620.471 million, with EUR 203.644 million of this

increase resulting from net credit and debit entries. Moreover, valuation changes and the net effects of exchange rate gains and book value reconciliation totaled +EUR 8.517 million.

The IMF updates its rate of remuneration on a weekly basis. In 2018, this rate hovered between 0.764% and 1.121% per annum, mirroring the prevailing SDR interest rate.

SDRs⁶ were recognized in the balance sheet at SDR 1,684.993 4million (EUR 2,047.941 million) at December 31, 2018. The EUR 119.757 million net increase in 2018 resulted largely from SDR purchases (+EUR 66.354 million), SDR valuation (+EUR 27.851 million), realized gains/losses (+EUR 17.408 million) as

Table 6

	December 31, 2018	December 31, 2017	Change	%
	EUR million	EUR million	EUR million	
Total claims (Austrian quota) ¹ equivalent to SDR 3,932.0 million	4,778.953	4,669.643	+109.310	+2.3
less:				
Balances at the disposal of the IMF	4,158.482	4,261.332	–102.851	–2.4
Claim on the participation in the IMF	620.471	408.311	+212.160	+52.0
SDRs	2,047.941	1,928.184	+119.757	+6.2
Other claims on the IMF	167.815	238.796	–70.980	–29.7
Total	2,836.227	2,575.291	+260.937	+10.1

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

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

well as interest credited and credits for repayments under the New Arrangements to Borrow (NAB) and the remuneration (+EUR 9.098 million). Sales of SDRs amounted to EUR 0.955 million.

Under the IMF's Articles of Agreement, the OeNB is obligated to provide currency on demand in exchange for SDRs up to the point at which its SDR holdings are three times as high as its gratuitously allocated SDRs (see liability item 9 *Counterpart of Special Drawing Rights allocated by the IMF*). The OeNB's net cumulative allocation of SDRs totaled SDR 1,736.314 million (EUR 2,110.316 million) at the balance sheet date. See the *Notes on transactions not disclosed in the balance sheet* for information about this obligation to provide currency on demand, which would result in a claim of the same size.

The OeNB's claims arising from the NAB in connection with IMF assistance programs are shown under *other claims on the IMF*. The NAB entered into effect on March 11, 2011, and on November 4, 2016, the IMF approved a renewal of the NAB for five years (November 2017 to November 2022), with the credit amounts and the applicable terms and conditions remaining unchanged. Federal Law Gazette I No. 114/2010 authorized the OeNB to increase its credit line under the NAB to up to SDR 3.6 billion (EUR 4.4 billion) on behalf of the Republic of Austria. The IMF and Austria have agreed on a maximum credit amount under the NAB of SDR 1,818.490 million (EUR 2,210.193 million), after the amount of the NAB had been

reduced for all NAB members as part of the agreement on the 14th general review of IMF quotas.

So far, a total of SDR 637.400 million (EUR 774.696 million) have been drawn from the OeNB's credit line under the NAB, while repayments have totaled SDR 499.326 million (EUR 606.881 million), bringing net drawings to SDR 138.074 million at the balance sheet date, which is equivalent to EUR 167.815 million.

As on December 31, 2018, a contingent liability to the IMF for the undrawn part under the NAB was included. The IMF could call on these resources for lending purposes against remuneration, which would result in a claim of the same size (see *Notes on transactions not disclosed in the balance sheet*).

Federal Law Gazette I No. 101/2013 authorized the OeNB to provide a temporary credit line with a maximum amount of EUR 6.13 billion under a bilateral borrowing agreement with the IMF. In 2017, the OeNB and the IMF signed a new bilateral borrowing agreement with immediate effect, with the credit amount remaining unchanged. The agreement is valid for two years and may be renewed once for one year. In this connection, a contingent liability to the IMF under the bilateral borrowing agreement has been included, which the IMF could call on against remuneration and which would result in a claim of the same size (see *Notes on transactions not disclosed in the balance sheet*).

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

Table 7

	December 31, 2018	December 31, 2017	Change	
	EUR million	EUR million	EUR million	%
Securities	6,726.379	5,079.966	+1,646.413	+32.4
Balances with banks	668.446	573.555	+94.891	+16.5
Total	7,394.825	5,653.521	+1,741.304	+30.8

3 Claims on euro area residents denominated in foreign currency

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

4 Claims on non-euro area residents denominated in euro

Table 9 shows the composition of asset item 4.1 *Claims on non-euro area residents denominated in euro* on December 31, 2017, and December 31, 2018.

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

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

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

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

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

5.1 Main refinancing operations

The Eurosystem's main refinancing operations provide credit institutions in the euro area with

Table 8

	December 31, 2018	December 31, 2017	Change	
	EUR million	EUR million	EUR million	%
Balances with banks	277.766	688.068	-410.301	-59.6
Securities	655.081	415.100	+239.981	+57.8
Total	932.847	1,103.167	-170.320	-15.4

Table 9

	December 31, 2018	December 31, 2017	Change	
	EUR million	EUR million	EUR million	%
Securities	1,093.001	876.187	+216.814	+24.7
Held-to-maturity securities	211.554	252.114	-40.560	-16.1
Total	1,304.556	1,128.301	+176.254	+15.6

Table 10

	December 31, 2018	December 31, 2017	Change	
	EUR million	EUR million	EUR million	%
5.1 Main refinancing operations	1,302.000	285.000	+1,017.000	n.a.
5.2 Longer-term refinancing operations	19,812.390	19,827.390	-15.000	-0.1
Total	21,114.390	20,112.390	+1,002.000	+5.0

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

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

5.2 Longer-term refinancing operations

Longer-term refinancing operations aim to provide counterparties with longer-term liquidity, in addition to the main refinancing operations. In 2018, these operations were conducted as fixed rate tender procedures with full allotment with a maturity of three months.

The interest rate on longer-term refinancing operations (except for targeted longer-term refinancing operations II, TLTROs II) is equivalent to the interest rate on the main refinancing operations.

In 2016, the Governing Council of the ECB decided to launch four TLTROs II. These operations have a four-year maturity, with a possibility of repayment after two years.⁹ According to the decisions taken by the Governing Council of the ECB, the final interest rate applicable to each TLTRO II operation depended on the lending behavior of the counterparties for the period between February 1, 2016, and January 31, 2018, and would be between the interest rate on the main refinancing operations and the deposit facility rate at the time of the allotment. Given that the actual rate could only be known in 2018 and a reliable estimate was not possible

until this time, the deposit facility rate was used for calculating the TLTRO II interest up to the end of 2017, as this was deemed a prudent approach. Interest income as revised for that period – resulting from the difference between the deposit facility rate and the actual rate – was recorded in the profit and loss account item 1 *Net interest income* in 2018.

The refinancing operations under TLTRO II were conducted in 2016 and 2017. The OeNB conducted a total of 63 operations with Austrian credit institutions in the total amount of EUR 20.0 billion (Eurosystem: EUR 740.2 billion). The maturity periods of these operations are June 29, 2016, to June 24, 2020; September 28, 2016, to September 30, 2020; December 21, 2016, to December 16, 2020, and March 29, 2017, to March 24, 2021).

Net of early repayments to the OeNB, the amount of outstanding refinancing operations under TLTRO II on December 31, 2018, equaled EUR 19.8 billion (Eurosystem: EUR 718.9 billion).

7 Securities of euro area residents denominated in euro

Table 11 shows the composition of this balance sheet item on December 31, 2017, and on December 31, 2018.

7.1 Securities held for monetary policy purposes

This balance sheet item consists of securities acquired by the OeNB within the scope of the CBPP¹⁰, the SMP¹¹ and the PSPP¹².

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

⁷ Guideline of the ECB of 19 December 2014 on the implementation of the Eurosystem monetary policy framework (ECB/2014/60), as amended on February 7, 2018 (ECB/2018/3).

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

⁹ Decision of the ECB of 28 April 2016 on a second series of targeted longer-term refinancing operations (ECB/2016/10), as amended on October 31, 2016 (ECB/2016/30).

¹⁰ Decision of the ECB of 3 November 2011 on the implementation of the second covered bond purchase programme (ECB/2011/17) and Decision of the ECB of 15 October 2014 on the implementation of the third covered bond purchase programme (ECB/2014/40), as amended on November 20, 2017 (ECB/2017/37).

¹¹ Decision of the ECB of 14 May 2010 establishing a securities markets programme (ECB/2010/5).

¹² Decision of the ECB of 4 March 2015 on a secondary markets public sector asset purchase programme (ECB/2015/10), as amended on January 11, 2017 (ECB/2017/1).

Table 11

	December 31, 2018	December 31, 2017	Change	
	EUR million	EUR million	EUR million	%
7.1 Securities held for monetary policy purposes	59,516.224	53,970.734	+5,545.491	+10.3
7.2 Other securities	7,883.060	8,852.469	-969.409	-11.0
of which:				
Securities	6,771.290	7,471.033	-699.743	-9.4
Held-to-maturity securities	1,111.771	1,381.436	-269.665	-19.5
Total	67,399.285	62,823.203	+4,576.082	+7.3

Table 12

	December 31, 2018	December 31, 2017	Change		December 31, 2018	December 31, 2017	Change	
	Book value				Market value			
	EUR million	EUR million	EUR million	%	EUR million	EUR million	EUR million	%
CBPP2	276.402	336.683	-60.281	-17.9	293.014	360.810	-67.796	-18.8
CBPP3	6,960.862	5,723.330	+1,237.532	+21.6	7,027.935	5,775.583	+1,252.353	+21.7
SMP	1,935.447	2,389.038	-453.591	-19.0	2,068.727	2,639.187	-570.460	-21.6
PSPP ¹	50,343.513	45,521.683	+4,821.830	+10.6	50,983.708	45,635.017	+5,348.691	+11.7
Total	59,516.224	53,970.734	+5,545.491	+10.3	60,373.385	54,410.597	+5,962.787	+11.0

¹ Government/agency bonds.

Under the CBPP2, the ECB and the NCBs purchased euro-denominated covered bonds issued in the euro area with the objective of easing funding conditions for credit institutions and enterprises and encouraging credit institutions to maintain and expand lending to customers. The program ended in October 2012.

Under the SMP, the ECB and the NCBs purchased euro area public and private debt securities to address the malfunctioning of certain segments of the euro area debt securities markets and to restore the proper functioning of the monetary policy transmission mechanism. By decision of the Governing Council of the ECB, the SMP was discontinued in September 2012.

Since October 2014, the ECB and the NCBs have been making both primary and secondary market purchases of covered bonds denominated in euro and issued in the euro area under the CBPP3 with the objective of easing funding conditions for credit institutions.

