OESTERREICHISCHE NATIONALBANK
EUROSYSTEM

ANNUAL REPORT 2012

including the Intellectual Capital Report and the Environmental Statement

SUSTAINABILITY REPORT 2012

Our Mandate

The OeNB has the explicit statutory mandate to maintain price stability and contribute to financial stability

Federal Act on the Oesterreichische Nationalbank
(1984 Nationalbank Act)
Federal Law Gazette No. 50/1984 as amended by Federal Law Gazette Part I No. 50/2011

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 [...] 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.

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 2

(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 EU, or from any other body.

Our Tasks

We maintain price stability and contribute significantly to the stability of money and credit markets

- Contributing to Eurosystem decision making – the Governor of the OeNB is a member of the Governing Council of the ECB and, in this capacity, has a vote in all the monetary policy decisions of the Eurosystem
- Providing macroeconomic analyses of monetary policy issues and producing analyses and forecasts of economic developments in Austria, the euro area and Central, Eastern and Southeastern Europe to support management decisions and inform the general public

We conduct monetary policy operations with Austrian banks and manage foreign reserve assets

- Implementing monetary policy
- Participating in Eurosystem foreign exchange interventions should they be deemed necessary
- Managing reserve assets on behalf of the ECB and the OeNB's own reserve assets

We analyze and examine banks and contribute to the maintenance of financial stability

- Contributing to banking supervision, providing analyses of individual banks, conducting on-site inspections and overseeing payment systems
- Assessing the stability of the financial system and identifying policy options
- Contributing to microprudential and macroprudential financial regulation
- Representing Austria in European supervisory bodies

We provide a wealth of high-quality and timely financial statistics

- Compiling and analyzing monetary, interest rate, supervisory and external statistics and maintaining the Central Credit Register
- Developing and contributing to national and international databases

We provide Austrian businesses and consumers with secure cash

- Serving as a hub for cash supply
- Analyzing cash flows
- Making preparations for the new series of euro banknotes

We ensure efficient cashless payments

- Providing and promoting reliable payment systems in Austria and their cross-border integration
- Analyzing international payment trends and innovations
- Establishing a national clearing service

We contribute expertise to national and international bodies

- Acting as an interface between the Eurosystem and Austria
- Cooperating with international financial institutions

Mission Statement

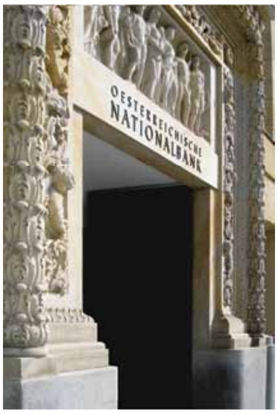
The Eurosystem Mission Statement

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

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

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

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



The OeNB's Mission Statement

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

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

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Editorial close: April 25, 2013

Foreword by the President

2012 was quite a challenging year for the OeNB. The further weakening of the euro area economy that hit some regions harder than others, the ongoing sovereign debt crisis, significant volatility in financial markets and problems with individual domestic banks put unusual demands on all business areas at the OeNB. Implementing the nonstandard measures adopted by the Eurosystem, managing reserve assets under adverse market conditions, monitoring developments in problem countries and putting the enhanced institutional framework for monetary union into practice tested the OeNB's limits in view of its lean management philosophy and limited resources.

Monetary and banking analysis as well as banking supervisory tasks placed particular demands on the OeNB, given a high task load at the national level and the high relevance of participating actively in the development of a single supervisory mechanism for the euro area as one of the pillars of the proposed banking union.

The OeNB also substantially revised its risk control framework in 2012, which is based on binding rules and recognized procedures for assessing risks. For a central bank, it is of the essence to maintain state-of-the-art risk management controls and adequate levels of risk cover. When drawing up the financial statements for 2012, the OeNB transferred EUR 626 million to risk provisions, bringing the total volume of risk provisions up to EUR 2.55 billion. To address the increasingly sensitive issue of reputation risk, the OeNB established a dedicated compliance function, which will play an important role in ensuring that staff members at the OeNB and at its affiliates follow the relevant provisions and are adequately protected.

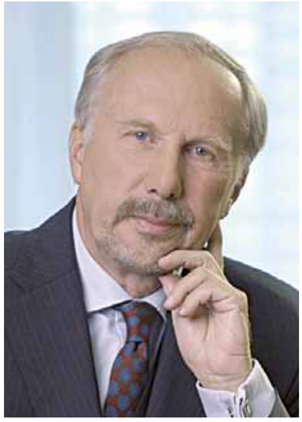
The OeNB contributes to the stability of the financial system also through its network of affiliates. The banknote printer OeBS (Oesterreichische Banknoten und Sicherheitsdruck GmbH), now under new management, concentrated on producing 250 million EUR 5 notes of the new euro banknote series. Clearing Service. Austria (CS.A), which the OeNB had established in late 2011 to process interbank payments with a view to increasing the efficiency of retail payments, extended its operations in 2012 and now serves all relevant Austrian banks. Finally, the Single Euro Payments Area (SEPA) is scheduled for completion on February 1, 2014. SEPA stakeholders across Europe are hence busily adapting the existing national systems to ensure compliance with SEPA instruments.

Security and liquidity continued to be the guiding principles of the OeNB's reserve management function, which stuck to the time-honored strategy of diversifying the investment of reserve assets. This strategy generated a stable stream of profits also in 2012. The OeNB's operating profit before writedowns and transfers went up by 55% to EUR 988 million in 2012, and its operating profit after writedowns and transfers rose to EUR 377 million. The central government's share of profit increased by some 50%, to EUR 255 million. This is, in sum, an excellent business result.

I would like to express my gratitude to the members of the Governing Board as well as the OeNB staff for their outstanding work. With a new Governing Board having been nominated in early 2013 for a six-year term, the OeNB stands ready to provide continuity, stability and security for the Austrian economy in the long term.

Claus J. Raidl
President

Foreword by the Governor



2012 was a year of swiftly changing economic conditions and of ongoing sovereign debt troubles in the euro area. The Austrian economy nevertheless picked up some speed in 2012; it managed to keep its growth advantage over the euro area and is likely to retain it in 2013. Austria, hence, ranks among the most stable and prosperous countries in the EU and in the euro area, which is testimony to the high degree of its economy's competitiveness – in other words, the efforts of the past years have clearly paid off. However, it also goes to show that by belonging to European monetary union and by introducing the euro, Austria has undoubtedly chosen the right fork at the crossroads.

The economic performance of the euro area weakened in the reporting year, with the growth differences among its members augmenting further. Correspondingly, the outlook for growth in 2013 remains subdued. European economic policymakers reacted by stepping up concerted action in 2012 and putting together a set of effective instruments. As a case in point, the European Stability Mechanism was established to mobilize funds for struggling countries under strict conditionality. On the monetary policy front, the Governing Council of the ECB continued to provide ample longer-term liquidity, cut back the interest rate on main refinancing operations to a record low level of 0.75% and initiated Outright Monetary Transactions. These measures helped stabilize the financial markets and have prevented a stronger contraction in economic activity. Euro area inflation came down over the course of 2012, reinforcing the effectiveness of the measures.

The central banks have contributed their fair share to overcoming the crisis. Obviously, much still needs to be done, with Europe-wide coordination of growth, financial and structural policies as an essential means to this end. One of the challenges to be addressed is the implementation of the banking union, whose foundations have already been put in place.

As to its own housekeeping, the OeNB finalized a number of projects and reforms in 2012. It offered OeNB employment contracts to some 60 formerly external staff members in a drive to ensure their equal treatment and to achieve greater cost transparency. The statistics department was reorganized, functions management took the place of product management, and the publication portfolio was pruned. The work environment benefited from the initiation or accomplishment of numerous improvements, e.g. more flexible working hours and certification as a family-friendly employer.

As a key Austrian economic policy institution, the OeNB serves Austria, the general public and the business community. The work our highly competent and committed staff performs is a valuable contribution to tackling the crisis: my sincere thanks go to them. In the same spirit, let us meet the upcoming challenges and tasks head on. Finally, I should like to express my gratitude to the Governing Board and the General Council of the OeNB for their constructive cooperation.

Ewald Nowotny
Governor

Ownership Structure and Decision-Making Bodies

The OeNB's Owners

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

Functions of the General Council

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

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

Composition of the General Council

According to the 2011 amendment to the Nationalbank Act (Federal Law Gazette Part I No. 50/2011), the General Council of the OeNB will, in the future, consist of (only) the President, the Vice President and eight other members. A transitional arrangement laid down in this amendment provides for the original number of General Council members (14) to be reduced to 10 in two steps – that is, to 12 members by December 31, 2013, and to 10 members by December 31, 2015. Only Austrian citizens may be members of the General Council. They are appointed by the federal government for a term of five years and may be reappointed. All the provisions pertaining to the General Council are set out in Articles 20 through 30 of the Nationalbank Act.

The General Council of the OeNB comprised the following members on April 25, 2013:

Claus J. Raidl
President

*Term of office:
September 1, 2008, to
August 31, 2013*

Max Kothbauer
Vice President

*Term of office:
September 8, 2008, to
September 7, 2013*

August Astl
Secretary General of the Austrian Chamber of Agriculture

*Term of office:
September 8, 2008, to
September 7, 2013*

Markus Beyrer
Director General BUSINESSEUROPE

*Term of office:
September 1, 2008, to
GM[1] 2013*

Elisabeth Gürtler-Mauthner
Managing Director of Sacher Hotels Betriebsges.m.b.H. and CEO of the Spanish Riding School

*Term of office:
May 26, 2009, to GM[1] 2014*

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

*Term of office:
May 27, 2008, to GM[1] 2013*

Anna Maria Hochhauser
Secretary General of the Austrian Federal Economic Chamber

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

Johann Marihart
CEO of Agrana Beteiligungs-AG

*Term of office:
August 1, 2009, to July 31, 2014*

Werner Muhm
Director of the Vienna Chamber of Labour

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

Gabriele Payr
CEO of Wiener Stadtwerke Holding AG

*Term of office:
August 1, 2009, to
July 31, 2014*

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

*Term of office:
May 27, 2010, to GM[1] 2015*

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

*Term of office:
September 1, 2008, to
August 31, 2013*

Robert Kocmich and Ferdinand Mramor (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

Ferdinand Mramor
Central Staff Council Deputy Chair

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

*Term of office:
From July 1, 2012*

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

*Term of office:
From April 1, 2011*

[1] *General Meeting of the OeNB, likely to take place in May of the respective year.*

Personnel Changes between April 22, 2012, and April 25, 2013

With effect from July 1, 2012, Harald Waiglein, Director General in the Austrian Federal Ministry of Finance, was appointed state commissioner, to fill the post held by Director General Thomas Wieser until his resignation on February 29, 2012.

Bernhard Felderer's term of office as General Council member ended on April 22, 2012, and this position was left vacant.

Werner Muhm's term of office as General Council member likewise ended on April 22, 2012. He was reelected to the General Council by the federal government with effect from March 1, 2013.

On February 12, 2013, the federal government decided to renew Anna Maria Hochhauser's mandate as General Council member for another term with effect from March 1, 2013.

In its meeting on February 12, 2013, the federal government also decided to appoint:

- Claus J. Raidl President of the General Council with effect from September 1, 2013,
- Max Kothbauer Vice President of the General Council with effect from September 1, 2013,
- Dwora Stein General Council member with effect from September 1, 2013,
- August Astl General Council member with effect from September 8, 2013,
- Erich Hampel and Gottfried Haber General Council members with effect from the General Meeting of the OeNB of May 23, 2013.

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 must act in accordance with the guidelines and instructions of the ECB. The Governing Board conducts the OeNB's business in a way that enables the OeNB to fulfill the tasks conferred upon it by directly applicable EU legislation under the Treaty on the Functioning of the European Union (TFEU), the Statute of the ESCB and of the ECB and by federal legislation.

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

On December 31, 2012, the Governing Board of the OeNB comprised the following members:

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

Ewald Nowotny
Governor

Wolfgang Duchatczek
Vice Governor

Peter Zöllner
Member of the Governing Board

Andreas Ittner
Member of the Governing Board

See *www.oenb.at* for additional information about the Governing Board of the OeNB.

Appointments and Reappointments to the Governing Board as from May 2013

In line with Article 33 paragraph 2 Nationalbank Act and based on the federal government's proposal of January 8, 2013, the Federal President of Austria, Heinz Fischer, reappointed Ewald Nowotny as Governor for a term of six years (from September 1, 2013, to August 31, 2019) on January 17, 2013, and, also for a term of six years each, appointed Andreas Ittner as Vice Governor (from July 11, 2013, to July 10, 2019) as well as Peter Mooslechner (from May 1, 2013, to April 30, 2019) and Kurt Pribil (from July 11, 2013, to July 10, 2019) as members of the Governing Board.

Organization of the OeNB

President
Claus J. Raidl

Vice President
Max Kothbauer

Governing Board

Central Bank Policy
Ewald Nowotny, Governor

Internal Audit Division
Axel Aspetsberger, Head

Compliance Office
Eva Graf, Head

Communications, Planning and Human Resources Department
Markus Arpa, Director

Agenda Office – Governing Board, General Council and General Meeting

Press Office
Christian Gutlederer, Head

Communications and Publications Division
Maximilian Hiermann, Head

Planning and Controlling Division
Elisabeth Zöllner, Head

Personnel Division
Hannes Brodtrager, Head

Money Museum
Günther Thonabauer, Head

Economic Analysis and Research Department
Doris Ritzberger-Grünwald, Director

Economic Analysis Division
Ernest Gnan, Head

Economic Studies Division
Martin Summer, Head

European Affairs and International Financial Organizations Division
Franz Nauschnigg, Head

Foreign Research Division
n.n.