In January 2015, the Governing Council of the ECB decided to expand the existing purchase

Table 13

	December 31, 2018	December 31, 2017	Change	
	Nominal value			
	EUR million	EUR million	EUR million	%
CBPP2	276.600	336.900	-60.300	-17.9
CBPP3	6,876.278	5,606.111	+1,270.167	+22.7
SMP	1,959.767	2,428.767	-469.000	-19.3
PSPP ¹	44,153.424	38,930.883	+5,222.541	+13.4
Total	53,266.069	47,302.661	+5,963.408	+12.6

¹ Government/agency bonds.

programs by the secondary market public sector asset purchase programme (PSPP). This program is aimed at further easing monetary and financial conditions, including borrowing conditions for nonfinancial corporations and households in the euro area, to support consumption and corporate investment in the euro area as a whole. Under the PSPP, the ECB and the NCBs may purchase euro-denominated bonds issued by euro area governments or agencies (PSPP government/agency bonds) and by European institutions (PSPP supranational bonds) on the secondary market.

In 2016, the corporate sector purchase programme (CSPP)¹³ was added to the expanded asset purchase programme (APP), which already comprised the CBPP3, the ABSPP¹⁴ and the PSPP. Securities purchases under the ABSPP and the CSPP are not conducted by the OeNB but by the ECB and some Eurosystem NCBs.

In 2018, the Eurosystem continued its securities purchases under the APP. The monthly pace of combined net APP purchases by the NCBs and the ECB was EUR 30 billion on average until September 2018, and EUR 15 billion from October 2018 until the end of the year, when the net purchases ended. The Governing Council intends to continue reinvesting, in full, the principal payments from maturing securities purchased under the APP for an extended period of time past the date when it starts raising the key ECB interest rates, and in any case for as long as necessary to maintain favorable liquidity conditions and an ample degree of monetary accommodation.¹⁵

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

from securities held under the SMP, CBPP3, ABSPP and CSPP or from supranational bonds held under the PSPP, if they were to materialize, are shared in full by the Eurosystem NCBs, in proportion to the ECB capital key shares prevailing in the financial year in which the relevant losses occur.

The Governing Council of the ECB assesses on a regular basis the financial risks associated with the securities held under all these programs. Annual impairment tests are conducted on the basis of the estimated recoverable amounts as at the year-end and are approved by the Governing Council.

In 2018, as a result of an impairment test conducted on the CSPP portfolio, the Governing Council deemed it appropriate to establish a provision against losses in monetary policy operations in accordance with the principle of prudence (see liability item 13 *Provisions*). The security in the CSPP portfolio deemed to be impaired in 2017 was sold in January 2018. The realized loss due to that was fully covered by the usage of the provision.

As a result of an impairment test conducted at the end of 2018 on securities purchased under the CBPP1, CBPP2, CBPP3, SMP, PSPP and ABSPP, the Governing Council of the ECB decided that all future cash flows on these securities are expected to be received. As in the previous year, no losses were recorded for the securities held in any of these programs as at December 31, 2018.

7.2 Other securities

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

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

¹⁴ Decision of the ECB of 19 November 2014 on the implementation of the asset-backed securities purchase programme (ECB/2014/45), as amended on May 18, 2017 (ECB/2017/15).

¹⁵ Decision of the ECB of 13 December 2018.

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

8 General government debt denominated in euro

Closing balance	EUR million	
December 31, 2018	396.792	
December 31, 2017	399.345	
Change	-2.554	(-0.6%)

This balance sheet item corresponds fully to the claim on the Austrian Federal Treasury from silver commemorative coins issued before 1989, based on the 1988 Coinage Act as promulgated in Federal Law Gazette No. 597/1988, as amended; Article 21 paragraph 1 item 2 of this Act expressly authorizes the OeNB to include in its balance sheet an unremunerated claim on the central government in the amount of the face value of the accumulated silver coins. Table 14 shows the changes in 2018.

The central government will have to repay any redeemable amount outstanding on December 31, 2040, in equal annual installments over the five following years (2041 to 2045). The estimated redeemable amount outstanding is covered by a provision (see liability item 13 *Provisions*). The actual amount can be determined only at the end of 2040.

Table 14

	EUR million
Government remuneration for silver commemorative coins returned to Münze Österreich AG	+4.645
Proceeds from metal recovery	-1.385
Redemptions made from the central government's share of profit in 2017	-5.814
Total	-2.554

9 Intra-Eurosystem claims

Closing balance	EUR million	
December 31, 2018	29,609.214	
December 31, 2017	31,048.083	
Change	-1,438.870	(-4.6%)

Table 15 shows the composition of *intra-Eurosystem claims* on December 31, 2017, and December 31, 2018.

9.1 Participating interest in the ECB

Pursuant to Article 28 of the Statute of the ESCB and of the ECB, the NCBs of the ESCB are the sole subscribers to the capital of the ECB. This balance sheet item shows the OeNB's share in the ECB's capital under Article 29 of the Statute of the ESCB and of the ECB.

The ECB capital key must be adjusted every five years. The most recent adjustment as a result of the accession of a Member State took effect on January 1, 2015. On December 31, 2018, the OeNB's share in the ECB's paid-up capital (capital key) amounted to 2.7888%.

9.2 Claims equivalent to the transfer of foreign reserves

This balance sheet item represents the OeNB's claims arising from the transfer of foreign reserve assets¹⁷ to the ECB. The claims are presented at the euro value the corresponding assets had at the time they were transferred to the ECB. The remuneration of these claims is calculated daily at the latest available marginal interest rate used by the Eurosystem in its tenders for main

Table 15

	December 31, 2018	December 31, 2017	Change	
	EUR million	EUR million	EUR million	%
9.1 Participating interest in the ECB	221.613	221.613	-	-
9.2 Claims equivalent to the transfer of foreign reserves	1,137.637	1,137.637	-	-
9.4 Net claims related to the allocation of euro banknotes within the Eurosystem	28,249.964	29,688.833	-1,438.870	-4.8
Total	29,609.214	31,048.083	-1,438.870	-4.6

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

Table 16

	December 31, 2018	December 31, 2017	Change	
	EUR million	EUR million	EUR million	%
11.1 Coins of euro area	111.346	99.877	+11.470	+11.5
11.2 Tangible and intangible fixed assets	129.056	134.935	-5.879	-4.4
11.3 Other financial assets	6,967.278	7,288.508	-321.230	-4.4
11.5 Accruals and prepaid expenses	739.849	687.067	+52.782	+7.7
11.6 Sundry	923.751	923.416	+0.335	+0.0
Total	8,871.280	9,133.803	-262.523	-2.9

refinancing operations, adjusted to reflect a zero return on the gold component. The OeNB does not have a claim on the ECB for retransfer of these foreign reserve assets as the corresponding claims are denominated in euro. See the *Notes on transactions not disclosed in the balance sheet* for information about any additional capital contributions to be transferred to the ECB.

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

This balance sheet item consists of the OeNB's claims vis-à-vis the Eurosystem relating to the

allocation of euro banknotes within the Eurosystem (see also *Banknotes in circulation, intra-Eurosystem balances and interim ECB profit distribution*).

11 Other assets

Table 16 shows *other assets*.

11.1 Coins of euro area

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

Table 17

	Purchase and production costs as at January 1, 2018	Purchases	Sales	Transfer	Purchase and production costs as at December 31, 2018
	Accumulated depreciation as at January 1, 2018	Annual depreciation	Depreciation sales	Depreciation transfer	Accumulated depreciation as at December 31, 2018
	Book value as at January 1, 2018				Book value as at December 31, 2018
	EUR million	EUR million	EUR million	EUR million	EUR million
Premises ¹	119.350 ²	0.956	-0.087	-	120.219
	-70.898	-4.626	0.005	-	-75.519
	48.452				44.699
Equipment	104.321	8.079	-19.602	-	92.798
	-67.956	-11.216	19.492	-	-59.680
	36.365				33.118
Tangible real assets	53.196	1.121	-	-	54.317
	-3.078	-	-	-	-3.078
	50.118				51.239
Intangible fixed assets	0.090	-	-	-	0.090
	-0.090	-	-	-	-0.090
	-				-
Total	276.957	10.156	-19.689	-	267.423
	-142.022	-15.842	19.497	-	-138.367
	134.935				129.056

¹ The book value of developed land equals EUR 0.

² Premises acquired prior to December 31, 1956, were booked at the cost recorded in the schilling opening balance sheet (Federal Law Gazette No. 190/1954).

Table 18

	December 31, 2018	December 31, 2017	Change	
	EUR million	EUR million	EUR million	%
Securities	6,276.187	6,603.334	-327.147	-5.0
Participating interests	690.143	684.495	+5.648	+0.8
Other investment	0.948	0.679	+0.269	+39.7
Total	6,967.278	7,288.508	-321.230	-4.4

11.2 Tangible and intangible fixed assets

Table 17 shows the composition of this balance sheet item.

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

Tangible real assets comprise the coins of the OeNB's Money Museum and the OeNB's collection of historical string instruments. In 2018, four violins were added to the collection of historical string instruments, which as at December 31, 2018, comprised 35 violins, 6 violoncellos and 3 violas. The string instruments are on loan to musicians under the OeNB's cultural promotion program.

11.3 Other financial assets

Table 18 shows *other financial assets*.

EUR 1,672.723 million of the OeNB's total securities portfolio represent investments of *pension reserve assets*, another EUR 1,494.815 million reflect investments of the *OeNB Anniversary Fund for the Promotion of Scientific Research and Teaching* (of which EUR 1,449.329 million were earmarked as an endowment for the National Foundation). Under its own funds management, the OeNB had invested EUR 3,108.649 million.¹⁸

Of the participating interests, EUR 389.315 million formed part of the own funds portfolio

and EUR 300.827 million part of the investment portfolio relating to the investment of the pension reserve assets. Table 19 shows the changes in participating interests.

11.5 Accruals and prepaid expenses

Table 20 shows the composition of *accruals and prepaid expenses*.

11.6 Sundry

Table 21 shows the composition of *sundry assets*.

Pursuant to Article 3 paragraph 2 ERP Fund Act, the OeNB's maximum financing commitment corresponds to the sum by which the federal debt was written down initially (EUR 341.955 million) plus interest accrued on a reserve account (EUR 661.869 million on December 31, 2018). The ERP loan portfolio managed by the OeNB thus totaled EUR 1,003.824 million on December 31, 2018. The provisions governing

Table 19

	EUR million
Net asset value on December 31, 2017	684.495
Purchases in 2018	-
Sales in 2018 (at book value)	-0.061
Annual depreciation in 2018	-
Revaluation in 2018	+5.708
Net asset value on December 31, 2018	690.143

Table 20

	December 31, 2018	December 31, 2017	Change	
	EUR million	EUR million	EUR million	%
Accrued income	11.562	13.016	-1.454	-11.2
Prepaid expenses	728.288	674.052	+54.236	+8.0
Total	739.849	687.067	+52.782	+7.7

¹⁸ The OeNB's own funds shown under liabilities include its capital, the reserve for non-domestic and price risks, the profit-smoothing reserve, earmarked ERP capital and the risk provisions.