Brussels Representative Office
Carmencita Nader-Uher, Chief Representative

Accounting, IT and Payment Systems
Wolfgang Duchatczek, Vice Governor

Organization and IT Department
Christoph Martinek, Director

Organization and IT Governance Division[1]
n. n.

IT Development Division
Dieter Gally, Head

IT Operations Division
Peter Deixelberger, Head

Cashier's Division and Payment Systems Department
Stefan Augustin, Director

Cash and Payment Systems Management Division
n. n.

Cashier's Division
Gerhard Schulz, Head

Payment Systems Division
Katharina Selzer-Haas, Head

Northern Austria Branch Office
Josef Kienbauer, Branch Manager

Southern Austria Branch Office
Claudia Macheiner, Branch Manager

Western Austria Branch Office
Armin Schneider, Branch Manager

Accounting Department
Friedrich Karrer, Director

Financial Statements and Treasury Risk Monitoring Division
Elisabeth Trost, Head

Accounts Division
Josef Steininger, Head

Financial Stability, Banking Supervision and Statistics
Andreas Ittner, Executive Director

Financial Stability and Bank Inspections Department
Philip Reading, Director

Financial Markets Analysis and Surveillance Division
Michael Würz, Head

Off-Site Banking Analysis and Strategy Division
Karin Hrdlicka, Head

Off-Site Banking Analysis Division
Georg Hubmer, Head

On-Site Banking Inspections Division – Large Banks
Gabriela de Raaij, Head

On-Site Banking Inspections Division
Roland Pipelka, Head

Statistics Department
Johannes Turner, Director

Statistical Information Systems and Data Management Division
Eva-Maria Springauf, Head

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

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

Financial Market Operations, Equity Interests and Internal Services
Peter Mooslechner, Executive Director

Legal Division
Matthias Schroth, Head

Treasury Department
Rudolf Trink, Director

Treasury – Strategy Division
Franz Partsch, Head

Treasury – Front Office
Peter Sixt, Head

Treasury – Back Office
Felix Pollak, Head

Equity Interest Management Division
Christa Mölzer-Hellsberg, Head

New York Representative Office
Gerald Fiala, Chief Representative

Internal Services Department
Gerhard Hohäuser, Director

Procurement and Technical Services Division
Thomas Reindl, Head

Security Division
Gerhard Valenta, Head

Documentation Management and Communications Services
Bernhard Urban, Head

[1] Environmental Officer Martin Much
as on May 1, 2013

The Year 2012 at a Glance

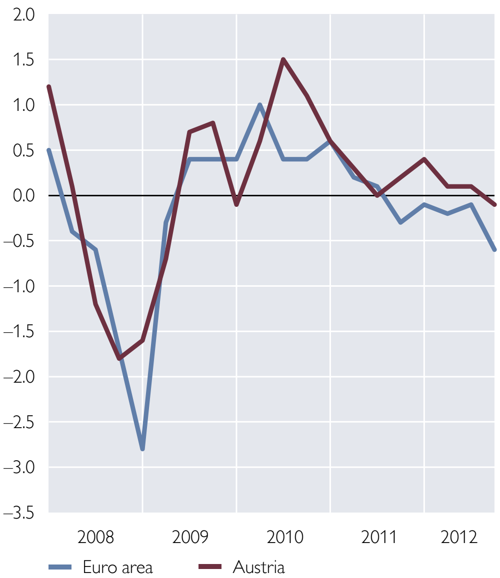
Monetary Policy Stabilization Measures Pay Off

In the euro area, economic output dropped by 0.6% in 2012. Given heightened financial market uncertainty about the sustainability of public finances and the full implementation of the crisis measures at the European level, banks faced tightening financing conditions in some euro area countries, which in turn had repercussions on the real economy. Austria and Central, Eastern and Southeastern European (CESEE) economies, while also suffering a slowdown in economic growth, retained their positive growth differential against the euro area. In this difficult environment, the Eurosystem kept up its highly accommodative policy of providing ample and longer-term liquidity. Moreover, slowing inflation dynamics enabled the ECB to cut key interest rates by 25 basis points in July 2012. Yet the extent to which the expansionary monetary policy fed through to the real economy varied markedly across the euro area. The Governing Council of the ECB therefore announced, in the late summer of 2012, a bond-buying program (Outright Monetary Transactions – OMTs) allowing for unlimited ECB purchases of euro area sovereign bonds in the secondary market. This announcement and other stabilization measures at the European level increasingly calmed financial markets in the course of 2012.

Chart 1

Real GDP

Quarterly change in %



Source: Eurostat.

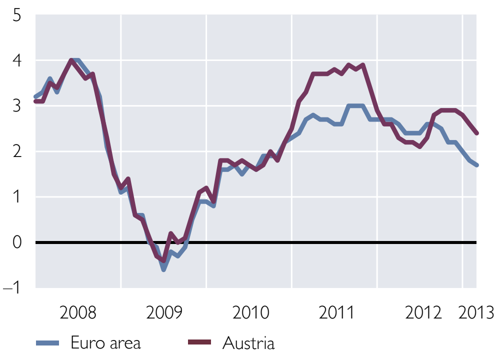
Challenges to Financial Stability Remain High

Heightened economic and financial uncertainty in Europe continued to put a strain on the financial sector. The profitability of the Austrian banking system improved in 2012, but was primarily influenced by one-off effects. As in previous years, domestic banks' CESEE operations, which are broadly diversified across the region, were an important profit driver. The capital ratio of Austrian banks strengthened in 2012 but remained below that of international peers. In 2012, the OeNB and the Austrian Financial Market Authority published supervisory guidance for large and internationally active Austrian banks on measures to strengthen the sustainability of their business mod-

Chart 2

HICP Inflation

Annual change in %



Source: Eurostat.

els and launched new minimum standards for granting, and managing the risks involved in, foreign currency loans and loans with repayment vehicles. Plans to enhance the international supervisory framework were developed further, and the respective measures are about to be implemented. At the European level, policymakers decided to establish a banking union. In a first step, a single supervisory mechanism will be implemented and complemented by a uniform framework for the recovery and resolution of credit institutions. Moreover, a common deposit guarantee scheme is envisaged. With the creation of a banking union, a milestone has been set for effective crisis management and prevention.

OeNB Records Operating Profit of EUR 377 Million

The OeNB's operating profit before writedowns and transfers went up by 55%, to EUR 988 million in 2012. Following the transfer of EUR 626 million to risk provisions, writedowns on foreign currency assets and securities of EUR 3 million and transfers from the provision for Eurosystem monetary policy operations in the amount of EUR 18 million, the OeNB posted an operating profit of EUR 377 million. After taxes and dividends – EUR 94 million of corporate income tax plus the 90% share of profit that is due to the central government, EUR 255 million – the profit for the year 2012 came to EUR 28 million. The operating profit reflects net interest income of EUR 1,016 million and net realized gains arising from financial operations of EUR 188 million. Staff costs came to EUR 131 million and administrative expenses amounted to EUR 84 million. The OeNB's net currency position increased to EUR 18.1 billion. The EUR 0.9 billion rise against December 31, 2011, is primarily attributable to unrealized valuation gains as on December 31, 2012. Gold and gold receivables account for EUR 11.4 billion of the net currency position.

Table 1

Selected OeNB Indicators

	2011	2012
	EUR million	
Performance indicators as on December 31		
Net currency position	17,276	18,142
Banknotes in circulation	22,687	23,298
Total assets	99,361	109,369
Operating profit before writedowns and transfers	638	988
Writedowns on financial assets and positions; transfers to risk provisions; transfers from provisions in respect of monetary policy operations of the Eurosystem	–389	–610
Operating profit	249	377
Corporate income tax	62	94
Central government's share of profit	168	255
Profit for the year	19	28
	Absolute figures	
Full-time equivalent staff in core business areas (intellectual capital indicators)	985.7	1,071.7
University graduates (%)	48.6	51.9
Hotline queries	32,992	31,863
Newsletter subscriptions	18,904	18, 910
Cash training courses	368	397
Environmental performance indicators		
Heat consumption (kWh/m^2)	62	67
Electricity consumption (MWh/employee)	7.98	7.30

Source: OeNB.

We maintain price stability and contribute significantly to the stability of money and credit markets

As a member of the Governing Council of the ECB, the Governor of the OeNB has a say in all monetary policy decisions of the Eurosystem. In this capacity, he is supported by a pool of economic experts who provide research results that are relevant for monetary policy and who analyze and forecast economic developments in Austria, the euro area as well as Central, Eastern and Southeastern Europe. The findings of these economic studies are communicated to the public through various events and publication series.

"The Eurosystem has helped stabilize the financial markets with nonstandard measures, thus preventing a deep slump in the real economy."

Ewald Nowotny
Governor

Monetary Policy Stabilization Measures Prove Effective

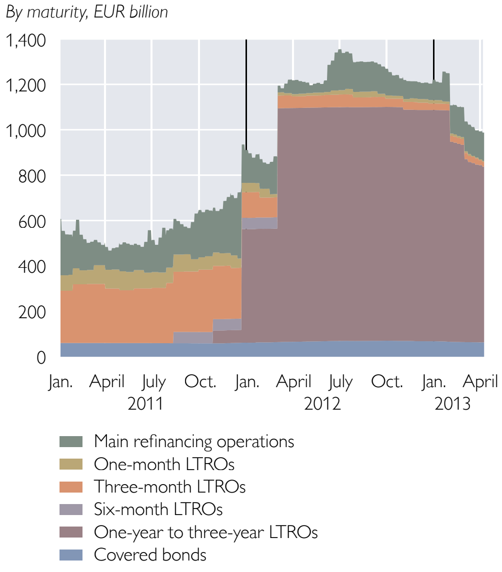
Monetary Policymakers Adopt Additional Nonstandard Measures

The year 2012 once more brought major monetary policy challenges for the euro area. The sovereign debt crisis which has persisted since 2010 continued to weigh on the financial markets, as sovereigns are heavily dependent on bank funding in many countries. Consequently, if the sustainability of state finances is called into question, this has immediate adverse effects for banks. Some banks, for instance, have lost access to financial markets, in particular the interbank market. As a consequence, they have reduced their lending standards or tightened their lending conditions, thus causing banks' financing difficulties to spill over to the real economy in some parts of the euro area. Moreover, difficulties in the banking system make it more likely that banks will need to be bailed out by the state, which puts additional strain on government finances. Some euro area countries got caught up in this negative cycle in 2012.

Chart 3

Liquidity Provision in the Euro Area

By maturity, EUR billion



Source: ECB.

To ease the financing difficulties of sound banks and thus mitigate real economy effects, the Eurosystem once more fully covered banks' liquidity demand in fixed rate tenders with full allotment in 2012. Next to its one-week main refinancing operations (MROs), the Eurosystem also conducted longer-term refinancing operations (LTROs) with a maturity of one or three months. In addition, the Governing Council of the ECB had already decided on December 8, 2011, to provide liquidity through two LTROs with a maturity of three years, the first of which was conducted in December 2011 and the second in February 2012. The interest rates payable on funds provided through these LTROs correspond to the average main refinancing rate valid over the applicable maturity period. Through these two three-year LTROs some additional EUR 520 billion were injected into the euro area banking sector.[1] As chart 3 shows, overall liquidity allotted by the Eurosystem (including funds provided through the covered bond purchase programme) approximately amounted to EUR 1,200 billion immediately after the two three-year LTROs.

Three-year LTROs provide ample liquidity for the banking sector

Banks can only participate in Eurosystem refinancing operations if they provide adequate collateral. The Eurosystem must react to collateral constraints; otherwise, it cannot provide the banking system with the amount of

[1] *Though the total volume allotted in the course of these two tender procedures amounted to some EUR 1,020 billion (EUR 490 billion in the first and EUR 530 billion in the second three-year LTRO), there were some clear shifts from the other refinancing operations toward the three-year LTROs (see chart 3), which means that net liquidity only increased by about half of the allotted volume.*

liquidity it deems appropriate. As some euro area countries struggled with collateral shortages in 2012, the Governing Council of the ECB broadened the range of collateral eligible for use in Eurosystem credit operations (see box 1).

Less favorable economic outlook prompts key interest rate cuts

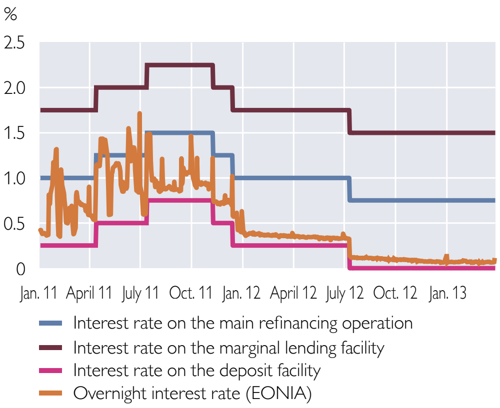
The sovereign debt and banking crisis as well as high unemployment weighed on economic sentiment in Europe, strongly dampening the propensity of businesses and consumers to spend. At the same time, enterprises continued their deleveraging efforts. Coupled with the austerity policies of many states and declining external demand, these developments led euro area GDP to contract by 0.6%. In July 2012, the Governing Council of the ECB thus decided to lower key interest rates by 25 basis points to a historically low level in order to further mitigate the effects of financial market tensions on the real economy. The MRO rate was reduced to 0.75% and the rates on the deposit and marginal lending facilities were brought down to 0.0% and 1.5%, respectively. This key interest rate cut – together with the two decreases (by a total of 50 basis points) that had taken place in the second half of 2011 – visibly dampened money market rates. The improved refinancing conditions for banks were passed on to the retail sector in the form of lower loan interest in large parts of the euro area. In some euro area countries, however, retail loan costs remained unchanged or even increased. The fragmentation of financial markets hampered a uniform transmission of monetary policy impulses.

One reason for the uneven transmission of monetary policy signals was the re-intensification of tensions on the government bond markets in the first half of 2012. In particular, the perceived failure on the part of some national governments to address the fundamental causes of imbalances and to rigorously implement decisions taken at the European level caused uncertainty. The sustainability of Italy's and Spain's government finances was watched particularly closely, which led to a significant increase in the risk premiums of these countries.

As a result, the refinancing costs of European governments became highly divergent, upsetting the smooth trans-

Chart 4

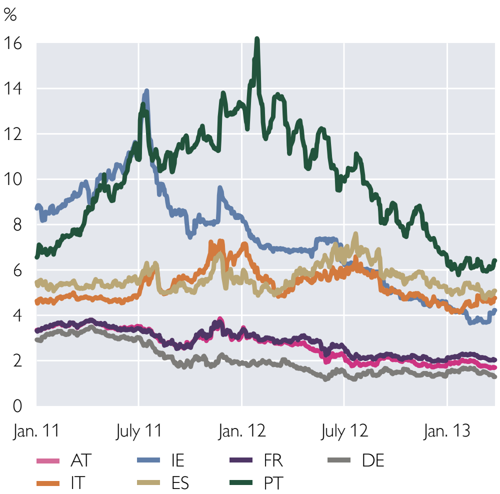
ECB Interest Rates and EONIA



Source: ECB, Thomson Reuters.

Chart 5

Ten-Year Government Bond Yields of Selected Countries



Source: Thomson Reuters.

mission of monetary policy signals. For this reason, the Governing Council of the ECB defined the framework for conducting so-called Outright Monetary Transactions (OMTs) in September 2012. Within the framework of OMTs, the Eurosystem can purchase an unlimited amount of government bonds of euro area countries on the secondary market, provided that strict conditions are complied with. The ECB has decided to focus on government bonds with a maturity of one to three years.

So far, OMTs have not been activated. However, if certain conditions are met, the Eurosystem stands ready to buy government bonds subject to the Governing Council's independent decision. A binding prerequisite for making any such purchases is that the given country has been adhering strictly to the conditions agreed for macroeconomic adjustment programs under the European Stability Mechanism (ESM). This conditionality is intended to help eliminate the fundamental causes of imbalances in the different countries and to increase fiscal discipline. The liquidity created through the government bond purchases would be fully sterilized, i.e. absorbed from the market.

With the announcement of the technical features of the OMTs, the Securities Markets Programme (SMP) was terminated. The existing securities bought under the SMP (worth slightly more than EUR 200 billion) will be held to maturity.[2] Next to Irish, Spanish, Italian and Portuguese government bonds, the SMP portfolio also contains Greek government bonds, which were exchanged for new securities issued by the Hellenic Republic in February 2012. The newly acquired securities have the same characteristics as those originally purchased under the SMP in terms of their nominal values, coupon rates, interest payment dates and redemption dates, but were not included in the list of eligible securities that were subject to restructuring in the context of the private sector involvement (PSI) initiative in spring 2012. Consequently, the Eurosystem did not incur any realized losses on its holdings of Greek government bonds.

Prospect of OMTs calms markets

The announcement of the OMT program – one of many stabilization measures introduced in the euro area[3] – was effective. In the course of the second half of 2012, the financial markets visibly calmed. The financing costs of the various euro area countries became more homogeneous again, risk premiums fell, stock markets posted strong price gains and the euro appreciated. As financial market tensions eased, many banks made use of the option to redeem the funds (or part thereof) borrowed in the two three-year LTROs early (after a minimum holding period of one year). Thus, between end-January and end-March 2013, banks repaid some EUR 240 billion (or roughly 23%).

OMTs
Short for Outright Monetary Transactions. These allow the Eurosystem to buy or sell an unlimited amount of government bonds of euro area countries in the secondary market provided that the relevant countries strictly comply with the underlying conditions (imposed by the Governing Council of the ECB or under the ESM framework). The objective of such transactions is to counteract unjustified government bond yield spreads that obstruct the transmission of monetary policy signals.

Confidence Setback Further Depresses the Global Economy

World trade growth slows markedly

Following a slowdown to 3.9% in 2011, global output growth decelerated further to 3.2% in 2012. The prevailing climate of high uncertainty dampened the economy above all in industrialized countries. The outlook for the U.S. economy, in particular, was clouded by uncertainty about the extent of forth-

[2] *The OeNB shares the earnings and risks of this portfolio in proportion to its paid-up share in the capital of the ECB of 2.7750%.*

[3] *Another example is the decision to establish a single supervisory mechanism (SSM) for banks at the European level.*

Box 1

Chronology of Nonstandard Monetary Policy Measures Taken by the Eurosystem in 2012

February 2012	*Based on the decision of December 8, 2011, the second LTRO with a maturity of up to three years is conducted, injecting some EUR 530 billion into the market. For some countries, collateral availability is increased by allowing NCBs, as a temporary solution, to accept additional performing credit claims as collateral for the credit operations of the Eurosystem.*
June 2012	*The availability of collateral for Eurosystem refinancing operations is increased by further reducing the rating threshold for certain asset-backed securities (ABSs) and expanding the list of eligible collateral.*
September 2012	*The operational features of a new nonstandard measure – Outright Monetary Transactions (OMTs) – are announced. This measure allows the Eurosystem to buy an unlimited amount of government bonds of euro area countries on the secondary market subject to strict conditions (as imposed by the Governing Council of the ECB or under the European Stability Mechanism). With the announcement of the operational features of the OMTs, the Securities Markets Programme (SMP) is terminated.* *Marketable debt instruments denominated in currencies other than the euro, namely the U.S. dollar, the pound sterling and the Japanese yen, and issued and held in the euro area, are eligible to be used as collateral in Eurosystem credit operations until further notice.* *The liquidity swap arrangement with the Bank of England is extended up to September 30, 2013.*
October 2012	*The second covered bond purchase programme (CBPP2) ends as scheduled. Under the CBPP2, covered bonds with a total nominal value of EUR 16.418 billion were acquired. The Eurosystem central banks intend to hold these covered bonds until maturity.*
December 2012	*The ECB and other central banks decide to extend the temporary reciprocal swap lines until February 1, 2014. This will enable the Eurosystem to continue to provide euro to the participating central banks when required and to provide its counterparties with U.S. dollars, Japanese yen, pounds sterling, Swiss francs and Canadian dollars if need be. In addition, the ECB will continue to conduct regular U.S. dollar liquidity-providing operations with maturities of one week and three months (fixed rate tender with full allotment).*

coming fiscal consolidation ("fiscal cliff") toward the end of the year. The Japanese economy, while initially continuing to benefit from the reconstruction boom in the wake of the earthquake disaster of 2011, slid back into recession in the second quarter of 2012. Emerging and developing economies also reported declining growth, which remained solid, though, at an aggregate rate of 5.1%. As the high level of uncertainty depressed demand for durable goods and capital goods, world trade growth dropped to 2.8% in 2012, thus losing even more momentum than global economic activity. The outlook for 2013 is that of a slight recovery of both global growth and global trade. Further developments will, however, depend significantly on the outcome of policy decisions in the U.S.A. and the euro area.

Fiscal cliff
Refers to a combination of automatic spending cuts and a reversal of temporary tax relief measures worth up to 4% of GDP which would have come into effect in the U.S.A. in 2013 if Congress had failed to reach an agreement on fiscal consolidation. The agreement achieved made it possible to significantly soften the negative effects of fiscal consolidation on the business cycle.

Euro Area Output Declines by 0.6%

Following a temporary recovery in 2010 and 2011, economic activity in the euro area slowed down again in early 2012. Several euro area countries expe-

Weak domestic demand weighs on euro area economy

rienced renewed tensions in financial markets as the sovereign debt crisis reintensified. Public and private deleveraging measures as well as the weak real estate market had a moderating effect on the economy. Annual output dropped by 0.6% in the euro area. Domestic demand as well as changes in inventories generated negative contributions to growth. Private investment and consumption were depressed by weak corporate and consumer confidence, tighter lending conditions as well as high oil prices. Yet unlike in the recession year 2009, net exports made a historically high positive contribution to growth in 2012, as a slight growth in exports coincided with shrinking imports. Hence, the latest economic slowdown is not a global phenomenon but reflects the weakness of domestic demand across Europe.

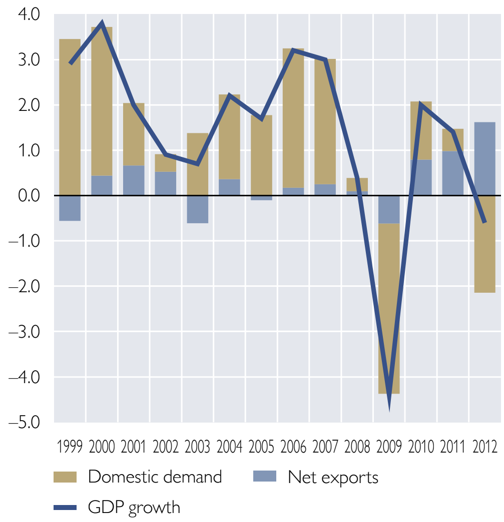
Rebalancing process ongoing in the euro area

Among other things, the positive export momentum is attributable to the advances individual euro area countries have made in regaining competitiveness. This is a sign that imbalances built up within the euro area before 2009 have started to reverse. The process of rebalancing has created very different adjustment needs for individual countries, though, which ultimately caused economic performance to be mixed across the euro area in 2012: While Austria, Germany and France reported positive GDP growth rates, Greece, Portugal, Spain and Italy were mired in a deep recession. In the countries with high adjustment needs, the level of economic activity continues to lie markedly below the pre-crisis level of 2008. Despite the progress achieved in rebalancing, it will take further efforts for these countries to regain competitiveness. Given further adjustment needs and their repercussions on the domestic economy as well as weak global conditions, the euro area economy will be slow to recover.

Chart 6

Contributions to Real GDP Growth in the Euro Area

Contributions to growth in percentage points; annual change of growth in % (seasonally adjusted)

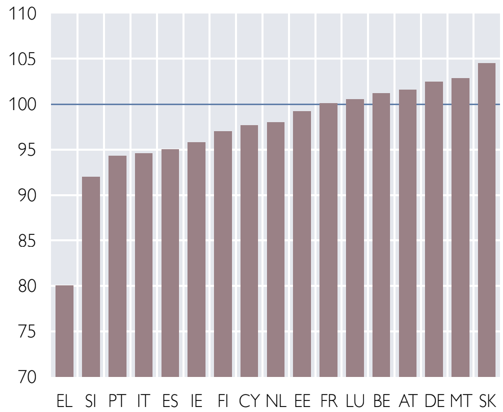


Source: Eurostat; data for 2012 based on European Commission forecasts.

Chart 7

Economic Output in 2012 Compared with 2008 Levels

Index: 2008 = 100



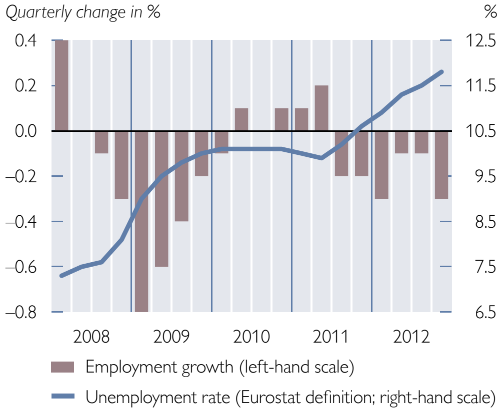
Source: European Commission (AMECO database).

Employment conditions have deteriorated

As a result of the economic slowdown, conditions have deteriorated also in the European labor market. While employment figures had continued to grow in 2011, if at a small rate, they dropped by 0.7% in 2012. The number of hours worked suffered an even stronger decline, because a reduction of

Chart 8

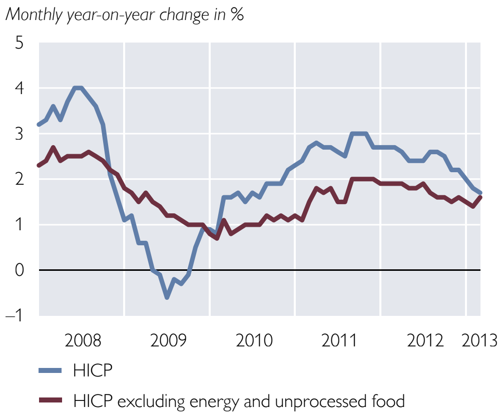
Employment Growth and Unemployment in the Euro Area



Source: ECB.