Table 21

	December 31, 2018	December 31, 2017	Change	
	EUR million	EUR million	EUR million	%
Claims arising from ERP loans to companies	615.617	705.136	-89.519	-12.7
Schilling coins	4.537	4.049	+0.488	+12.1
Advances on salaries	9.310	9.783	-0.472	-4.8
Employer loans	20.869	22.325	-1.457	-6.5
Advances	4.368	6.968	-2.601	-37.3
Claims on the tax authorities arising from corporate income tax prepayment	17.034	17.007	+0.027	+0.2
Accounts receivable	13.367	13.506	-0.139	-1.0
Claims on Münze Österreich AG in respect of the simultaneous capitalization of the dividend claim in 2018 and 2017	54.752	76.287	-21.535	-28.2
unsettled schilling coin returns	0.015	0.070	-0.056	-79.1
Balancing item relating to forward sales or purchases	181.634	66.999	+114.635	n.a.
Other accounts receivable	2.247	1.285	+0.963	+74.9
Total	923.751	923.416	+0.335	+0.0

the extension of loans from this portfolio are laid down in Article 83 Nationalbank Act.

The residual terms of almost all advances on salaries exceed one year. All advance payments and employer loans are secured by life insurance or credit default insurance contracts.

Liabilities

1 Banknotes in circulation

	EUR million	
Closing balance		
December 31, 2018	31,584.743	
December 31, 2017	30,034.719	
Change	+1,550.024	(+5.2%)

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

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

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

Table 23 shows the composition of this balance sheet item.

2.1 Current accounts (covering the minimum reserve system)

This balance sheet item contains the credit balances on the transaction accounts of credit institutions that are required to hold minimum reserves. Banks' minimum reserve balances have been remunerated since January 1, 1999,

Table 22

	December 31, 2018	December 31, 2017	Change
	EUR million	EUR million	EUR million
Total value of euro banknotes put into circulation	3,334.779	345.886	+2,988.893
Adjusted for: net claims related to the allocation of euro banknotes within the Eurosystem	28,249.964	29,688.833	-1,438.870
of which:			
Claims related to the allocation of euro banknotes within the Eurosystem	30,996.703	32,300.777	-1,304.073
less:			
Liabilities resulting from the ECB's share in euro banknotes in circulation ¹	-2,746.740	-2,611.943	-134.796
Total²	31,584.743	30,034.719	+1,550.024

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

² This corresponds to 2.5655% of the total amount of euro banknotes in circulation as at December 31, 2018, and December 31, 2017.

Table 23

	December 31, 2018	December 31, 2017	Change	
	EUR million	EUR million	EUR million	%
2.1 Current accounts (covering the minimum reserve system)	37,521.247	31,638.747	+5,882.500	+18.6
2.2 Deposit facility	4,769.000	4,020.000	+749.000	+18.6
Total	42,290.247	35,658.747	+6,631.500	+18.6

at the latest available marginal interest rate used by the Eurosystem in its tenders for main refinancing operations. Since June 2014, the reserve holdings exceeding the required minimum reserves have been remunerated at 0% or the deposit facility rate, whichever is lower.

2.2 Deposit facility

The item *deposit facility* refers to overnight deposits placed with the OeNB by credit institutions that access the liquidity-absorbing standing facility at a prespecified rate. The interest rate on the deposit facility has stood at –0.40% per annum since March 16, 2016.

5 Liabilities to other euro area residents denominated in euro

Closing balance	EUR million	
December 31, 2018	6,147.018	
December 31, 2017	9,250.130	
Change	–3,103.112	(–33.5%)

This balance sheet item comprises general government deposits of EUR 1,609.940 million (–EUR 561.982 million) and current account holdings to the amount of EUR 4,537.078 million (–EUR 2,541.130 million) of credit institutions not required to hold minimum reserves and of enterprises.

6 Liabilities to non-euro area residents denominated in euro

Closing balance	EUR million	
December 31, 2018	2,065.493	
December 31, 2017	939.580	
Change	+1,125.914	(+119.8%)

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

9 Counterpart of Special Drawing Rights allocated by the IMF

Closing balance	EUR million	
December 31, 2018	2,110.316	
December 31, 2017	2,062.046	
Change	+48.270	(+2.3%)

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

10 Intra-Eurosystem liabilities

Closing balance	EUR million	
December 31, 2018	45,428.115	
December 31, 2017	45,804.509	
Change	–376.393	(–0.8%)

This balance sheet item shows the OeNB's net liabilities arising from transactions with the NCBs participating in TARGET2 and with the ECB. It also comprises the nonremunerated liabilities to the ECB resulting from EUR/USD swap transactions between the ECB and the OeNB. Moreover, this item covers the Eurosystem balance arising at year-end from the monetary income reallocation and the balances arising from the interim ECB profit distribution.

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

12 Other liabilities

Table 24 shows the composition of *other liabilities*.

12.3 Sundry

Table 25 shows the composition of *sundry liabilities*.

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

As on December 31, 2017, the *liability from schilling banknotes in circulation with an exchange deadline* resulted from outstanding schilling banknotes with an exchange deadline. The last exchange period expired on April 20, 2018, and applied to the schilling banknote ATS 1,000 (4th motif – Erwin Schrödinger) and ATS 500 (3rd motif – Otto Wagner). The euro equivalent of the unexchanged banknotes of EUR 107.077 million was transferred to the Federal Ministry of Finance.

The item *Earmarked funds of the OeNB Anniversary Fund (initial funding)* refers to the funds not yet disbursed on the balance sheet date.

13 Provisions

Table 26 shows *provisions*.

Risk provisions are made for foreign exchange rate, interest rate, credit and gold price risks. To calculate the potential need to adjust the size of risk provisions, the OeNB uses bandwidths for all financial risks it incurs, including the risks arising from the Eurosystem's single monetary policy. These bandwidths are based on risk calculations using VaR (value at risk) and ES (expected shortfall) calculations with a confidence level of 99% over a one-year horizon (plus a three-month horizon for market risk). Taking into account the prohibition of netting, balances on revaluation accounts are used as risk-mitigating factors in calculating risk exposure.

The Governing Board determines the adjustment of the size of the risk provisions every year on the basis of the risk bandwidths, giving due consideration to monetary policy, macroeconomic and financial stability considerations. In the financial statements for 2018, EUR 150 million were allocated to the risk provisions. As defined by the ECB, these risk provisions

Table 24

	December 31, 2018	December 31, 2017	Change	
	EUR million	EUR million	EUR million	%
12.1 Off balance sheet instruments' revaluation differences	153.593	43.148	+110.445	n.a.
12.2 Accruals and income collected in advance	168.029	84.244	+83.785	+99.5
12.3 Sundry	223.700	330.331	-106.631	-32.3
Total	545.323	457.724	+87.599	+19.1

Table 25

	December 31, 2018	December 31, 2017	Change	
	EUR million	EUR million	EUR million	%
Central government's share of profit of 90% under Article 69 paragraph 3 Nationalbank Act	184.154	173.962	+10.191	+5.9
Liability from schilling banknotes in circulation with an exchange deadline	–	108.508	-108.508	-100.0
Earmarked funds of the OeNB Anniversary Fund				
OeNB Anniversary Fund (initial funding)	34.909	32.988	+1.921	+5.8
OeNB Anniversary Fund National Foundation endowment	–	7.132	-7.132	-100.0
Sundry	4.637	7.741	-3.103	-40.1
Total	223.700	330.331	-106.631	-32.3

Table 26

	December 31, 2017	Release/use	Allocation	December 31, 2018
	EUR million	EUR million	EUR million	EUR million
Risk provisions	3,950.000	–	+150.000	4,100.000
Pension reserve	2,000.573	–33.983	+35.125	2,001.714
Personnel provisions				
Severance payments	63.545	–3.933	+5.260	64.872
Supplementary contributions to pension plans	54.583	–	+7.200	61.783
Anniversary bonuses	15.156	–1.629	+3.022	16.549
Residual leave entitlements	14.050	–0.250	+0.446	14.245
Death gratuity payments	2.100	–	+0.564	2.664
One-off contributions for employees on secondment or leave	1.384	–0.354	+0.237	1.267
Overtime entitlements	0.772	–	+0.060	0.832
Prepaid salaries in 2017 and 2018	0.424	–0.424	+0.455	0.455
Compulsory social security contributions	0.112	–0.112	+0.086	0.086
Sabbaticals	0.102	–0.002	–	0.100
Pending employment lawsuits	0.832	–0.832	–	–
Other provisions				
Schilling banknotes without an exchange deadline	136.378	–2.580	–	133.798
Estimated unredeemable amount outstanding from the Austrian Federal Treasury for silver commemorative coins issued before 1989	34.203	–	+0.028	34.231
Accounts payable	4.536	–3.289	+1.845	3.093
Accounts payable to subsidiaries	2.987	–2.987	+4.786	4.786
Provision against losses in monetary policy operations	1.921	–1.921	+4.492	4.492
Sundry	3.905	–3.585	+0.930	1.250
Total	6,287.562	–55.880	+214.536	6,446.217

constitute central bank-specific provisions equivalent to reserves and are to be included in *net equity*.

The OeNB's retirement plan for employees recruited up to April 30, 1998, is based on internally funded pensions. The legal basis of this plan is the Nationalbank Act. It obligates the OeNB to hold a *pension reserve* to cover its liability under this retirement plan. All employees recruited from May 1, 1998, are covered by the pension system under the General Social Security Act (Allgemeines Sozialversicherungsgesetz, ASVG). With effect from May 1, 1999, a contract between the OeNB and a pension fund was concluded for these employees. This means that the OeNB's direct liability to pay retirement benefits is limited to staff recruited before May 1, 1998, and that, as a result, the pension reserve set up to secure this liability has become a closed system.

Since January 1, 2015, staff members employed under the first and second generations of the OeNB's Conditions of Service have been obliged, pursuant to the Act to Limit Specific Pension Benefits (Sonderpensionenbegrenzungsgesetz, SpBegrG), to pay pension contributions to the OeNB (first generation: 10.25% as from 2018; second generation: 10.25% of basic salaries up to the earnings cap as defined in the General Social Security Act, and as from 2017, 5% for any part of salaries in excess of this earnings cap). Retired staff who are entitled to pension or supplementary pension payments under the first and second generations of the OeNB's Conditions of Service have been obliged to make a special pension contribution (of between 3.3% and 25%) to the OeNB from their monthly pension benefits as well as from special payments they are entitled to.

The actuarial present value of projected pension benefits amounted to EUR 2,885.280 million on December 31, 2018; it was not covered by the pension reserve and hidden reserves in the real estate portfolio. The EUR 471.822 million funding gap as at December 31, 2018, was recorded as a contingent liability in the *transactions not disclosed in the balance sheet* (table 29).

In line with the average cost method, the discount rate is derived from the seven-year moving average of the interest rate (discount interest rates pursuant to Article 253 paragraph 2 of the German Commercial Code based on the last 84 month-end values) applied to an average residual maturity of 15 years as published by the Deutsche Bundesbank on November 30, 2018, i.e. 2.36% (2017: 2.84%). It was assumed that the relevant assessment bases in the qualifying period increase by 2.1% per annum (2017: 1.7%) and that current pension payments increase by 1.8% per annum (2017: 1.7%).

Moreover, the new mortality tables “AVÖ 2018-P – Rechnungsgrundlagen für die Pensionsversicherung” (actuarial basis for pension insurance published by the Actuarial Association of Austria AVÖ) had to be applied to calculate the actuarial present value of projected pension benefits. These mortality tables have replaced the hitherto used “AVÖ 2008-P, Pagler & Pagler.” The reasons that entitle employees or their dependents to receive benefits from the pension reserve that are taken into account in the calculation are death, disability or withdrawal from employment upon attainment of pension entitlement age. Fluctuations are not taken into account. The pension entitlement age is governed by the provisions in the applicable Conditions of Service and service contracts, in observance of the Act to Limit Specific Pension Benefits. The pension scheme liabilities for current employees with pension entitlements are stated pro rata; those for retired employees and for prospective beneficiaries that have attained pension entitlement age are stated at their net present value. Following the switch to the new mortality tables, the projected pension benefits increased by EUR 141.422 million. The change in the discount rate and in the

assumed increase of the assessment bases had an impact on the projected pension benefits of +EUR 201.619 million and +EUR 49.840 million, respectively.

Provisions for severance payments, anniversary bonuses, residual leave entitlements, death gratuity payments and supplementary contributions to pension plans are calculated according to actuarial principles. The discount rate used for calculating the provisions for severance payments and the provisions for sabbaticals is the seven-year moving average of the interest rate (discount interest rates pursuant to Article 253 paragraph 2 of the German Commercial Code based on the last 84 month-end values) applied to an average residual maturity of eight years as published by the Deutsche Bundesbank on November 30, 2018, i.e. 1.72% (2017: 2.07%, with an average residual maturity of seven years). Assuming an average residual maturity of nine years, this discount rate as applied to the calculation of the provisions for anniversary bonuses equals 1.84% (2017: 2.33%). The relevant assessment bases were all assumed to increase by 2.1% per annum in 2018 (2017: 1.7%).

The change in the discount rate and the change in the assumed increase of the assessment base had an impact on the provisions for severance payments of +EUR 0.864 million and +EUR 1.005 million, respectively. The required provisions decreased by EUR 0.195 million following the switch to the new mortality tables. The provisions for anniversary bonuses rose on account of the change in the discount rate (+EUR 0.349 million), the change in the assumed increase of the assessment bases (+EUR 0.286 million) and the switch to the new mortality tables (+EUR 0.832 million).

The calculation of the provisions for death gratuity payments and for supplementary contributions to pension plans is based on the same parameters as the calculation of the pension reserve. The provisions for supplementary contributions to the pension plans increased as a result of the change in the discount rate (+EUR 1.882 million) and of the change in the assumed increase of the assessment bases

(+EUR 1.588 million) and decreased on account of the switch to the new mortality tables (–EUR 1.879 million).

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

The level of the provision for schilling banknotes without an exchange deadline, which were not recognized in the profit and loss account in 2002, relates to the amount of schilling banknote exchanges estimated on the basis of past annual exchange amounts. The reduction in the provision in 2018 is due to exchanges of schilling banknotes.

In 2017, a provision totaling EUR 69 million against losses in monetary policy operations was established in relation to a security held by an NCB of the Eurosystem. In accordance with Article 32.4 of the Statute of the ESCB and of the ECB, this provision was funded by all the NCBs of the Eurosystem in proportion to their subscribed capital key shares in the ECB prevailing in 2017. As a result, a provision of EUR 1.921 million was estab-

lished in the 2017 financial statements of the OeNB, which is equivalent to 2.7888% of the Eurosystem's total provision. The size of this provision in the 2017 financial statements was calculated taking into account the information regarding the security sale in January 2018 and therefore the loss realized in 2018 was fully covered by usage of the provision.

As a result of an impairment test conducted on the CSPP portfolio, the Governing Council of the ECB deemed it appropriate to establish a provision totaling EUR 161 million against losses in monetary policy operations in 2018. In accordance with Article 32.4 of the Statute of the ESCB and of the ECB, this provision is funded by all the NCBs of the Eurosystem in proportion to their subscribed capital key shares in the ECB prevailing in 2018. As a result, a provision of EUR 4.492 million was established in the 2018 financial statements of the OeNB, which is equivalent to 2.7888% of the Eurosystem's total provision.

14 Revaluation accounts

Table 27 shows the composition of this balance sheet item on December 31, 2017, and on December 31, 2018. The amounts on the *revaluation accounts* reflect the valuation gains established in the course of the valuation of assets (by individual valuation units) as on December 31, 2018. These gains are realizable in the context of future transactions in the respective categories or may be used to reverse revaluation losses that may arise in future years. Any other use is inadmissible.

Table 27

	December 31, 2018	December 31, 2017	Change	
	EUR million	EUR million	EUR million	%
Revaluation accounts				
Gold	7,873.181	7,521.381	+351.800	+4.7
Foreign currency	109.811	71.975	+37.836	+52.6
Securities	691.010	938.934	–247.924	–26.4
Participating interests	99.754	94.046	+5.708	+6.1
Coins of the OeNB's Money Museum	9.269	9.269	–	–
Revaluation accounts total	8,783.025	8,635.605	+147.420	+1.7
Valuation gains from January 1, 1999				
Participating interests	262.764	262.764	–	–
Total	9,045.788	8,898.368	+147.420	+1.7

15 Capital and reserves

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

Table 28 shows reserves.

The change in the profit-smoothing reserve resulted from allocations out of the profit for the year 2017, which were made according to the General Meeting's decision of March 27, 2018.

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

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

Funds earmarked for appropriation by the Anniversary Fund may be used to obtain a balanced operating result.

Earmarked capital funded with net interest income from ERP loans represents the cumulative interest income accruing to the OeNB from lending out of the ERP loan portfolio managed by the OeNB. Appropriation of this ERP capital is subject to international law; this item is earmarked

Table 28

	December 31, 2018	December 31, 2017	Change	
	EUR million	EUR million	EUR million	%
Profit-smoothing reserve	129.229	121.099	+8.129	+6.7
Reserve for nondomestic and price risks	1,973.263	1,973.263	–	–
OeNB Anniversary Fund for the Promotion of Scientific Research and Teaching	1,490.400	1,537.500	–47.100	–3.1
Earmarked capital funded with net interest income from ERP loans	661.869	659.744	+2.125	+0.3
Total	4,254.761	4,291.607	–36.846	–0.9

Table 29

	December 31, 2018	December 31, 2017
	EUR million	EUR million
Obligation under the IMF's Articles of Agreement to provide currency for SDRs up to the point at which the OeNB's SDR holdings are three times as high as its gratuitously allocated SDRs ¹	4,283.007	4,257.955
Contingent liabilities to the IMF under the New Arrangements to Borrow (NAB) ¹	2,042.377	1,920.843
Contingent liabilities to the IMF under the bilateral borrowing agreement ¹	6,130.000	6,130.000
Obligation to make supplementary contributions to the stake in the capital of the BIS (8,564 shares of SDR 5,000 each)	39.033	38.140
Forward purchases (euro- and foreign currency-denominated forward transactions and swaps)	3,258.817	2,696.732
Forward sales (euro- and foreign currency-denominated forward transactions and swaps)	3,258.817	2,696.732
Liabilities from foreign currency investments effected in the OeNB's name for third account	40.965	31.325
Repayment obligation upon termination of employment equivalent to the interest accrued on pension contributions paid by OeNB staff	16.269	15.343
Contingent liabilities relating to the funding gap in the pension reserve	471.822	187.155
Contingent liabilities equivalent to the OeNB's share of the maximum of EUR 50 billion of reserve assets that the ECB may call up under Article 30.1 of the Statute of the ESCB and of the ECB	981.550	981.550
Contingent liabilities arising from bank guarantees given	111.000	111.000
Contingent assets arising from bank guarantees received	0.733	2.025
Contingent asset from a guarantee of the OeKB in respect of payment transactions	1,000.000	1,000.000
Financial assistance granted under the ERP Fund	7.553	7.684

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

exclusively for ERP loans. Therefore, ERP capital must not be used to cover any loss for the year.

Notes on transactions not disclosed in the balance sheet

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

Notes on the profit and loss account

Table 30 shows the *profit and loss account*.

1 Net interest income

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

Table 30

	2018	2017	Change ¹	
	EUR million	EUR million	EUR million	%
1 Net interest income	719.625	663.712	+55.913	+8.4
2 Net result of financial operations, writedowns and risk provisions	-282.076	-222.824	+59.252	+26.6
3 Net income from fees and commissions	1.994	1.140	+0.854	+74.9
4 Income from equity shares and participating interests	98.635	113.447	-14.812	-13.1
5 Net result of pooling of monetary income	124.364	72.278	+52.086	+72.1
6 Other income	30.906	37.186	-6.280	-16.9
Total net income	693.448	664.939	+28.509	+4.3
7 Staff costs	-151.767	-146.629	+5.139	+3.5
8 Expenses for retirement	-138.837	-108.500	+30.336	+28.0
9 Administrative expenses	-80.761	-80.884	-0.123	-0.2
10 Depreciation of tangible and intangible fixed assets	-15.842	-14.934	+0.909	+6.1
11 Banknote production services	-15.226	-18.035	-2.809	-15.6
12 Other expenses	-7.726	-9.599	-1.873	-19.5
Total expenses	-410.159	-378.581	+31.578	+8.3
Operating profit	283.289	286.358	-3.069	-1.1
13 Corporate income tax	-55.939	-71.589	-15.651	-21.9
	227.350	214.768	+12.582	+5.9
14 Transfer to the pension reserve and central government's share of profit	-206.889	-195.439	+11.450	+5.9
15 Profit for the year	20.462	19.329	+1.132	+5.9

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

Table 31

	2018	2017	Change	
	EUR million	EUR million	EUR million	%
Net interest income from foreign currency investments	170.769	132.167	+38.602	+29.2
Net interest income from euro investments	95.004	89.007	+5.996	+6.7
Monetary policy instruments	421.283	381.907	+39.376	+10.3
Sundry	32.569	60.630	-28.061	-46.3
Total	719.625	663.712	+55.913	+8.4

2 Net result of financial operations, writedowns and risk provisions

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

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

In 2018, EUR 150 million were transferred to the risk provisions (2017: EUR 275 million).