Chart 9

HICP: Headline and Core Inflation in the Euro Area



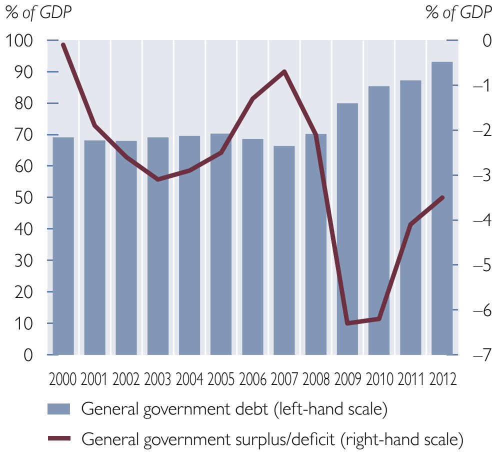
Source: Eurostat.

working hours was a measure of choice for companies as the economy slowed down. At the same time, the unemployment rate increased by 1 percentage point in 2012, to 11.7%. In the age group below 25 years, nearly every fourth person was without a job.

HICP inflation averaged 2.5% in the euro area in 2012. During the year, inflation developments reflected above all increases in energy prices as well as indirect tax hikes under fiscal consolidation programs. As these factors

Chart 10

Public Finances in the Euro Area



Source: Eurostat, 2012: European Commission's winter 2013 economic forecast.

started to become less relevant toward the end of the year inflation softened again, dropping to 1.8% in February 2013. Core inflation eased as well in this context. Over the medium term, inflation expectations are in line with the ECB's objective of keeping inflation below, but close to 2%.

Debt Crisis: Policy Measures Have Started to Be Effective

Consolidation measures show first results

The deterioration of economic activity notwithstanding, the general government deficit of the euro area dropped to 3.3% in 2012 (2011: 4.1%), This improvement came in the wake of significant consolidation efforts in many euro area countries, with the bulk of improvement stemming from higher tax revenues, following a broadening of the tax base and increases of tax rates. Given negative GDP growth and the high interest rate burden, the debt ratio nonetheless rose from 88.1% in 2011 to 92.9% in 2012. The contribution of the primary deficit to the higher debt ratio remained limited, though, as it shrank to 0.2% of GDP. Among the individual euro area countries, public finance results remained mixed. While the budgetary position of Germany was close to balance, the EU/IMF program countries (Greece, Ireland, Portugal) reported budget deficits of more than 5%.

Further measures to stabilize the Greek debt ratio

Notwithstanding the considerable consolidation efforts Greece had undertaken since it first received financial assistance in May 2010, additional measures were required in 2012 to bring down the budget deficit in a sustained manner and to stabilize the debt ratio. In March 2012, the Greek government agreed with the troika of officials representing the IMF, the European Commission and the ECB on a second assistance program involving private sector debt haircuts and thus significantly lowering the debt burden. In November 2012, the Eurogroup endorsed additional debt-reduction measures and a voluntary debt buyback program. Taking these measures into consideration and subject to consistent implementation by the Greek authorities of the EU/IMF program measures, the debt ratio of Greece will drop to 124% of GDP by 2020.

Adjustment programs of Ireland and Portugal on schedule

The adjustment programs being implemented in Ireland and Portugal are broadly on schedule. Ireland regained access to financial market funding in the summer 2012 and expects to exit from the EU/IMF assistance program on schedule at the end of 2013. Portugal, meanwhile, will need to take further consolidation measures to achieve its deficit targets and to be able to regain access to financial market funding as planned in early 2014.

Spain receives financial assistance to recapitalize the banking sector

Spain had to contend in 2012 with the financial distress that the housing bubble created for its banking sector. As the financing needs for cleaning up banks increased sharply, Spain asked for financial assistance through the European financial assistance mechanisms (EFSF/ESM) in late June 2012. EU finance ministers thereupon allocated funds of up to EUR 100 billion specifically to finance measures to bail out the Spanish banking sector; the conditionality attached to the support includes bank- and banking sector-specific policy measures. The disbursement of the funds started in late 2012/early 2013. Ultimately, Spain is estimated to need financial assistance to the amount of about EUR 41 billion, which would be significantly less than the committed amounts. The exact needs are still not known, however, as the extent of the adjustment of real estate prices remains yet to be seen. Cyprus also asked for EU assistance in the summer of 2012, on account of negative spillover effects from Greece and the related undercapitalization of its banking sector. Political agreement on the way forward was achieved at a Eurogroup meeting on March 25, 2013. Specifically, the troika committed to assist Cyprus with up to EUR 10 billion. On top of that, the funds required for restructuring the two large problem banks (Bank of Cyprus and Cyprus Popular Bank) – some EUR 5.8 billion – are expected to be raised through measures to bail in the banks' creditors (including bank deposits above EUR 100,000). All further details were negotiated in the course of April. Disbursements were scheduled to start in early May 2013.

Primary balance
Government net borrowing or lending excluding interest payments on consolidated government liabilities. This measure is the preferred indicator of the current fiscal stance, as interest payments on outstanding debt are determined by the debt burden created in previous periods.

European Crisis Facilities Adapted to New Conditions

The Treaty establishing the European Stability Mechanism (ESM), the euro area's permanent rescue fund agreed in March 2011, entered into force on September 27, 2012. Following its ratification by all euro area countries, the ESM was inaugurated on October 8, 2012. As agreed by the EU heads of state or government, the ESM will, in addition to granting loans and providing other forms of financial assistance for euro area countries, also have the possibility of recapitalizing banks directly, subject to strict conditionality, once a single supervisory mechanism has been established. Euro area-wide support for systemically relevant banks in financial distress is meant to prevent the financial burden of bailing out banks from continuing to taint market assessment of the creditworthiness of individual countries which are already under large pressure from financial markets.

Significant progress in economic governance

Deepening of Economic and Monetary Union

The Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (TSCG) entered into force on January 1, 2013, following ratification by 12 euro area countries. Further ratifications are expected to follow; all in all, the TSCG was signed by 25 EU Member States. The TSCG includes a fiscal compact, which envisages enhanced measures to coordinate and monitor the fiscal policies of Member States. Among other things, it contains the mandatory introduction of a balanced budget rule at the national level.

Conditionality
The provision of financial assistance through the ESM is linked to policy conditions, i.e. adjustment measures required to remove the root causes of crisis. Compliance with these conditions will be monitored and is a precondition for the receipt of further ESM instalments. The conditions are set out in Memoranda of Understanding between the beneficiaries of EU financial assistance and the European Commission.

The 2012 European Semester, a cycle of economic and fiscal policy coordination within the EU, saw the first implementation of the macroeconomic imbalance procedure (MIP), which involves the annual assessment and publication of a scoreboard of macroeconomic indicators. This assessment is meant to alert policymakers to the emergence of problematic disparities among Member States in competitiveness and enable them to take early remedial action.

Based on a proposal of the Presidents of the European Council, the Eurogroup, the European Commission and the ECB, the EU heads of state or government endorsed a vision for completing Economic and Monetary Union (EMU), based on four pillars:
- establishing a single supervisory mechanism for euro area banks under ECB governance;
- enhancing the coordination and surveillance of the fiscal policies of Member States;
- ensuring timely coordination of key economic reforms in Member States;
- strengthening democratic legitimacy, above all by intensifying cooperation of national parliaments and the European Parliament.

The first implementing measures, a roadmap for coordinating national reforms and enhancing the social dimension of EMU as well as measures to make national commitments to economic reforms more binding are due in June 2013.

EU Crisis Management and International Cooperation

Policymakers also adopted measures at the international level to increase cross-border cooperation and enhance global stability. Starting in mid-2012, the IMF gradually increased its resources for securing global stability by around EUR 350 billion, as a result of which it now stands ready to lend twice as much to distressed countries as before. The EU pledged to contribute EUR 200 billion, with a commitment of EUR 150 billion made by euro area countries. Another EUR 150 billion were pledged by non-EU countries (excluding the U.S.A.). Austria accounts for up to EUR 6.13 billion of the increase in the IMF's resources.

The 14th and so far largest quota reform of the IMF in its 65-year history will almost double the existing quotas

Box 2

Assistance Provided under Crisis Facilities

The table below provides an overview of the funds committed and disbursed through bilateral arrangements and the European crisis facilities with a view to stabilizing the euro area.

Funding of Euro Area Financial Assistance (for Greece, Ireland, Portugal and Spain) by Funding Source

As at March 31, 2013

Funding source	Total volume		Volume accessed[1]			Remaining volume	
	Loans	Guarantees	Loans		Guarantees	Loans	Guarantees
			committed	disbursed		available for commit-ments	
	EUR billion						
EFSM[2]	60.00	×	48.50	43.80	×	11.50	×
EFSF[3]	440.00	726.00	188.30	144.19	157.06	248.00	568.95
Austrian share[4]	*×*	*21.64*	*×*	*×*	*5.10*	*×*	*16.54*
ESM[5]	213.33	×	100.00	41.37	×	113.33	×

ESM	Capital stock[6]	Paid-in capital (or to be paid in)	Callable capital	Lending capacity
	EUR billion			
Total	700.00	80.00[7]	620.00[8]	500.00
Austrian share	*19.50*	*2.20*	*17.30*	*×*

Source: European Commission, EFSF, IMF, Austrian finance ministry.

[1] Includes EFSF (European Financial Stability Facility) loans committed to Greece in March 2012, which total EUR 144.6 billion.

[2] EFSM = European Financial Stabilisation Mechanism. EFSM loans are funded through bonds issued by the European Commission; these bonds are subject to an implicit EU budget guarantee.

[3] Bonds issued by the EFSF are guaranteed by the EU Member States up to a cumulative amount of approximately EUR 779.8 billion. For these bonds to be assigned AAA ratings, Member States must provide overguarantees of up to 165%, which reduces the maximum lending capacity of the EFSF to about EUR 440 billion. Taking into account the stepping out of Greece, Ireland and Portugal, guarantee commitments totaled EUR 726 billion at the time of writing.

[4] Austria's share in guarantee commitments is about EUR 21.6 billion (excluding interest payments). This is equivalent to a contribution key of 2.99% (following the stepping out of Greece, Ireland and Portugal; otherwise Austria's contribution key would have been 2.78%).

[5] ESM = European Stability Mechanism. The actual lending volume of the ESM depends on the instalment payment plan. Under Article 41 of the ESM Treaty (which entered into force on September 27, 2012), the paid-in amount must not fall below a ratio of 15% of outstanding amounts of ESM issuances. The first two instalments were paid in in the second half of 2012. The third instalment will be paid in the first half of 2013, the fourth instalment in the second half of 2013 and the fifth instalment in the first half of 2014. However, the Member States have committed to accelerate payment, should it become necessary to reach the maximum lending capacity of EUR 500 billion earlier than planned.

[6] The capital stock is comprised of paid-in and callable capital.

[7] To be paid in five equal instalments.

[8] Sum total of committed callable capital.

and increase the weight of emerging and developing countries – pending ratification of the reform by the U.S.A. The OeNB was empowered to increase the Austrian quota from SDR 2,113.9 million to SDR 3,932.0 million by a federal act adopted in November 2012.

Furthermore, the IMF made significant progress in reforming its constituencies, with the goal of shifting two seats within the IMF Executive Board from the advanced European countries to emerging and developing countries. Action taken so far will lead to a reduction of advanced European country representation in the IMF Executive Board by 1.64 seats. Austria is part of a

Special drawing rights (SDR)
A virtual currency created by the IMF in 1969, used as a settlement currency by the IMF and as a reserve currency by IMF members. ECB reference rate as at December 31, 2012: SDR 1 = EUR 1.1657.

Central and Eastern European constituency established on November 1, 2012, along with Belarus, Kosovo, Slovakia, Slovenia, the Czech Republic, Turkey and Hungary; the Executive Director representing this constituency, Johann Prader, is the first Austrian ever to serve on the IMF's Executive Board.

IMF constituency
The 188 IMF member countries are grouped into 24 constituencies, of which 19 elect their Executive Director from within the constituency whereas the five largest countries (the U.S.A., Japan, Germany, France, the U.K.) always nominate Executive Directors from their own countries. The Executive Directors represent the interests of their constituency in the IMF's Executive Board.

Economic Activity in Central, Eastern and Southeastern Europe Highly Mixed

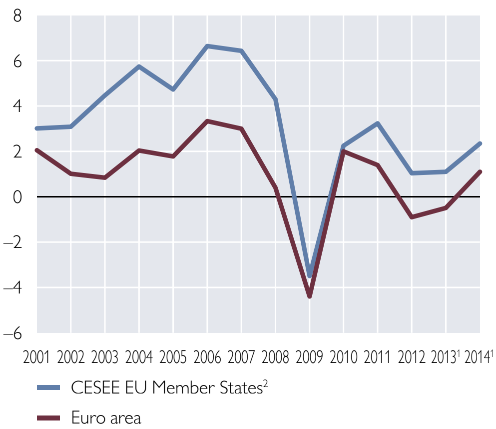
CESEE countries lose economic momentum

Amid the weak international conditions, the Central, Eastern and Southeastern European (CESEE) economies lost considerable momentum in 2012. The weakness of the euro area economy as well as adverse financing conditions in international markets considerably depressed economic activity in the CESEE region, causing real GDP growth in the ten CESEE EU Member States to drop to about 1%. While the Baltic states as well as Slovakia and Poland managed to maintain comparatively large output growth, a number of other countries (Hungary, Slovenia and the Czech Republic) reported a marked slowdown in economic activity. As a consequence, unemployment dropped only marginally, employment growth was subdued, and long-term unemployment intensified. Bank lending did not recover in 2012 either. The share of nonperforming loans in total outstanding loans continued to expand in a number of countries. Rising food prices in international markets temporarily added to inflation pressures in mid-2012. Additional price pressures emanated from bad harvests in some CESEE economies.

Chart 11

Real GDP Growth

Annual change in %



Source: Eurostat.