4 Income from equity shares and participating interests

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

The Governing Council of the ECB decided to transfer EUR 1,191 million of the ECB's

profit for the year 2018 as an interim profit distribution to the NCBs at end-January 2019; the OeNB's share amounted to EUR 33,225 million.

5 Net result of pooling of monetary income

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

This profit and loss account item comprises the OeNB's net result from the reallocation of monetary income within the Eurosystem. This item also contains the OeNB's share in the provision against losses in monetary policy operations (see liability item 13 *Provisions*). Moreover, this item comprises the OeNB's share in the realized loss in relation to the sale in 2018

Table 32

	2018	2017	Change	
	EUR million	EUR million	EUR million	%
Realized gains/losses arising from exchange/interest rate changes of				
currencies (gold and foreign currency)	78.953	176.996	-98.043	-55.4
securities	-15.334	62.270	+77.604	+124.6
Total	63.619	239.266	-175.647	-73.4

Table 33

	2018	2017	Change	
	EUR million	EUR million	EUR million	%
Writedowns on				
securities	-11.908	-12.877	-0.969	-7.5
foreign currency	-183.787	-174.213	+9.574	+5.5
Total	-195.695	-187.090	+8.605	+4.6

Table 34

	2018	2017	Change	
	EUR million	EUR million	EUR million	%
Dividends				
BIS	2.433	3.151	-0.719	-22.8
Münze Österreich AG	54.752	76.287	-21.535	-28.2
Profit distribution by GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination G.m.b.H. (GSA)	0.164	0.136	+0.028	+20.7
Distribution of ECB profit				
Interim profit distribution	33.225	27.546	+5.679	+20.6
Profit distribution for the previous year	8.005	6.327	+1.678	+26.5
Other income	0.057	-	+0.057	x
Total	98.635	113.447	-14.812	-13.1

Tabelle 35

	2018	2017	Change	
	EUR million	EUR million	EUR million	%
Monetary income	65.629	94.740	-29.110	-30.7
Deductible items (in particular interest on the liability base) ¹	155.864	131.864	+24.000	+18.2
Monetary income to be pooled (net)	221.493	226.604	-5.110	-2.3
Redistribution of monetary income	340.420	300.887	+39.534	+13.1
Net result for monetary income reallocation for the reporting year	+118.927	+74.283	+44.644	+60.1
Net income/loss from the revision of monetary income of the previous years	+8.009	-0.084	+8.093	n.a.
Provision against losses in monetary policy operations				
Establishment	-4.492	-1.921	+2.571	+133.9
Use	+1.921	-	+1.921	x
Total	+124.364	+72.278	+52.086	+72.1

¹ Due to negative interest rates, the OeNB recorded net income in both 2017 and 2018.

of a security held by an NCB of the Eurosystem in its CSPP portfolio as well as the dissolving of the provision established in 2017 against losses in monetary policy operations.

The ECB calculates monetary income annually in accordance with Article 32 of the Statute of the ESCB and of the ECB.

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

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

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

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

The monetary income pooled by the Eurosystem is allocated among NCBs according to their share in the fully paid-up capital.¹⁹ The pooling and reallocation of monetary income leads to certain net reallocation effects. One reason is that the yields earned on certain earmarkable assets and the interest expense paid on certain liability base items may differ to a varying degree among the Eurosystem NCBs. In addition, usually each Eurosystem NCB's share of earmarkable assets and in the liability base deviates from its share in the subscribed

¹⁹ Under Article 33.2 of the Statute of the ESCB and the ECB, income will not be reallocated if the pooled amount is fully or partially retained by the ECB to cover an annual loss incurred by the ECB.

capital of the ECB. The difference between the monetary income pooled by the OeNB (EUR 221.493 million) and the income reallocated to the OeNB (EUR 340.420 million) results from the calculation of monetary income.

6 Other income

Other income comprises e.g. rental income and income from transactions with OeNB subsidiaries or the ECB amounting to EUR 15.576 million. The FMA's reimbursement to the OeNB for the direct costs resulting from banking supervision and the costs related to bank recovery and resolution amount to the statutory maximum of EUR 8 million and EUR 1.7 million, respectively.

7 Staff costs

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

Salaries increased by EUR 3.348 million net to EUR 124.588 million against the previous year (2017: EUR 121.241 million). The OeNB's outlays were reduced by recoveries of salaries totaling EUR 4.985 million (2017: EUR 5.791 million) for staff members on secondment to affiliates and other institutions.

Like in the previous year, the four members of the OeNB's Governing Board received emoluments totaling EUR 1.148 million in 2018 (table 36).

Table 36

	Emoluments EUR million
Governor Ewald Nowotny	0.3065
Vice Governor Andreas Ittner	0.2888
Executive Director Kurt Pribil	0.2762
Executive Director Peter Mooslechner	0.2762

The remuneration of Governing Board members is regulated by the Federal Constitutional Act on the Limitation of Remunerations for Public Officials; it stipulates, inter alia, that the emoluments of the central bank governor must not exceed those of the Austrian Federal Chancellor. The emoluments of the other members of the Governing Board, in turn, must not exceed the emoluments of the Governor of the

OeNB. Pursuant to Federal Law Gazette I No. 166/2017, the emoluments were not increased by December 31, 2018, as envisaged in Article 3 paragraph 1 Federal Constitutional Act on the Limitation of Remuneration for Public Officials. Remuneration in kind (tax value of the private use of company cars, insurance subsidies) and other benefits totaled EUR 0.046 million (2017: EUR 0.047 million).

As set by the General Meeting under Article 24 Nationalbank Act, the emoluments of the OeNB's President and Vice President, whose term of office ended on August 31, 2018, totaled EUR 0.081 million in 2018 (2017: EUR 0.122 million). Since the new President and Vice President of the OeNB were appointed on September 1, 2018, the President has forgone any remuneration (payments in cash and in kind) pursuant to Article 24 Nationalbank Act. The Vice President received remuneration in the amount of EUR 0.014 million from September 1, 2018, to December 31, 2018. The other members of the General Council perform the duties of office without remuneration. They receive an attendance fee of EUR 250 for donation to charity for every day they participate in a meeting of the General Council or one of its subcommittees. Travel expenses associated with the exercise of General Council members' functions are appropriately reimbursed.

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

Expenses for severance payments and contributions to severance funds came to EUR 5.492 million (2017: EUR 4.684 million) and EUR 0.856 million (2017: EUR 0.809 million), respectively. Expenses for severance payments for management officials (Governing Board members) totaled EUR 0.032 million in 2018 (2017: EUR 0.046 million).

Expenses for compulsory social security contributions as well as compulsory contributions and charges related to wages and salaries totaled EUR 22.104 million in 2018 (2017: EUR 21.980 million). Of this amount, EUR 13.884 million (2017: EUR 13.556 million) were social security contributions, EUR 4.507 million (2017: EUR 4.724 million) were contributions to the

Table 37

	Reporting date December 31 ¹			Annual average ¹		
	2018	2017	Change	2018	2017	Change
FTEs staff resources ²	1,079.3	1,100.0	-20.7	1,086.8	1,099.6	-12.8
Total	1,209.3	1,227.5	-18.2	1,227.7	1,237.2	-9.5

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

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

Family Burden Equalization Fund, and EUR 3.558 million (2017: EUR 3.514 million) were municipal tax payments.

8 Expenses for retirement

All pension expenses relate to the OeNB's retirement plan based on internally funded pensions for employees recruited up to April 30, 1998. Pension expenses in 2018 came to EUR 126.190 million (2017: EUR 124.879 million). In the previous year, EUR 31.790 million were covered by investment income on the pension reserve. Pension expenses include the remuneration of retired Governing Board members or their dependents (totaling EUR 4.173 million; 2017: EUR 3.849 million).

The OeNB's other legal and contractual obligations (pension plan contributions and supplementary contribution to pension plans) totaled EUR 12.647 million in 2018 (2017: EUR 15.412 million).

9 Administrative expenses

Administrative expenses include, inter alia, rent, operating expenses, maintenance and repair costs of EUR 37.033 million (2017: EUR 36.659 million) as well as banknote processing expenses of EUR 10.693 million (2017: EUR 10.637 million). The headline figure also includes expenses that the OeNB charges entirely to subsidiaries or the ECB (in particular rent, operating costs and security-related

service costs) in the amount of EUR 4.746 million (2017: EUR 4.682 million). Administrative expenses for auditing the OeNB's financial statements came to EUR 0.090 million (2017: EUR 0.119 million), those for other certification services to EUR 0.071 million (2017: EUR 0.055 million).

Pursuant to Article 238 paragraph 1 item 14 Commercial Code, material obligations arising from the use of tangible fixed assets not disclosed in the balance sheet must be recorded separately. These obligations amount to EUR 10.714 million in the subsequent financial year (2017: EUR 11.569 million). In the subsequent five financial years, these obligations total EUR 54.635 million (2017: EUR 54.545 million).

11 Banknote production services

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

13 Corporate income tax

Pursuant to Article 72 paragraph 1 Nationalbank Act, the operating profit of the financial statements drawn up pursuant to Article 67 Nationalbank Act and in accordance with Article 69 paragraph 1 Nationalbank Act constitutes the OeNB's taxable income within the meaning of Article 22 paragraph 1 of the Corporate Income Tax Act 1988. Table 38 shows the calculation of the *corporate income tax*.

Table 38

	2018	2017	Change	
	EUR million	EUR million	EUR million	%
Operating profit	283.289	286.358	-3.069	-1.1
Reduction of the corporate income tax base under Article 20 paragraph 3 National Foundation Act ¹	-59.534	-	+59.534	x
Corporate income tax base	223.755	286.358	-62.603	-21.9
Corporate income tax	55.939	71.589	-15.651	-21.9

¹ See also the section on the legal framework.

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

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

Profit for the year and proposed profit appropriation

With the statutory allocations having been made in line with Article 69 paragraphs 2 and 3 Nationalbank Act (see profit and loss account item 14 *Transfer to the pension reserve and central government's share of profit*), the balance sheet and the profit and loss account show a profit for the year 2018 of EUR 20,461,541.24 (2017: EUR 19,329,158.29).

In its meeting of February 5, 2019, the Governing Board decided to submit the profit appropriation proposal shown in table 40 to the General Council.

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

Post-balance sheet events

Quinquennial adjustment of the capital key

Pursuant to Article 29.3 of the Statute of the ESCB and of the ECB, the NCBs' weightings in

the ECB's capital key must be adjusted every five years. The most recent such adjustment took effect on January 1, 2014.