[1] *European Commission's winter 2013 economic forecast.*

[2] *This aggregate includes only countries which have not yet introduced the euro.*

This notwithstanding, the CESEE region continued to outpace the euro area in terms of output growth. The underlying reasons include a diversification of export markets above all toward Asia, which to some extent compensated for softening demand from Western Europe. Further progress was achieved with regard to fiscal consolidation in 2012. While the consolidation measures had a dampening impact on domestic demand, they also helped bring down general government debt ratios and secure the confidence of international investors. Moreover, the CESEE economies were able to raise external funds at reasonable costs in financial markets, not least because of the stabilizing measures adopted in the euro area. The decrease of inflation rates in recent months also provided some leeway for accommodating monetary policy, which was used in a number of countries (Poland, Hungary and the Czech Republic).

Still, economic forecasts do not see a marked improvement of economic momentum in 2013 on account of the persistent weakness of the euro area economy. The outlook for average GDP growth in the CESEE area is somewhat above 1%, with mixed results across countries, as before. Yet even at this rate, the CESEE EU Member States are set to retain a positive growth differential of more than 1½ percentage points over the euro area economies, thus continuing the catching-up process, if at a lesser pace.

Growth differential to the euro area remains positive

Following a positive referendum in January 2012 and the ratification of the Accession Treaty by all EU Member States, Croatia will join the EU on July 1, 2013. The EU will then consist of 28 countries. An enlargement of the euro area is also in the offing. Latvia requested euro area membership in March 2013. Given a positive convergence assessment, the Baltic economy is set to join the euro area on January 1, 2014, which will bring the membership count up to 18. In April 2013, the European Commission issued a recommendation for the EU to start accession negotiations with Serbia.

Croatia to be 28th EU member; Latvia requests euro area membership

Positive GDP Growth for Austria in 2012 despite Adverse International Conditions

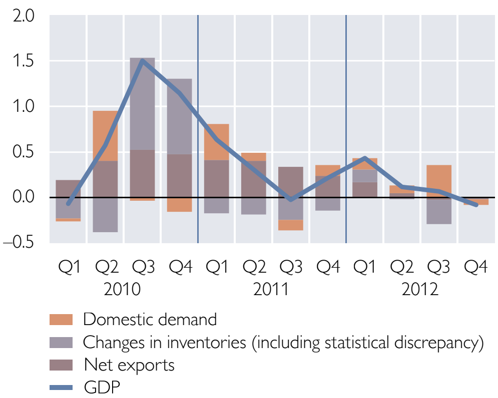
The robust recovery of the Austrian economy from the financial and economic crisis ended in mid-2011. At the time, the European sovereign debt crisis newly undermined confidence and, consequently, dampened economic activity. A loss of export momentum, the postponement of capital investment projects as well as consumer restraint resulted in very subdued growth rates for the Austrian economy up to the third quarter of 2012. Yet unlike the euro area, where real GDP growth turned negative already in late 2011, output growth did not start to shrink in Austria until the fourth quarter of 2012. Moreover, the growth setback was less pronounced than in the euro area and Austria's major trading partners. Eventually, the domestic economy grew by 0.8% in 2012. All demand components contributed to growth, and the growth impetus was equally balanced between domestic demand and net exports. As European financial markets calmed after the announcement of the OMT program by the ECB, domestic businesses and consumers regained confidence as well. This would imply that the domestic economy should gradually gain momentum in the

Significant growth edge for Austria over the euro area

Chart 12

GDP Growth and Contributions of Demand Components to Growth

Quarterly year-on-year change in %; contributions to growth in percentage points (seasonally adjusted)

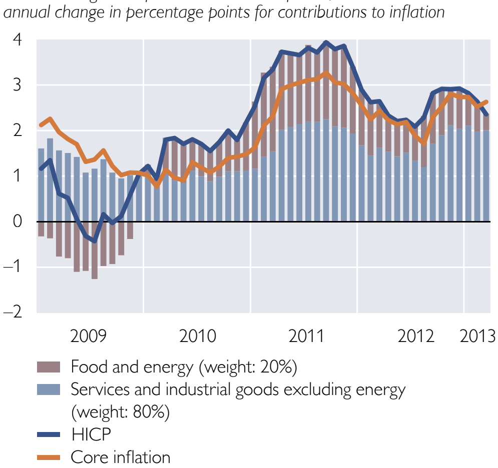


Source: Eurostat.

Chart 13

HICP Inflation and Contributions by Subcomponents

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



Source: Statistics Austria.

course of 2013. Still, the OeNB projections point to continued moderate growth in 2013 and no acceleration of growth before 2014.

Austria's current account in surplus in 2012

In 2012, Austria recorded a current account surplus of EUR 5.5 billion (2011: EUR 4.1 billion) as well as a small but unprecedented net positive international investment position of EUR 1.5 billion, thanks to a steady string of current account surpluses since 2002. The reversal of Austria's net financial liabilities also led to lower net interest payments to international creditors.

The Austrian services industry, which is traditionally a net exporter, again managed to increase its net international income, to EUR 14.7 billion. For the first time, business-related services generated more income than cross-border travel income, which used to be the largest source of income in this category. The balance of goods showed a deficit of EUR 6.9 billion, which is a slight improvement on the deficit of 2011 (EUR 7.5 billion). Exports and imports broadly stagnated at the levels of 2011. On the import side, price pressures eased considerably. The weak momentum of exports to other EU countries was compensated for, to some extent, by stepped-up trade with non-EU countries, above all Switzerland, Russia, the U.S.A. and China.

Cross-border capital transactions were characterized by restraint in light of the prevailing conditions of uncertainty. New direct investment made by Austrian investors abroad broadly matched reversals of cross-border portfolio investments, loans and deposits. In net terms, outward investment led to net repatriations of EUR 2.2 billion, whereas inward investment resulted in net outflows of EUR 7 billion from Austria. Banks' cross-border lending activities were also characterized by disinvestment: Compared with net lending outflows of EUR 7.7 billion in 2011, Austrian credit institutions repatriated EUR 14 billion from abroad in 2012. Foreign investors, in turn, withdrew deposits of EUR 14.6 billion from Austrian banks in 2012.

Inflation Drops to about 2% in 2013

HICP inflation first dropped significantly in 2012 but started to rebound around the middle of the year. Starting from a level of 2.9%, HICP inflation shrank by 1 percentage point until midyear but subsequently regained as much until the end of the year. This pattern reflects developments in energy prices as well as services prices. In December, the services sector accounted for more than half of the uptick in prices. This also explains the rise observed in core inflation, which reached 2.7% in December. The comparatively strong growth of unit labor costs as well as developments in energy and food prices appear to have exerted upward pressures on services prices in recent months. Annual HICP inflation totaled 2.6% in 2012. In 2013, the OeNB expects inflation to drop to about 2%.

More positive surprises from the Austrian labor market

The strong rate of employment growth observed in the Austrian labor market since the opening of the labor market to Eastern European EU citizens in May 2011 continued in 2012 despite weak economic activity. Employment growth totaled 1.3% in 2012, which is less than in 2011 (1.8%), but still a robust growth rate. At the same time, the data show a pronounced increase in the number of jobless people (5.7%) and in the number of jobless people undergoing training (5.5%). This notwithstanding, the Austrian labor market continued to do well in an international comparison: Austria was the country with the lowest unemployment rate within the EU (4.4%) and its youth unemployment rate was also fairly low (around 10%).

Budget deficit remains below 3% of GDP

Austria reported a general government deficit ratio of 2.5% of GDP in 2012, virtually unchanged from 2011. Despite the weakness of the economy, the increase in revenues from taxes and social security contributions was comparatively strong; at the same time the budget was burdened by high capital transfers to banks, which totaled some 0.9% of GDP (compared with 0.2% of GDP in 2011). Other expenditure growth was below the long-term trend but more pronounced than in 2011 on account of higher adjustments for public sector wages and pensions. The debt ratio rose from 72.5% in 2011 to 73.4% of GDP in 2012. This strong increase is attributable above all to euro crisis management measures (allocated share of EFSF loans to Greece, Portugal and Ireland plus capital injected into the ESM).

We conduct monetary policy operations with Austrian banks and manage foreign reserve assets

Implementing monetary policy is one of the OeNB's core functions, which includes conducting regular main refinancing operations with banks, implementing nonstandard monetary policy measures during the crisis, monitoring Austrian banks' minimum reserve holdings, and participating in Eurosystem foreign exchange interventions should these be deemed necessary. The OeNB manages reserve assets in line with the principles security, liquidity and return, and cooperates closely with other Eurosystem central banks on risk mitigation and monitoring.

"State-of-the-art risk management and appropriate financial reserves underpin a central bank's independence and credibility."

Wolfgang Duchatczek
Vice Governor

Reserve Management Safeguards Steady Returns amid Still Difficult Market Conditions

Financial Markets Remain Prone to Volatility

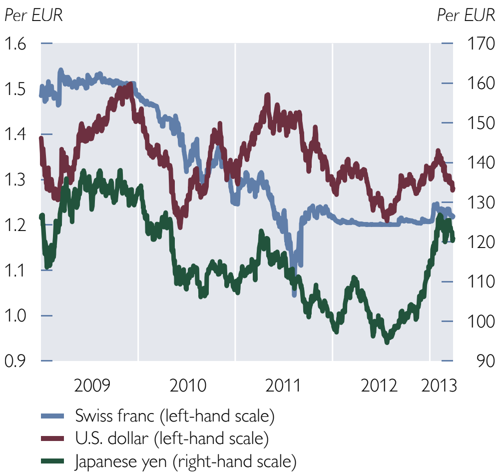
Resurfacing uncertainty about the future course of the sovereign debt crisis and a slowdown in growth in the U.S.A. and China again sparked higher market volatility during the second quarter of 2012. The resulting flight to safety caused yields, especially on top-rated sovereign bonds (e.g. German sovereign bonds) at the short end of the yield curve, to drop into negative territory to even –9 basis points at times.

Against this background, investors opted to also include higher-yielding assets – in particular corporate bonds and stocks – in their portfolios. The German DAX index and the EURO STOXX 50 index consequently climbed by 29% and 14%, respectively, in 2012. With economic data releases from the U.S.A. and China signaling some improvement in economic activity in the fourth quarter of the reporting year, both asset classes perked up as well.

Major trading currencies suffered from raised volatility, too. From the beginning of 2012, the euro depreciated against the U.S. dollar by up to 7%, but at year-end, the exchange rate stood at USD 1.32 again, having almost rebounded to the rate prevailing in early 2012. The euro's exchange rate vis-à-vis the Japanese yen was similarly volatile, yet from mid-year 2012 onward, the yen declined by 21% against the euro as confidence in the prospects of the euro area was growing. This trend continued into early 2013. As to the Swiss franc, the Swiss National Bank succeeded in maintaining the floor of CHF 1.20 per euro. The easing of the strains in the euro area had the same effect on the Swiss franc as on the Japanese yen: it began to slide against the euro and continued to do so in early 2013.

Chart 14

Euro Exchange Rate Developments



Source: Thomson Reuters.

Yields on highly rated sovereign bonds fall to record low levels

Reserve Management Rests on Well-Tried Strategies

Together with the ECB and the other national central banks of the Eurosystem, the OeNB has guaranteed that banks had access to market liquidity. Following the termination of the Securities Markets Programme (SMP), the Eurosystem central banks did not engage in any further concerted action to purchase euro area government bonds in 2012. Contributing funds to IMF programs, the OeNB helped safeguard international stability. Security and liquidity continued to be the guiding principles of the OeNB's reserve management function, which stuck to the time-honored strategy of diversifying the investment of reserve assets. This strategy generated a stable stream of profits also in 2012. The OeNB paid special attention to risk minimization and risk control when weighting and extending its composition of reserve currencies.

Gold Strategy and Importance of Gold for Central Banks

Gold has traditionally been an important part of the international monetary system as well as of the reserve assets held by most central banks. In its Guidelines for Foreign Exchange Reserve Management, the IMF reiterated the pivotal role gold has to play as a reserve asset. In the same vein, the Central Bank Gold Agreement, first concluded in 1999 and extended to 2014, reaffirmed that gold remains an important element of global monetary reserves. According to the IMF's International Financial Statistics of September 2012, international gold reserves maintained by the official sector amount to some 31,000 tons, with the U.S.A. holding the largest official gold reserves (8,134 tons), followed by Germany (3,396 tons) and the IMF (2,814 tons).

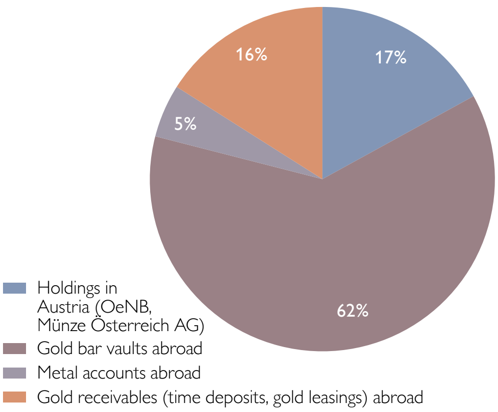
Foreign reserve assets and gold holdings are an integral part of a central bank's strategy for crisis prevention and management and have, indeed, repeatedly proved to buttress confidence in difficult times. The OeNB maintains and manages Austria's national monetary and gold reserves with utmost care. Apart from maintaining physical gold holdings, central banks also carry out gold leasing transactions, depending on the market situation.