The OeNB's share in the capital of the ECB fully paid up by the NCBs of the Eurosystem (capital key) increased from 2.7888% to 2.9195% following the quinquennial adjustment of the capital key shares on January 1, 2019. As a result, the OeNB increased its share in the paid-up capital by EUR 7.513 million to EUR 220.018 million. The OeNB's share in the subscribed capital of the ECB rose from 1.9631% to 2.0325%. The foreign reserve assets transferred by the OeNB to the ECB hence increased by EUR 40.218 million, reaching EUR 1,177.855 million.

Brexit

In the event of the United Kingdom withdrawing²⁰ from the EU (on March 29, 2019, as currently envisaged), the Bank of England will at the same time leave the ESCB. This will entail an adjustment of the shares in the ECB's capital.

Table 39

	2018 EUR million	2017 EUR million	Change EUR million	%
Transfer to the pension reserve under Article 69 paragraph 2 Nationalbank Act	22.735	21.477	+1.258	+5.9
Central government's share of profit of 90% under Article 69 paragraph 3 Nationalbank Act	184.154	173.962	+10.191	+5.9
of which:				
annual redemption under Article 21 paragraph 2 Coinage Act	5.814	5.814	–	–
transfer to the National Foundation under Article 4 paragraph 5 no. 3 National Foundation Act	66.667	59.534	+7.132	+12.0
transfer to the central government	111.673	108.614	+3.059	+2.8
Total	206.889	195.439	+11.450	+5.9

Table 40

	Proposal 2018 EUR	Appropriation 2017 EUR
Payout of the maximum dividend (10%) on the OeNB's capital stock of EUR 12 million under Article 69 Nationalbank Act	1,200,000.00	1,200,000.00
Allocation of funds to the OeNB Anniversary Fund for the Promotion of Scientific Research and Teaching for promotion by the OeNB	10,000,000.00	10,000,000.00
Transfers to the profit-smoothing reserve	9,261,541.24	8,129,158.29
Profit for the year	20,461,541.24	19,329,158.29

²⁰ Based on expectations at the time the 2018 financial statements of the OeNB were formally drawn up by the Governing Board.

GOVERNING BOARD (DIREKTORIUM)

Governor Ewald Nowotny
 Vice Governor Andreas Ittner
 Executive Director Kurt Pribil
 Executive Director Peter Mooslechner

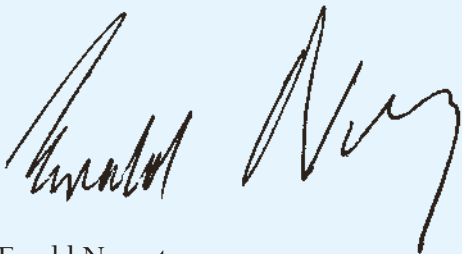
GENERAL COUNCIL (GENERALRAT)

President Claus J. Raidl (until August 31, 2018)
 President Harald Mahrer (from September 1, 2018)
 Vice President Max Kothbauer (until August 31, 2018)
 Vice President Barbara Kolm (from September 1, 2018)
 August Astl (until September 7, 2018)
 Bettina Glatz-Kremsner
 Gottfried Haber
 Erich Hampel (until May 22, 2018)
 Stephan Koren (from September 8, 2018)
 Franz Maurer (from May 23, 2018)
 Gabriele Payr (until February 28, 2019)
 Walter Rothensteiner
 Peter Sidlo
 Dwora Stein (until August 31, 2018)
 Christoph Traunig (from September 1, 2018)
 State Commissioner Harald Waiglein
 Deputy State Commissioner Alfred Lejsek

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

Robert Kocmich
 Birgit Sauerzopf

Vienna, March 5, 2019



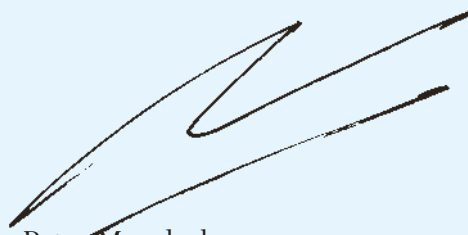
Ewald Nowotny



Andreas Ittner



Kurt Pribil



Peter Mooslechner

Bestätigungsvermerk der Abschlussprüfungsgesellschaft

Oesterreichische Nationalbank, Wien

31. Dezember 2018

BESTÄTIGUNGSVERMERK

Bericht zum Jahresabschluss

Prüfungsurteil

Wir haben den Jahresabschluss der

Oesterreichische Nationalbank, Wien,

bestehend aus der Bilanz zum 31. Dezember 2018, der Gewinn- und Verlustrechnung für das an diesem Stichtag endende Geschäftsjahr und dem Anhang, geprüft.

Nach unserer Beurteilung entspricht der beigefügte Jahresabschluss den gesetzlichen Vorschriften und vermittelt ein möglichst getreues Bild der Vermögens- und Finanzlage zum 31. Dezember 2018 sowie der Ertragslage der Gesellschaft für das an diesem Stichtag endende Geschäftsjahr in Übereinstimmung mit den österreichischen unternehmensrechtlichen Vorschriften und den sondergesetzlichen Bestimmungen des Nationalbankgesetzes 1984 in der geltenden Fassung sowie den Bestimmungen der vom Rat der Europäischen Zentralbank gemäß Artikel 26 Abs 4 des "Protokolls über die Satzung des Europäischen Systems der Zentralbanken und der Europäischen Zentralbank" mittels der "Leitlinie der Europäischen Zentralbank" vom 3. November 2016 über die Rechnungslegungsgrundsätze und das Berichtswesen im Europäischen System der Zentralbanken (EZB/2016/34) erlassenen Vorschriften.

Grundlage für das Prüfungsurteil

Wir haben unsere Abschlussprüfung in Übereinstimmung mit den österreichischen Grundsätzen ordnungsmäßiger Abschlussprüfung durchgeführt. Diese Grundsätze erfordern die Anwendung der International Standards on Auditing (ISA). Unsere Verantwortlichkeiten nach diesen Vorschriften und Standards sind im Abschnitt "Verantwortlichkeiten des Abschlussprüfers für die Prüfung des Jahresabschlusses" unseres Bestätigungsvermerks weitergehend beschrieben. Wir sind von der Gesellschaft unabhängig in Übereinstimmung mit den österreichischen unternehmensrechtlichen und berufsrechtlichen Vorschriften, und wir haben unsere sonstigen beruflichen Pflichten in Übereinstimmung mit diesen Anforderungen erfüllt. Wir sind der Auffassung, dass die von uns erlangten Prüfungsnachweise ausreichend und geeignet sind, um als Grundlage für unser Prüfungsurteil zu dienen.

Hinweis auf sonstige Sachverhalte

Der Abschluss der Oesterreichische Nationalbank für das am 31. Dezember 2017 endende Geschäftsjahr wurde von einem anderen Abschlussprüfer geprüft, der einen uneingeschränkten Bestätigungsvermerk zu diesem Abschluss am 6. März 2018 abgegeben hat.

Verantwortlichkeiten der gesetzlichen Vertreter und des Unterausschusses des Generalrates für Rechnungslegung und interne Kontrollsysteme für den Jahresabschluss

Die gesetzlichen Vertreter sind verantwortlich für die Aufstellung des Jahresabschlusses und dafür, dass dieser in Übereinstimmung mit den österreichischen unternehmensrechtlichen Vorschriften und den sondergesetzlichen Bestimmungen des Nationalbankgesetzes 1984 in der geltenden Fassung sowie den Bestimmungen der vom Rat der Europäischen Zentralbank gemäß Artikel 26 Abs 4 des "Protokolls über die Satzung des Europäischen Systems der Zentralbanken und der Europäischen Zentralbank" mittels der "Leitlinie der Europäischen Zentralbank" vom 3. November 2016 über die Rechnungslegungsgrundsätze und das Berichtswesen im Europäischen System der Zentralbanken (EZB/2016/34) erlassenen Vorschriften ein möglichst getreues Bild der Vermögens-, Finanz- und Ertragslage der Gesellschaft vermittelt. Ferner sind die gesetzlichen Vertreter verantwortlich für die internen Kontrollen, die sie als notwendig erachten, um die Aufstellung eines Jahresabschlusses zu ermöglichen, der frei von wesentlichen - beabsichtigten oder unbeabsichtigten - falschen Darstellungen ist.

Bei der Aufstellung des Jahresabschlusses sind die gesetzlichen Vertreter dafür verantwortlich, die Fähigkeit der Gesellschaft zur Fortführung der Unternehmenstätigkeit zu beurteilen, Sachverhalte im Zusammenhang mit der Fortführung der Unternehmenstätigkeit - sofern einschlägig - anzugeben, sowie dafür, den Rechnungslegungsgrundsatz der Fortführung der Unternehmenstätigkeit anzuwenden, es sei denn, die gesetzlichen Vertreter beabsichtigen, entweder die Gesellschaft zu liquidieren oder die Unternehmenstätigkeit einzustellen oder haben keine realistische Alternative dazu.

Der Unterausschuss des Generalrates für Rechnungslegung und interne Kontrollsysteme ist verantwortlich für die Überwachung des Rechnungslegungsprozesses der Gesellschaft.

Verantwortlichkeiten des Abschlussprüfers für die Prüfung des Jahresabschlusses

Unsere Ziele sind, hinreichende Sicherheit darüber zu erlangen, ob der Jahresabschluss als Ganzes frei von wesentlichen - beabsichtigten oder unbeabsichtigten - falschen Darstellungen ist, und einen Bestätigungsvermerk zu erteilen, der unser Prüfungsurteil beinhaltet. Hinreichende Sicherheit ist ein hohes Maß an Sicherheit, aber keine Garantie dafür, dass eine in Übereinstimmung mit den österreichischen Grundsätzen ordnungsmäßiger Abschlussprüfung, die die Anwendung der ISA erfordern, durchgeführte Abschlussprüfung eine wesentliche falsche Darstellung, falls eine solche vorliegt, stets aufdeckt. Falsche Darstellungen können aus dolosen Handlungen oder Irrtümern resultieren und werden als wesentlich angesehen, wenn von ihnen einzeln oder insgesamt vernünftigerweise erwartet werden könnte, dass sie die auf der Grundlage dieses Jahresabschlusses getroffenen wirtschaftlichen Entscheidungen von Nutzern beeinflussen.

Als Teil einer Abschlussprüfung in Übereinstimmung mit den österreichischen Grundsätzen ordnungsmäßiger Abschlussprüfung, die die Anwendung der ISA erfordern, üben wir während der gesamten Abschlussprüfung pflichtgemäßes Ermessen aus und bewahren eine kritische Grundhaltung.