Maximum Security for Gold Reserves

At end-2012, the OeNB's gold reserves amounted to 280 tons, having remained more or less unchanged from the year 2007. The physical gold holdings are exclusively owned by the OeNB and are thus in Austrian possession. At the end of the reporting year, 17% of these holdings were kept in Austria, 80% in the United Kingdom and 3% in Switzerland, which reflects the OeNB's current storage site policy. The lion's share of the OeNB gold reserves is therefore stored in Western European countries that apply maximum security standards. Holding gold reserves at international gold trading centers naturally allows the OeNB to swiftly exchange larger amounts of gold into common reserve currencies should the need arise. The OeNB strives to minimize storage costs, in keeping with its strategy on crisis prevention and management. Gold receivables essentially comprise gold leasing transactions effected with top-rated international

Chart 15

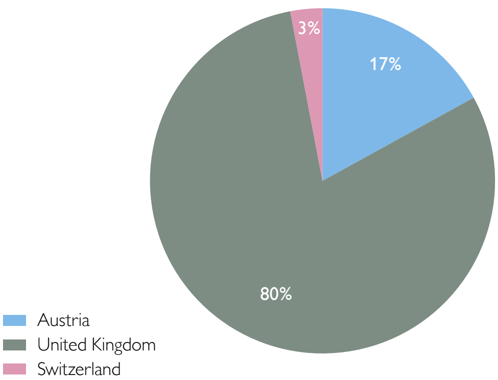
Total Gold Holdings



Source: OeNB; as at December 31, 2012.

Chart 16

Gold Holdings by Storage and Delivery Location

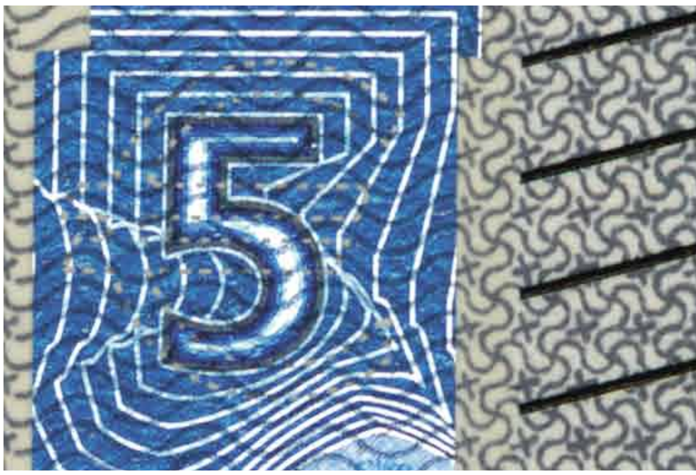


Source: OeNB; as at December 31, 2012.

banks and backed with high-quality collateral.

Risk management measures, reflecting international best practice, range from regular gold inventory checks to meticulous screening of counterparties. In verifying its gold holdings, the OeNB strictly complies with the applicable Eurosystem provisions. The OeNB uses highly specialized and very reliable storage sites, which not only meet the most stringent security standards but also keep the bulk of international gold holdings under lock and key and conduct a vast share of international transactions involving physical gold.

Gold stored in line with highest security standards



We analyze and examine banks and contribute to the maintenance of financial stability

The OeNB is responsible for financial stability monitoring and analysis, off-site analyses and on-site inspections, and payment systems oversight. These tasks are carried out in close cooperation with the Austrian Financial Market Authority (FMA). The OeNB prepares, and appropriately communicates, policy options based on the findings of such analyses and inspections and on the integration of the results of micro- and macroprudential financial sector analyses. In performing these tasks, the OeNB gives due consideration to current national and international regulatory standards and also takes into account the implications of changes to the regulatory framework on financial stability.

We provide high-quality, timely financial statistics

The OeNB compiles and analyzes monetary, interest rate, supervisory, and external statistics as well as data on major loans in the Central Credit Register. These in-depth current statistics and analyses feed into the monetary policy strategy of the Eurosystem, banking supervision, the work of international organizations and Austria's economic policymaking. Moreover, OeNB experts are actively involved in the development and enhancement of national and international databases.

"Banking union preserves the diversity of European banking. This ensures the supply of credit to the economy."

Andreas Ittner
Member of the Governing Board

Challenges to Financial Stability Remain High

Uncertain Environment and Faltering Economic Activity Affect Profitability of Austrian Financial Institutions

The profitability of Austrian banks in 2012 was markedly influenced by uncertainties surrounding the public finances of some euro area countries, the fragmentation of financial markets, deteriorating macroeconomic conditions and policies implemented in several CESEE[1] countries. In the second half of the year, far-reaching monetary and economic policy measures helped stabilize financial markets and restored banks' access to longer-term refinancing in the capital market. With market participants perceiving Austria as a safe haven in this environment, the yield spread against German government bonds narrowed in the course of the year despite the rating downgrade of Austria in early 2012.

The profitability of Austrian banks improved in 2012, which was attributable mainly to extraordinary factors such as banks repurchasing hybrid capital instruments. The most important components of operating income – net interest and fee-based income – were lower in 2012 than in the previous year. Provisions set aside to cover credit risk costs continued to increase somewhat, reflecting persistently tense credit quality conditions. The consolidated return on assets after tax rose to some 0.3%, with one-off effects accounting for around 0.1 percentage points.

One-off effects impact on bank profitability

Chart 17

Consolidated Return on Assets of the Austrian Banking Sector

End-of-period result in % of average total assets

Source: OeNB.

Own funds
Credit institutions are required to hold a certain level of own funds (equity capital) to cover for the risks arising from their business operations. This capital is classified into so-called tiers to reflect its quality. Paid-in capital – common equity – is considered capital of the highest quality. It is part of tier 1 capital and used for covering losses.

Deteriorating economic activity slowed down credit growth mainly toward the end of 2012. Retail loan growth came to only 0.4% and was supported primarily by housing loans. The supply of credit to the real economy was not affected in Austria, although credit standards were tightened slightly.

Capitalization remains below European average

Austrian banks' capital ratios continued to improve but remained below the European average in 2012. Given their risk profile and below-average capital ratios by international comparison, Austrian banks need to strengthen their capital positions further. The subdued macroeconomic environment will continue to affect credit quality. Against this background and in light of the low interest rate environment, forbearance is playing an increasing role in prudential supervision at the national and the European level.

Forbearance
Banks may take measures to support borrowers that have difficulties servicing their debt. Such measures are not deemed to be problematic as long as they are used for a limited time only. If a bank uses forbearance systematically to avoid loan loss provisioning, credit risk may be underestimated and the bank's risk-bearing capacity may be overestimated.

CESEE at the Center of Austrian Banks' International Business

Exposure to Greece, Ireland and Portugal is small and declining

Austrian banks' claims on the countries under EU/IMF assistance were on the decline in 2012, amounting to EUR 2.1 billion at year-end. Their exposure to

[1] *In this section, a broader definition of CESEE is used, i.e. it includes the countries of the Commonwealth of Independent States (CIS).*

Greece, Ireland and Portugal as well as Italy and Spain totaled EUR 15.9 billion. Corresponding to about 5% of GDP, Austrian banks' exposure is relatively small compared with that of their international peers.

Domestic banks' claims on CESEE have been edging up since 2009, coming to about 70% of Austrian GDP in 2012. The exposure is broadly diversified across 19 countries of the region, though. Developments in CESEE have been heterogeneous since the outbreak of the economic and financial crisis. While macroeconomic indicators and key banking indicators such as credit quality and profitability deteriorated markedly e.g. in Hungary and Romania, banks in other countries, including the Czech Republic, Slovakia and Russia, posted profits over the same period. Banks have started to bring lending increasingly in line with local funding and macroeconomic conditions. As a result, intra-group liquidity transfers were decreasing, whereas local deposits were rising.

Austrian banks meet the required core tier 1 capital ratio of 9%

Successful Completion of EU Capital Exercise

On October 3, 2012, the European Banking Authority (EBA) completed its recapitalization exercise for large European banks. The exercise was part of a set of measures to strengthen the resilience of the European financial system and to restore investor confidence. Large international banking groups were mandated to maintain a core tier 1 capital ratio (i.e. common equity to risk-weighted assets) of 9% as at June 30, 2012. A total of 61 European banks participated in the exercise, including Austria's Raiffeisen Zentralbank AG and Erste Group Bank AG. Both banks achieved the required ratio by June 30, 2012. However, the two banks met the ratio largely because they took measures to optimize the calculation of risk-weighted assets, which implies that their actual risk-bearing capacity has not been strengthened to the extent suggested by the increased capitalization. The credit institutions must maintain the capital built up to achieve the

Chart 18

Mixed Trends in Austrian Banks' Exposure to CESEE

Source: OeNB, Standard & Poor's.
Note: The size of the bubbles represents the size of Austrian banks' exposure to the respective country (e.g. Romania in 2012: around EUR 37 billion).

9% threshold until the new regulatory framework (CRD IV and CRR) enters into force.

Other Financial Intermediaries Face Increasing Market Challenges

Austrian insurance companies recorded stagnating premium growth in 2012 owing to sluggish overall economic activity. In particular, new business in the life insurance segment was notably slower.

Thanks to an upswing in stock and bond markets, pension funds and mutual funds performed markedly better in the second half of 2012 than in the first half. Other financial intermediaries and the banking sector are closely interlinked, mostly through the former's investments in bank debt, which is a potential source of contagion. The low interest rate environment as well as new risk-based regulatory measures addressed to the insurance sector (e.g. Solvency II) and regulatory standards for mutual funds (UCITS[2] IV, AIFM directive[3]) pose additional challenges to Austria's other financial intermediaries.

OeNB and FMA Implement Measures to Strengthen Sustainability of the Austrian Banking Sector

In March 2012, the FMA and the OeNB published a supervisory guidance on the strengthening of the sustainability of the business models of large internationally active Austrian banks.[4] This guideline had been drawn up jointly by these two institutions in agreement with international stakeholders. One of its key elements is the stepped-up monitoring of new lending in relation to local stable funding[5] to achieve a more balanced refinancing structure at banks' subsidiaries, as supervisory practice has shown that subsidiaries whose strong credit growth rates were not backed by adequate local funding were more susceptible to a weakening of credit quality. Furthermore, the measures aim at strengthening banks' capital buffers, requiring banks to meet the new common equity tier 1 ratio under Basel III without making use of any transitional provisions.[6] In addition, banks will be obligated to hold an additional common equity tier 1 buffer of up to 3 percentage points from January 1, 2016, depending on the risk inherent in the respective business model. Parent institutions, in turn, must submit adequate recovery and resolution plans to prepare for potential crisis situations, facilitating the timely, effective and efficient recovery or the orderly winding down of subsidiaries if necessary.

CRD IV and CRR
One of the objectives of the Basel III capital standards adopted in 2010 is to enhance the minimum capital requirements for banks. In the EU, a new Capital Requirements Directive (CRD IV) and a Capital Requirements Regulation (CRR) will provide the basis for the uniform implementation of these standards, in particular by defining uniform capital categories.

Sustainability package contributes to improving the refinancing structure

Initial monitoring results under the sustainability initiative showed improvements in the refinancing structure of most foreign subsidiaries, which were driven by increased local retail deposits. Concerns about a potential supply-side credit crunch have proved un-

[2] *Undertakings for collective investments in transferable securities.*

[3] *Directive on Alternative Investment Fund Managers.*

[4] *Given their size and systemic relevance as well as the complexity of their business models (including large numbers of subsidiary banks), the supervisory guidance currently applies to three Austrian banking groups: Erste Group Bank AG, Raiffeisen Zentralbank Österreich AG and UniCredit Bank Austria AG.*

[5] *Stable refinancing comprises deposits from nonbanks, debt securities issued by subsidiaries outside the bank's group with an (original) maturity of more than one year, as well as supranational funding and capital from third parties.*

[6] *However, the private and state participation capital subscribed under the bank support package (which is fully loss absorbing) is in fact included in the capital base.*

founded; overall credit growth has remained moderate. These are positive developments that bear witness to the anticyclical character of the sustainability package. The monitoring results are discussed in the supervisory colleges; these international fora may also adopt supervisory measures if deemed necessary.

FMA and OeNB Introduce New Minimum Standards on Foreign Currency Loans and Loans with Repayment Vehicles

In early 2013, the FMA in collaboration with the OeNB issued new minimum standards for risk management and for granting foreign currency loans and loans with repayment vehicles. They sum up the three minimum standards issued in 2003 and 2010 and also take into account both the recommendations of the European Systemic Risk Board (ESRB) on foreign currency loans (issued at the end of 2011) and previous supervisory experience. At the same time, the guiding principles on business in CESEE issued by the FMA in 2010 continue to be applied. The most important new features of the minimum standards are:

- the introduction of reciprocity (i.e. supervisory measures are also applicable in (direct) cross-border business);
- the extension of information requirements;
- the obligation for banks to offer credit in domestic currency as an alternative to foreign currency loans and financial hedging instruments;
- the (now explicit) obligation for banks to cover additional risks from foreign currency loans and loans with repayment vehicles through standard risk costs and equity capital;
- the obligation to identify customers who have income in the currency in which their loan is denominated;
- the obligation for banks not to use forbearance systematically to avoid losses.