Darüber hinaus gilt:

- Wir identifizieren und beurteilen die Risiken wesentlicher - beabsichtigter oder unbeabsichtigter - falscher Darstellungen im Abschluss, planen Prüfungshandlungen als Reaktion auf diese Risiken, führen sie durch und erlangen Prüfungsnachweise, die ausreichend und geeignet sind, um als Grundlage für unser Prüfungsurteil zu dienen. Das Risiko, dass aus dolosen Handlungen resultierende wesentliche falsche Darstellungen nicht aufgedeckt werden, ist höher als ein aus Irrtümern resultierendes, da dolose Handlungen betrügerisches Zusammenwirken, Fälschungen, beabsichtigte Unvollständigkeiten, irreführende Darstellungen oder das Außerkraftsetzen interner Kontrollen beinhalten können.
- Wir gewinnen ein Verständnis von dem für die Abschlussprüfung relevanten internen Kontrollsystem, um Prüfungshandlungen zu planen, die unter den gegebenen Umständen angemessen sind, jedoch nicht mit dem Ziel, ein Prüfungsurteil zur Wirksamkeit des internen Kontrollsystems der Gesellschaft abzugeben.
- Wir beurteilen die Angemessenheit der von den gesetzlichen Vertretern angewandten Rechnungslegungsmethoden sowie die Vertretbarkeit der von den gesetzlichen Vertretern dargestellten geschätzten Werte in der Rechnungslegung und damit zusammenhängende Angaben.
- Wir ziehen Schlussfolgerungen über die Angemessenheit der Anwendung des Rechnungslegungsgrundsatzes der Fortführung der Unternehmenstätigkeit durch die gesetzlichen Vertreter sowie, auf der Grundlage der erlangten Prüfungsnachweise, ob eine wesentliche Unsicherheit im Zusammenhang mit Ereignissen oder Gegebenheiten besteht, die erhebliche Zweifel an der Fähigkeit der Gesellschaft zur Fortführung der Unternehmenstätigkeit aufwerfen kann. Falls wir die Schlussfolgerung ziehen, dass eine wesentliche Unsicherheit besteht, sind wir verpflichtet, in unserem Bestätigungsvermerk auf die dazugehörigen Angaben im Jahresabschluss aufmerksam zu machen oder, falls diese Angaben unangemessen sind, unser Prüfungsurteil zu modifizieren. Wir ziehen unsere Schlussfolgerungen auf der Grundlage der bis zum Datum unseres Bestätigungsvermerks erlangten Prüfungsnachweise. Zukünftige Ereignisse oder Gegebenheiten können jedoch die Abkehr der Gesellschaft von der Fortführung der Unternehmenstätigkeit zur Folge haben.
- Wir beurteilen die Gesamtdarstellung, den Aufbau und den Inhalt des Jahresabschlusses einschließlich der Angaben sowie ob der Jahresabschluss die zugrunde liegenden Geschäftsvorfälle und Ereignisse in einer Weise wiedergibt, dass ein möglichst getreues Bild erreicht wird.

Wir tauschen uns mit dem Unterausschuss des Generalrates für Rechnungslegung und interne Kontrollsysteme unter anderem über den geplanten Umfang und die geplante zeitliche Einteilung der Abschlussprüfung sowie über bedeutsame Prüfungsfeststellungen, einschließlich etwaiger bedeutsamer Mängel im internen Kontrollsystem, die wir während unserer Abschlussprüfung erkennen, aus.

Bericht zum Geschäftsbericht gemäß § 68 NBG

Auf den gemäß § 68 Abs 1 NBG zu erstellenden Geschäftsbericht finden die Bestimmungen des § 243 Abs 1 bis 3 UGB (Lagebericht), mit Ausnahme von Abs 2 letzter Satz und Abs 3 Z 1, 2 und 5 UGB, Anwendung.

Die gesetzlichen Vertreter sind verantwortlich für die Aufstellung des Geschäftsberichts in Übereinstimmung mit den gesetzlichen Vorschriften.

Wir haben unsere Prüfung in Übereinstimmung mit den Berufsgrundsätzen zur Prüfung des Geschäftsberichts durchgeführt.

Die im Geschäftsbericht enthaltenen Jahresabschlussinformationen (Lagebericht) sind auf Grund der österreichischen unternehmensrechtlichen Vorschriften darauf zu prüfen, ob sie mit dem Jahresabschluss in Einklang stehen und ob sie nach den geltenden rechtlichen Anforderungen aufgestellt wurden.

Unser Prüfungsurteil zum Jahresabschluss deckt die im Geschäftsbericht enthaltenen anderen (sonstigen) Informationen, die nicht den Jahresabschluss und die gemäß § 68 NBG geforderte Darstellung der direkten und indirekten Beteiligungen und den Lagebericht betreffen, nicht ab und wir geben keine Art der Zusicherung darauf.

In Verbindung mit unserer Prüfung des Jahresabschlusses ist es unsere Verantwortung, diese sonstigen Informationen zu lesen und zu überlegen, ob es wesentliche Unstimmigkeiten zwischen den sonstigen Informationen und dem Jahresabschluss gibt oder mit unserem, während der Prüfung erlangten Wissen gibt oder diese sonstigen Informationen sonst wesentlich falsch dargestellt erscheinen. Falls wir, basierend auf den durchgeführten Arbeiten, zur Schlussfolgerung gelangen, dass die sonstigen Informationen wesentlich falsch dargestellt sind, müssen wir dies berichten. Wir haben diesbezüglich nichts zu berichten.

Urteil

Nach unserer Beurteilung sind die im Geschäftsbericht zu § 243 Abs 1 bis 3 UGB (Lagebericht), mit Ausnahme von Abs 2 letzter Satz und Abs 3 Z 1, 2 und 5 UGB enthaltenen Jahresabschlussinformationen und die Darstellung der direkten und indirekten Beteiligungen nach den geltenden rechtlichen Anforderungen aufgestellt worden und stehen in Einklang mit dem Jahresabschluss.

Oesterreichische Nationalbank, Wien

31. Dezember 2018

Erklärung

Angesichts der bei der Prüfung des Jahresabschlusses gewonnenen Erkenntnisse und des gewonnenen Verständnisses über die Gesellschaft und ihr Umfeld wurden wesentliche fehlerhafte Angaben im Geschäftsbericht nicht festgestellt.

Wien, am 5. März 2019

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.



Mag. Ernst Schönhuber
Wirtschaftsprüfer



Mag. Andrea Stippl
Wirtschaftsprüferin

External auditor's opinion

Oesterreichische Nationalbank, Vienna

December 31, 2018

TRANSLATION

4. AUDITOR'S REPORT ')

Report on the Financial Statements

Audit Opinion

We have audited the financial statements of

Oesterreichische Nationalbank, Vienna.

These financial statements comprise the balance sheet as of December 31, 2018, the income statement for the fiscal year then ended and the notes.

Based on our audit the accompanying financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Company as of December 31, 2018 and its financial performance for the year then ended in accordance with Austrian Generally Accepted Accounting Principles and the statutory requirements of the 1984 Federal Act on the Oesterreichische Nationalbank (Nationalbank Act), as amended, and the requirements of the rules adopted by the Governing Council of the European Central Bank in accordance with Article 26 paragraph 4 of the Protocol on the Statute of the European System of Central Banks and of the European Central Bank by means of the Guideline of the European Central Bank of November 3, 2016 on the legal framework for accounting and reporting in the European System of Central Banks (ECB/2016/34).

Basis for Opinion

We conducted our audit in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing (ISA). Our responsibilities under those regulations and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the Austrian General Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

The financial statements of Oesterreichische Nationalbank for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those statements on March 6, 2018.

TRANSLATION**Responsibilities of the Management and the Subcommittee of the General Council on Accounting and Internal Control Systems for the Financial Statements**

Management is responsible for the preparation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles and the statutory requirements of the National Bank Act, as amended, and the requirements of the rules adopted by the Governing Council of the European Central Bank in accordance with Article 26 paragraph 4 of the Protocol on the Statute of the European System of Central Banks and of the European Central Bank by means of the Guideline of the European Central Bank of November 3, 2016 on the legal framework for accounting and reporting in the European System of Central Banks (ECB/2016/34), for them to present a true and fair view of the assets, the financial position and the financial performance of the Company and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Subcommittee of the General Council on Accounting and Internal Control Systems is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Austrian Standards on Auditing, which require the application of ISA, always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Austrian Standards on Auditing, which require the application of ISA, we exercise professional judgment and maintain professional scepticism throughout the audit.

Oesterreichische Nationalbank, Vienna

December 31, 2018

TRANSLATION

We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Subcommittee of the General Council on Accounting and Internal Control Systems regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

TRANSLATION

Statement on the Annual Report according to Article 68 Nationalbank Act

The Annual Report to be prepared pursuant to Article 68 paragraph 1 Nationalbank Act is subject to the requirements of Article 243 paragraphs 1 to 3 of the Commercial Law (management report) with the exception of paragraph 2 last sentence and paragraph 3 nos. 1, 2 and 5 Commercial Law.

Management is responsible for the preparation of the annual report in accordance with statutory requirements.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the Annual Report.

According to the relevant rules under Austrian Generally Accepted Accounting Principles, financial information contained in the Annual Report (management report) is to be audited as to whether it is consistent with the financial statements and whether it has been drawn up in accordance with the applicable statutory requirements.

Our audit opinion on the annual financial statements does not cover the other information contained in the Annual Report that does not relate to the annual financial statements and the presentation of direct and indirect investments and the Annual Report required by Article 68 Nationalbank Act, and therefore does not imply any assurance in this regard.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, to consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion

In our opinion, the financial information contained in the Annual Report in line with Article 243 paragraphs 1 to 3 of the Commercial Law (management report) with the exception of paragraph 2 last sentence and paragraph 3 nos. 1, 2 and 5 Commercial Law, as well as the presentation of information on direct and indirect investments are in line with the applicable statutory requirements and are consistent with the financial statements.

Oesterreichische Nationalbank, Vienna

December 31, 2018

TRANSLATION*Statement*

Based on the findings during the audit of the financial statements and due to the thus obtained understanding concerning the Company and its circumstances no material misstatements in the management report came to our attention.

Vienna, March 5, 2019

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Ernst Schönhuber mp Mag. Andrea Stippl mp
Wirtschaftsprüfer / Certified Public Accountant Wirtschaftsprüferin / Certified Public Accountant

*) This report is a translation of the original report in German, which is solely valid. Publication or sharing with third parties of the financial statements together with our auditor's opinion is only allowed if the financial statements and the annual report are identical with the German audited version.

Report of the General Council on the Annual Report and the financial statements for 2018

The General Council (Generalrat) fulfilled the duties incumbent on it under the 1984 National-bank Act by holding its regular meetings, by convening subcommittees to examine specific issues and by making informed decisions. The Governing Board (Direktorium) periodically reported to the General Council on the OeNB's operations and results, on the conditions in the money, capital and foreign exchange markets, on important day-to-day management issues, on all developments of significance for an appraisal of monetary and economic developments, on the arrangements made for auditing the OeNB's finances, and on any other significant dispositions and events affecting the OeNB's operations.