Volume of outstanding foreign currency loans is still high but declining

The share of foreign currency loans to households in Austria has been declining steadily since fall 2008, when the FMA had issued a recommendation to banks to stop extending such loans. From October 2008 through February

Chart 19

Foreign Currency Loans

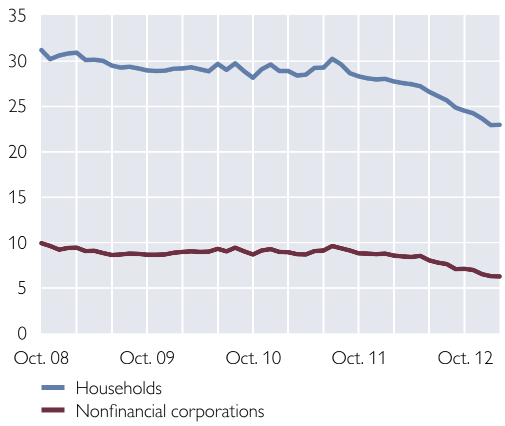
Annual change in % (exchange rate-adjusted)

Source: OeNB.

Chart 20

Share of Foreign Currency Loans

Share in the total volume of loans (exchange rate-adjusted) in %



Source: OeNB.

2013, the volume of outstanding foreign currency loans to domestic households shrank by 37% or EUR 15 billion (exchange rate-adjusted); the respective share of loans to Austrian nonfinancial corporations decreased by 45% or EUR 6 billion. In February 2013, outstanding foreign currency loans to households and the corporate sector totaled EUR 32 billion (22% of all loans) and EUR 9 billion (6% of all loans), respectively.

Foreign currency loans to households and nonfinancial corporations extended by Austrian subsidiaries in CESEE amounted to EUR 86 billion (46% of total loans) at mid-2012.[7] Loans denominated in euro accounted for the bulk (58%) of these loans. As a result of measures to cut back foreign currency lending, the share of Swiss franc-denominated loans in foreign currency loans has contracted continuously, coming to 19% at mid-2012.

OeNB Plays Central Role in Financial Supervision

Efficient supervision is a key prerequisite for maintaining financial stability. The FMA and the OeNB cooperate on an equal footing; a clear division of tasks and joint responsibility for the entire supervisory process provide the basis for this collaboration. Given the relatively high number of financial intermediaries subject to supervision (including more than 800 banks), the supervisory process must be well organized. It relies to a large extent on risk-based analysis and on-site examination, and special attention is given to the structured dialogue between supervisors and banks on the one hand and between the OeNB and the FMA on the other hand. A clear definition of responsibilities, together with single points of contact (SPOCs), which have been established for banking groups, sector institutions and individual banks, provide the framework for smooth communication between the different stakeholders. In addition, centers of excellence have been expanded to support the structured dialogue in the best possible way in strategic areas, such as Basel III, equity capital, liquidity, banking union, bank insolvency legislation, recovery and resolution plans, and the sustainability of business models. Fi-

Centers of excellence for strategic issues expanded

Box 3

Macroprudential Tools – An Overview

Enhancing the framework for supervision at the macro level, including, in particular, macroprudential tools, remained at the top of the European supervisory agenda in 2012. The purpose of macroprudential tools is to address risks that result from the interplay between different agents in the financial markets (systemic risks) in contrast to risks at individual financial institutions.

Macroprudential tools are an important issue in the new supervisory legislation at the European level (CRD IV and CRR). The new framework will provide EU supervisors with adequate instruments to mitigate risks to financial stability. The macroprudential toolkit comprises, e.g., anticyclical capital buffers, a systemic risk buffer, sector-specific capital requirements and an additional capital buffer for systemically important financial institutions.

The ESRB has also carried out work on macroprudential tools. Its analyses address not only tools concerning the banking sector, such as loan-to-value ratios, leverage ratios, loan-to-deposit ratios, but also tools applicable to other financial market segments, e.g. margin and haircut requirements on central counterparty clearing. Given banks' eminent role in the EU financial market, the overall focus of macroprudential tools is the banking sector.

[7] *Down from 51% at the end of 2008 (all data are exchange rate-adjusted).*

nally, the OeNB and the FMA also maintain an ongoing exchange of information with international supervisors, market participants and rating agencies.

FMA and OeNB cooperate closely with foreign supervisory authorities

Monitoring and assessing the risks of banks' cross-border activities requires close cooperation between home and host supervisors. Furthermore, an in-depth coordination of supervisory measures is needed to account for the changing regulatory and organizational framework of cross-border supervision (banking union, Basel III, EBA). In this context, supervisory colleges are the central platform for exchanging information and formulating decisions. Since 2011, the competent authorities represented in colleges have been obliged to reach joint decisions on the level of capital adequacy for cross-border banking groups (for both the parent and subsidiaries) once a year; the EBA has a monitoring and mediating function in this process. The harmonization and continuous development of methods to assess banks' capital adequacy was a key issue in 2012. Furthermore, the colleges discuss ad-hoc issues like structural questions, business models, the implications of Basel III or stress tests, as well as the results of on-site inspections, and adopt joint supervisory measures. In addition to participating in the supervisory colleges, the OeNB and the FMA maintain close bilateral relations with foreign supervisory authorities.

OeNB contributes to EBA work for a level playing field in Europe

The OeNB is actively involved in creating a harmonized European supervisory framework by taking part in working groups and decision-making bodies of the EBA. In 2012, the EBA prepared and released more than 50 standards, reports and guidelines.

Home and host supervisors step up collaboration

The risks arising from cross-border activities have been increasingly examined during on-site inspections. The OeNB's and the FMA's joint bank examination strategy provides the basis for on-site inspections. In line with the principle of risk orientation, it defines the regional focus and the most important issues of examinations of subsidiaries abroad. As in recent years, CESEE was at the center of supervisory activities in 2012, which included independent on-site inspections of Austrian subsidiaries in CESEE, visits at subsidiaries to assess their integration in group-wide control processes, participation in on-site inspections carried out by host supervisors as well as assessments of CESEE subsidiaries' risk assessment models. Furthermore, OeNB examiners took part in on-site inspections in Croatia, Romania, Hungary and Russia and several Western European countries.

Payment Systems Oversight – A Core Task of the OeNB

Under the Nationalbank Act, the OeNB has been responsible for the oversight of payment systems in Austria since 2002. The scope of oversight extends from large-value transactions between credit institutions to e-money payments (including payments by mobile phone or electronic purse), which allow payments to be made without PIN codes. The safety of card payment schemes was one of the OeNB's priorities in oversight in 2012.

At the European level, the OeNB is represented in the relevant supervisory bodies, whose work in 2012 focused on enhancing safety standards for retail payment instruments like credit or payment cards, including internet payments, as well as on harmonizing legislation on financial market infrastructures.

Further Measures to Safeguard Financial Stability Launched at the European Level

At their meeting on June 29, 2012, the heads of state and government of the euro area agreed on establishing a banking union of the countries participating in monetary union, thereby completing another step in crisis resolution. The first stage of banking union will see the creation of a single supervisory mechanism (SSM), which will be composed of the ECB and national supervisory authorities. This ambitious political project has been driven by the goal to break the vicious circle between banks and sovereigns. Furthermore, a well-functioning SSM is a prerequisite for the ESM to directly make available funds for the recapitalization of banks. The European Commission submitted a legislative proposal about the future European supervisory framework in September 2012. Other legislative initiatives to supplement the framework by a single recovery and resolution mechanism as well as a deposit guarantee scheme are still under discussion.

Banking union as a milestone in crisis resolution and prevention

The SSM will confer far-reaching supervisory powers on the ECB. Non-euro area countries too may participate in the SSM through cooperation agreements. The ECB will be responsible for the overall functioning of the SSM. It will carry out its supervisory tasks in a differentiated manner and in close cooperation with national supervisors. The SSM will be a decentralized system, with a bank's total assets being one of the key criteria determining whether the bank falls under the direct supervision of the ECB, which will cover the "most significant" banks in the euro area. This implies that upon implementation of the SSM, the ECB will take over from the Austrian supervisory authorities the responsibility for oversight over the largest Austrian banking groups. The "less significant" banks will remain largely under the supervision of national authorities, which will also have the right to take official action; however, the ECB will issue guidelines and general instructions to steer the supervisory process also at these banks. The ECB is scheduled to start carrying out its supervisory tasks under the SSM in the course of 2014.

Progress in Enhancing the Supervisory Framework

Basel III standards are about to be implemented

The financial crisis has starkly revealed the need to reinforce financial market regulation. The Basel III standards aimed at strengthening the resilience of banks are about to be implemented in the EU. According to the new rules, banks must improve their risk-bearing capacity by improving their capital and liquidity ratios. Also, prudential tools are to be applied at the macro level, which will contribute to reducing systemic risk and increasing the financial system's resilience, in particular by the use of anticyclical capital buffers. In January 2013, the Basel Committee on Banking Supervision agreed on the design and the definition of the liquidity coverage ratio (LCR), which will be introduced gradually starting in 2015. The LCR requires banks to hold a sufficient amount of highly liquid assets enabling them to meet their liquidity needs at least over a 30-day period of stress. The gradual implementation is intended to give credit institutions enough time to build up capital buffers without jeopardizing lending to the real economy.

ECB takes over central role in banking supervision

Banking union
The core elements of a European banking union will be a single supervisory mechanism, a single recovery and resolution mechanism as well as a harmonized deposit protection regime for credit institutions in Europe.

In addition to the measures to improve the banking sector's crisis resilience, the European Commission in June 2012 submitted a proposal for a bank recovery and resolution framework. Its objective is to provide the basis for banks that are no longer viable to be wound down without causing negative repercussions for the financial system. Bail-in clauses are to ensure that owners and creditors bear the brunt of the costs caused by a bank's resolution while minimizing taxpayers' exposure to potential losses.

Turning to financial market segments that are still unregulated or regulated only to a very limited extent, over-the-counter (OTC) derivative trading has been the focus of regulatory activities. The European Market Infrastructure Regulation (EMIR) prescribes that in future all OTC derivative contracts be cleared primarily through a central counterparty and that they be reported to central trade repositories.

Central counterparty (CCP)
An entity that interposes itself between the counterparties to contracts traded on the stock exchange or on OTC derivative platforms, acting as the buyer to every seller and the seller to every buyer.

ESRB Steps Up Macroprudential Analysis

Governor Nowotny becomes member of ESRB Steering Committee

The European Systemic Risk Board (ESRB) is the top-level coordinating body of national central bank governors and supervisors in the EU and is responsible for identifying and quantifying risks. If warranted, the ESRB issues warnings and recommendations to contribute to mitigating such risks. In 2012, the ESRB conducted follow-ups to its recommendations on foreign currency loans, the macroprudential mandate of national authorities and the funding of banks in U.S. dollar, and continued its analytical work on contagion risks and parts of the shadow banking system (which comprises financial intermediation activities that take place in parts of the financial system that are not regulated or regulated only to a limited extent). In early 2013, the ESRB issued recommendations on money market funds and on the funding of European banks in response to the identification of related vulnerabilities in the entire financial system. In June 2012, OeNB Governor Ewald Nowotny was appointed to the ESRB Steering Committee, which is responsible for strategic and operational issues.

Box 4

Results of the Liikanen Report on the Structure of the EU Banking Sector

In October 2012, a high-level expert group established by the European Commission under the chair of Finnish central bank Governor Erkki Liikanen submitted its report about possible structural reforms of the EU banking sector.

The Liikanen group proposed to separate particularly risky capital market activities of banks from their core business (deposit taking, retail business), leaving the universal banking model fundamentally intact. Such risky activities would include proprietary trading with securities and derivatives, credit exposures to hedge funds and structured investment vehicles as well as private equity investments. Whether these risky activities must be assigned to a separate legal entity would depend on "examination thresholds"; in general, the idea is to separate activities only if their volume is considered significant. The business in the separate entity would have to be funded separately, i.e. it would no longer be possible to use retail deposits as a source of funding.

The Liikanen group's proposal is part of efforts to improve or facilitate the recovery and resolution of large and complex banking groups. A separation of business activities would mean more transparency for both management and investors as well as supervisors. The European Commission is expected to draw up legislative proposals on the basis of the Liikanen report in the second half of 2013.

The Liikanen proposal is in line with similar approaches in other countries. In the U.S.A., for instance, the Volcker rule prohibits banks that take retail deposits from engaging in proprietary trading. In the U.K., the Independent Commission on Banking, also dubbed the Vickers Commission, recommended that banks protect their retail operations from capital market risks.

OeNB Statistics – A Reliable Guide through Complex Economic Developments

Central Bank Statistics Meet the Demands of Differentiated Integration

National statistics constitute important competitive factor

With fundamental regulatory and institutional reforms taking place in Europe in the wake of the economic and financial crisis, the field of statistics is undergoing major changes as well. Economic statistics must capture developments in the economy as accurately and timely as possible and need to be flexible enough to react to structural changes. The lessons learned from the economic and financial crisis inspired a number of moves toward further integration at the European level, which, in turn, require the continuous harmonization of statistical frameworks and methods.

Single European banking supervision requires reliable statistical information

The trend toward integration is particularly obvious in the setting-up of a single European supervisory mechanism for banks. During a pilot project in cooperation with the ECB, European national central banks are defining the structure of coordinated future banking supervision. To facilitate effective and highly responsive European banking supervision, it is necessary, apart from clarifying the legal framework, to define an appropriate data pool that can be compiled across Europe in an efficient and timely manner.

In addition, substantial progress in the further development of internationally binding methods and concepts for the compilation of external sector statistics has brought about comprehensive changes. For example, the provisions laid down in the recently published Balance of Payments and International Investment Position Manual of the IMF (BPM6) will have to be fully implemented in the OeNB's statistical system by 2014. The same applies to the European System of National Accounts.