The financial statements for the year 2018 were given an unmodified auditor's opinion after examination by the auditors elected at the General Meeting of March 27, 2018, Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., on the basis of the OeNB's books and records as well as the information and evidence provided by the Governing Board. In its meeting of March 19, 2019, the General Council approved the Annual Report of the Governing Board and the financial statements for the year 2018. The General Council submits the Annual Report and the financial statements to the General Meeting for adoption.

Notes

Abbreviations

ABS	asset-backed security	GSA	GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination G.m.b.H.
ABSPP	asset-backed securities purchase program	HICP	Harmonised Index of Consumer Prices
AG	Aktiengesellschaft (stock corporation)	HR	human resources
AIS	account information services	ICAS	Inhouse Credit Assessment System
APP	expanded asset purchase programme	IHS	Institute for Advanced Studies
ASTI	Austrian Settlement & Transaction Interface	IMF	International Monetary Fund
ATS	Austrian schilling	IReF	Integrated Reporting Framework
BaSAG	Federal Act on the Recovery and Resolution of Banks	ISO	International Organization for Standardization
BIRD	Banks' Integrated Reporting Dictionary	IT	information technology
BIS	Bank for International Settlements	JST	joint supervisory team
CBPP	covered bond purchase programme	JVI	Joint Vienna Institute
CCyB	countercyclical capital buffer	LTRO	longer-term refinancing operation
CEEI	the OeNB's Conference of European Economic Integration	LSI	less significant institution
CESEE	Central, Eastern and Southeastern Europe(an)	MÜNZE	Münze Österreich Aktiengesellschaft
CET1	common equity tier 1	NAB	New Arrangements to Borrow
CIS	Commonwealth of Independent States	NCB	national central bank
CoCAS	Common Credit Assessment System	NGFS	Central Banks and Supervisors Network for Greening the Financial System
CRA	compliance risk assessment	NPL	nonperforming loan
CSD	central securities depository	OeBS	Oesterreichische Banknoten- und Sicherheitsdruck GmbH
CS.A	Clearing Service Austria	OECD	Organisation for Economic Co-operation and Development
CS.I	Clearing Service International	OeKB	Oesterreichische Kontrollbank Aktiengesellschaft
CSPP	corporate sector purchase programme	OeNB	Oesterreichische Nationalbank
EA	euro area	O-SII	other systemically important institution
EBA	European Banking Authority	PIS	payment initiation services
ECB	European Central Bank	PSD2	Payment Services Directive 2
ECMS	Eurosystem Collateral Management System	PSPP	public sector purchase programme
EDIS	European deposit insurance scheme	SDR	Special Drawing Right
EMAS	Eco-Management and Audit Scheme	SEPA	Single Euro Payments Area
EMU	Economic and Monetary Union	SI	significant institution
EONIA	euro overnight index average	SMP	Securities Markets Programme
ERM II	Exchange rate mechanism II	SRB	Single Resolution Board
ERP	European Recovery Program	SREP	supervisory review and evaluation process
ES	expected shortfall	SRF	Single Resolution Fund
ESA	European System of Accounts	SRM	Single Resolution Mechanism
ESCB	European System of Central Banks	SSM	Single Supervisory Mechanism
ESG	Environmental, Social and Governance (criteria)	SyRB	systemic risk buffer
ESRB	European Systemic Risk Board	T2S	TARGET2-Securities
ESTER	euro short-term rate (€STR)	TARGET2 (T2)	second generation of the Trans-European Automated Real-time Gross settlement Express Transfer system
EU	European Union	TIPS	TARGET instant payment settlement
EUR	euro	TLTRO	targeted longer-term refinancing operation
EURIBOR	euro interbank offered rate	UN	United Nations
FAQ	frequently asked question	U.S.(A.)	United States (of America)
FINREP	financial reporting	USD	U.S. dollar
FMA	Austrian Financial Market Authority	VaR	value at risk
Fed	U.S. Federal Reserve System	WIFO	Austrian Institute of Economic Research
FMSB	Financial Market Stability Board	wiiw	The Vienna Institute for International Economic Studies
FTE	full-time equivalent	WKO	Austrian Federal Economic Chamber
GDP	gross domestic product		

Legend

- x = no data can be indicated for technical reasons
- .. = not available
- 0 = the numerical value is zero or smaller than half of the unit indicated

Legend entries in the financial statements:

- = the numerical value is zero
- 0 = the numerical value is smaller than half of the unit indicated
- n.a. = not applicable

Discrepancies may arise from rounding.

Periodical publications

Starting from 2016, the OeNB's periodical publications are available in electronic format only. They can be downloaded at <https://www.oenb.at/en/Publications.html>. If you would like to be notified about new issues by e-mail, please register at <https://www.oenb.at/en/Services/Newsletter.html>.

Geschäftsbericht (Nachhaltigkeitsbericht) Annual Report (Sustainability Report)

German | annually
English | annually

This report informs readers about the Eurosystem's monetary policy and underlying economic conditions as well as about the OeNB's role in maintaining price stability and financial stability. It also provides a brief account of the key activities of the OeNB's core business areas. The OeNB's financial statements are an integral part of the report.

<http://www.oenb.at/en/Publications/Oesterreichische-Nationalbank/Annual-Report.html>

Immobilien aktuell

German | quarterly

This publication analyzes developments on real estate markets given their importance for both price and financial stability. Two issues per year focus on Austria and the other two issues on EU countries.

<https://www.oenb.at/Publikationen/Volkswirtschaft/immobilien-aktuell.html>

Inflation aktuell

German | quarterly

This publication presents the OeNB's analysis of recent inflation developments in Austria and its inflation outlook for Austria for the current and next year. In addition, it provides in-depth analyses of topical issues.

<http://www.oenb.at/Publikationen/Volkswirtschaft/inflation-aktuell.html>

Konjunktur aktuell

German | seven times a year

This publication provides a concise assessment of current cyclical and financial developments in the global economy, the euro area, Central, Eastern and Southeastern European countries, and in Austria. The quarterly releases (March, June, September and December) also include short analyses of economic and monetary policy issues.

<http://www.oenb.at/Publikationen/Volkswirtschaft/konjunktur-aktuell.html>

Monetary Policy & the Economy

English | quarterly

This publication assesses cyclical developments in Austria and presents the OeNB's regular macroeconomic forecasts for the Austrian economy. It contains economic analyses and studies with a particular relevance for central banking and summarizes findings from macroeconomic workshops and conferences organized by the OeNB.

<http://www.oenb.at/en/Publications/Economics/Monetary-Policy-and-the-Economy.html>

Fakten zu Österreich und seinen Banken Facts on Austria and Its Banks

German | twice a year
English | twice a year

This publication provides a snapshot of the Austrian economy based on a range of structural data and indicators for the real economy and the banking sector. Comparative international measures enable readers to put the information into perspective.

<http://www.oenb.at/en/Publications/Financial-Market/Facts-on-Austria-and-Its-Banks.html>

Financial Stability Report

English | twice a year

The reports section of this publication analyzes and assesses the stability of the Austrian financial system as well as developments that are relevant for financial stability in Austria and at the international level. The special topics section provides analyses and studies on specific financial stability-related issues.

<http://www.oenb.at/en/Publications/Financial-Market/Financial-Stability-Report.html>

Focus on European Economic Integration

English | quarterly

This publication presents economic analyses and outlooks as well as analytical studies on macroeconomic and macro-financial issues with a regional focus on Central, Eastern and Southeastern Europe.

<http://www.oenb.at/en/Publications/Economics/Focus-on-European-Economic-Integration.html>

Statistiken – Daten & Analysen

German | quarterly

This publication contains analyses of the balance sheets of Austrian financial institutions, flow-of-funds statistics as well as external statistics (English summaries are provided). A set of 14 tables (also available on the OeNB's website) provides information about key financial and macroeconomic indicators.

<http://www.oenb.at/Publikationen/Statistik/Statistiken---Daten-und-Analysen.html>

Statistiken – Daten & Analysen: Sonderhefte Statistiken – Daten & Analysen: Special Issues

German | irregularly
English | irregularly

In addition to the regular issues of the quarterly statistical series “Statistiken – Daten & Analysen,” the OeNB publishes a number of special issues on selected statistics topics (e.g. sector accounts, foreign direct investment and trade in services).

<http://www.oenb.at/en/Publications/Statistics/Special-Issues.html>

CESEE Research Update

English | quarterly

This online newsletter informs readers about research priorities, publications as well as past and upcoming events with a regional focus on Central, Eastern and Southeastern Europe. Subscribe to the newsletter at:

<http://www.oenb.at/en/Publications/Economics/CESEE-Research-Update.html>

OeNB Workshops Proceedings

German, English | irregularly

This series, launched in 2004, documents contributions to OeNB workshops with Austrian and international experts (policymakers, industry experts, academics and media representatives) on monetary and economic policymaking-related topics.

<http://www.oenb.at/en/Publications/Economics/Workshops.html>

Working Papers

English | irregularly

This series provides a platform for discussing and disseminating economic papers and research findings. All contributions are subject to international peer review.

<http://www.oenb.at/en/Publications/Economics/Working-Papers.html>

Proceedings of the Economics Conference

English | annually

The OeNB's annual Economics Conference provides an international platform where central bankers, economic policymakers, financial market agents as well as scholars and academics exchange views and information on monetary, economic and financial policy issues. The proceedings serve to document the conference contributions.

<http://www.oenb.at/en/Publications/Economics/Economics-Conference.html>

Proceedings of the Conference on European Economic Integration

English | annually

The OeNB's annual Conference on European Economic Integration (CEEI) deals with current issues with a particular relevance for central banking in the context of convergence in Central, Eastern and Southeastern Europe as well as the EU enlargement and integration process. For an overview see:

<http://www.oenb.at/en/Publications/Economics/Conference-on-European-Economic-Integration-CEEI.html>

The proceedings have been published with Edward Elgar Publishers, Cheltenham/UK, Northampton/MA, since the CEEI 2001 (www.e-elgar.com).

Publications on banking supervisory issues

German, English | irregularly

<http://www.oenb.at/en/Publications/Financial-Market/Publications-of-Banking-Supervision.html>

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The *Annual Report* of the OeNB provides information about the Eurosystem's monetary policy and reviews developments in the economy, in financial markets and payment systems. Furthermore, it details the OeNB's national and international responsibilities as well as the broad range of services the OeNB offers. The OeNB's financial statements and the notes on the financial statements are an integral part of the Annual Report. Since 2006, the OeNB's Annual Report, Intellectual Capital Report and Environmental Statement have been combined to form the OeNB's Sustainability Report.

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