These integrative developments contrast with a clear trend toward differentiation, but the two currents are by no means mutually contradictory. Given the severe sovereign debt crisis and crisis of confidence, economic policymakers, rating agencies and investors have put certain economies under increased scrutiny. Based on a number of economic indicators (mostly compiled by the national central banks) contained in the MIP scoreboard, the European Commission annually assesses whether there are any threats to the stability of individual countries. It is, inter alia, such national economic data that feed directly into investment decisions or make or break the establishment of foreign businesses. Reliable statistical data, therefore, are a prerequisite for investors and financial markets to be able to realistically assess the quality of a business location.

As one of the major Austrian providers of financial and economic statistics, the OeNB publishes a wide range of macroeconomic data, in particular in the fields of banking and monetary statistics, external trade, financial accounts and payments. These data help stakeholders in politics, business and academia as well as the Austrian public make informed decisions on topics such as housing, investment and pension provisions.

Microdata Help Unravel the Complexity of Economic Structures

At the same time the OeNB, in cooperation with various partners across Europe, actively contributes to building up microeconomic datasets to shed more light on the European economy and increase the quality of existing statistics. In September 2012, the OeNB and other euro area central banks for the first time provided the ECB with statistical indicators of individual commercial banks to help deepen monetary analysis within the ESCB.

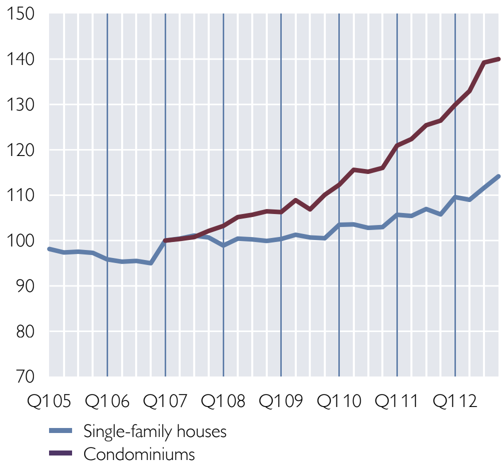
A key question in this context is which lending standards banks apply when passing on central bank liquidity to businesses and households in the form of loans. In particular in periods of economic difficulty, knowing the effect of this type of monetary policy transmission in quantitative terms is critical to preventing a potential credit squeeze in the economy. In Austria, the OeNB calculates the respective indicators on the basis of data reported by nine selected banks. The reporting burden on these banks has not increased, as the required data can be derived from regular reports. In the euro area, indicators are reported by a total of 246 credit institutions.

Banking statistics make monetary policy transmission easier to grasp

Chart 21

Residential Property Price Index for Austria

Q1 2007 = 100



Source: Vienna University of Technology.

Facilitating the Calculation of a New Residential Property Price Index

Another field of statistical activity which has been gaining importance on an international level is the valid and reliable measurement of residential property prices. Residential property is one of the major components of household wealth. Moreover, it constitutes an important type of collateral for private debt. On the one hand, residential property prices influence households' consumption and investment decisions via wealth effects. On the other hand, property transactions are often financed by loans and collaterized by residential property, which is why fluctuations in residential property prices are prone to directly affect household debt and thus have an indirect effect on financial market stability. For lack of an official, internationally comparable data series of Austrian residential property prices, the OeNB has for a number of years been supporting a residential property price index calculated by the Vienna University of Technology, which is published on the OeNB website. Chart 21 shows, for example, a significant rise in Austrian residential property prices since the beginning of 2007, which can be traced, inter alia, to the uncertainty felt by investors in the wake of the crisis. The rising demand for condominiums basically reflects the trend toward urban living.

Residential property prices play a key role for household wealth

We provide Austrian businesses and consumers with secure cash

The OeNB, in cooperation with its cash logistics subsidiary GSA, manages the supply chain of cash in Austria. State-of-the-art processing equipment and procedures guarantee that the euro banknotes in circulation meet high quality standards. This makes it easier for the general public to quickly and effectively verify the security features.

We ensure efficient cashless payments

The OeNB contributes significantly to the smooth functioning of payment systems in Austria. It is not only responsible for payment systems oversight, but also operates payment systems and, acting as a catalyst, promotes innovation and development in Austrian and international payments.

Providing Secure Money – A Core Competence of the OeNB

The OeNB Is the Major Net Recipient of Euro Banknotes from Outside the Euro Area

In cooperation with GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination G.m.b.H. (GSA), the OeNB acts as supplier of euro cash for Austria. In this context, Austria's geographical position within the euro area plays a major role for the OeNB, which is by far the largest net recipient of euro banknotes returned from outside the euro area (since the introduction of euro cash, the cumulative backflows of euro banknotes from non-euro area countries to the OeNB have outpaced its euro banknote shipments to countries outside the euro area by more than EUR 40 billion). Given the CESEE activities of some specialized commercial banks, substantial volumes of euro cash are returned to Austria from the region to be processed and recirculated within the Eurosystem. Not least because of its function as a cash logistics hub, the OeNB was designated by the Eurosystem as one of the sites holding the Eurosystem Strategic Stock (ESS).

OeNB serves as a cash supply hub in Europe

The OeNB Ensures Stable and Secure Cash Supply

The total value of euro cash in circulation within the euro area went up to around EUR 926 billion by end-2012. Austria is estimated to account for around EUR 27 billion to EUR 30 billion of this total (based on initial supply volumes, growth rates of cash withdrawals at cash machines and annual delivery volumes). Returned banknotes are processed by the OeNB in cooperation with the GSA and only recirculated if they meet the required recirculation standards, e.g. regarding authenticity and fitness for circulation.

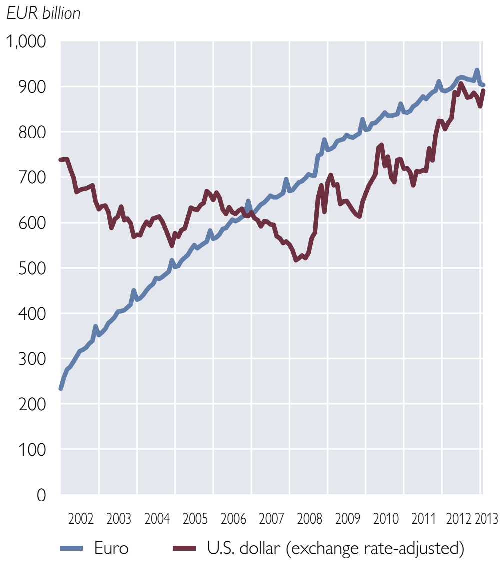
Together, the OeNB and the GSA hold a market share of around 90% in cash processing, while designated cash handlers (such as credit institutions, bureaux de change and casinos as defined in Decision ECB/2012/19) account for the remaining 10%. Given the switch from cash-in machines (which do not have any cash-dispensing function) to cash-recycling machines[1], the OeNB expects that credit institutions and other professional cash handlers will be playing a more important role in cash processing in the future.

Banknote recycling
Recirculation of euro banknotes following an authenticity and fitness check performed in line with legal provisions by the central bank, credit institutions, bureaux de change, cash-in-transit companies and other relevant agents (e.g. traders or casinos).

1.63 billion banknotes and 2.14 billion coins were processed in 2012

Chart 22

EUR and USD Cash in Circulation



Source: OeNB.

[1] *Cash-recycling machines allow customers, by using a bank card or other means, to deposit euro banknotes in their bank accounts and to withdraw euro banknotes from their bank accounts. These machines check euro banknotes for authenticity and fitness and allow for account holder tracing. For withdrawals, genuine fit euro banknotes that have been deposited by other customers in previous transactions may be redispensed.*

Low Number of Counterfeit Euro Banknotes in Austria

81 banknote-handling machines tested at OeNB Test Center

In 2012, a total of 6,327 counterfeit euro banknotes were recovered from circulation in Austria. This corresponds to a 13.3% rise in numbers against the previous year, which goes hand in hand with a slight rise of 2.5% in overall damage caused by counterfeits. Despite this increase, the quantity of euro counterfeits in Austria has, for the second time in a row, remained below the annual average recorded since the euro cash changeover. Counterfeits of the EUR 20, EUR 50 and EUR 100 banknotes were most often removed from circulation in Austria in the reporting year and together accounted for 89% of all euro counterfeits recovered in 2012. Austria's share in total counterfeit euro banknotes removed from circulation across the euro area comes to 1.2%.

In cooperation with international producers and sellers of banknote-handling devices, the OeNB Test Center tests innovations in banknote authentication sensor technology. In the year under review, the Test Center continued to run free tests of authentication devices, counting and sorting machines and their respective sensor systems. Test results are published on both the OeNB and ECB websites.

The OeNB Runs Reliable Payment Systems for Austria's Banks

The OeNB provides secure and cost-efficient payment systems for the Austrian financial market. Its state-of-the-art settlement systems for the euro and foreign currency segments ensure the

Box 5

Eurosystem Launches Second Euro Banknote Series: New EUR 5 Banknote of the "Europa"[1] Series Is Issued on May 2, 2013

Starting with the new EUR 5 banknote, the new euro banknote series will be introduced gradually over the next few years. The quantities of new EUR 5 banknotes required for the first issue throughout the euro area were already produced in 2012. Belgium, France, Italy and Spain participated in the production alongside Austria. For Austria, the OeNB calculated an initial requirement of 70 million new EUR 5 banknotes, most of which were produced by the Oesterreichische Banknoten- und Sicherheitsdruckerei (OeBS).

The new EUR 5 banknote meets state-of-the-art technological requirements for the reproduction of banknote images and incorporates enhanced security features such as the emerald number, which changes its color from emerald green to deep blue when tilted. Of course, banknote-handling devices have to be adjusted to be able to cope with the new banknotes. In this context, many tests and special information events for cash handlers involved in banknote recycling were held at the OeNB's Test Center.

To familiarize professional cash handlers with the new security features of the EUR 5 banknote, the OeNB has been offering training and information events for bank and retail trade cashiers and for staff trainers responsible for passing on the acquired knowledge at their own companies. The general public is being comprehensively informed through a wide range of communication channels – most prominently via the online media.

The old and the new euro banknotes will circulate in parallel as legal tender. The date when the first series of euro banknotes ceases to be legal tender will be announced well in advance. It will be possible, however, to exchange the banknotes of the first series for an unlimited period of time at the OeNB.

[1] *The second series of euro banknotes has been named after the figure from Greek mythology that is the namesake of our continent: Europa. The portrait of Europa that is depicted on the new series was taken from a vase which was found in southern Italy and is over 2,000 years old.*

smooth processing of transactions in European and international markets and the swift and efficient provision of liquidity. Via the HOAM.AT payment system, the OeNB settles liquidity transfers, cash operations and transactions related to standing facilities (deposit and marginal lending facilities) for Austrian financial institutions and supports their monitoring of minimum reserve requirements.

TARGET2 serves as the Eurosystem's payment system for the real-time gross settlement of national and cross-border transactions in euro. In 2012, payment orders totaling around EUR 22,000 billion were settled via TARGET2 for the Austrian financial market. TARGET2 balances, which are recorded as intra-Eurosystem balances in euro area NCBs' balance sheets, arise from this decentralized cross-border distribution of central bank money.[2] The OeNB's TARGET2 liabilities accumulated since the beginning of monetary union came to around EUR 40 billion at the end of 2012, which means that more euro bank money has been transferred via TARGET2 (and its predecessor TARGET) from Austria to other countries than from other countries to Austria. Austria's TARGET2 liabilities[3] result from structural inflows of euro cash which leave Austria as non-cash flows via TARGET2. Unlike in other euro area countries, they do not result from the financial crisis. All in all, the OeNB's intra-Eurosystem claims of around EUR 43 billion are currently higher than its intra-Eurosystem liabilities – a fact which is mainly attributable to the balance sheet item "Net claims related to the allocation of euro banknotes within the Eurosystem."[4]

Successful first year for new clearing services in Austria

At the end of 2011, the OeNB established a clearing service for settling interbank payments to improve the efficiency of retail payments. It was one of the main objectives in 2012 to make Clearing Service. Austria (CS.A), which is operated by the GSA, fully available to all relevant Austrian banks. Another objective was to achieve a continuous rise in the number of transactions. In the reporting year, the OeNB also concentrated great efforts on preparing for Clearing Service. International (CS.I), a service for the processing of cross-border retail payments in euro, which is to be launched in November 2013.

Well-functioning payment systems help build confidence in times of uncertainty

Completion of the Single Market in Payment Services

Austrian financial market to introduce SEPA formats

The Single Euro Payments Area (SEPA) is scheduled for completion on February 1, 2014. From this date on, making cashless euro payment transactions throughout Europe from a single account will be as simple, efficient and secure as carrying out conventional payment transactions at the national level. SEPA stakeholders across Europe are hence busily adapting their existing national systems to ensure compatibility with SEPA instruments.[5] The migration to SEPA will affect all payment system participants, but to varying degrees: While the introduction of new technical data formats mainly concerns banks and businesses, the complete switch from national bank account numbers and bank sort codes to the International

[2] *If Eurosystem monetary policy operations were not executed in a decentralized manner via the NCBs but centrally via the ECB, there would be no TARGET2 balances.*

[3] *This inflow of euro banknotes can be attributed in part to tourism, but mainly to the physical shipment of euro cash into Austria from non-euro area countries.*

[4] *See in-depth OeNB studies on TARGET2 balances in the series Monetary Policy & the Economy, issues Q1/12 and Q4/12.*

[5] *The current migration progress is published on a monthly basis on the ECB website.*

Bank Account Number (IBAN) will affect all Austrians as of February 1, 2014, at the latest. The IBAN normally consists of the relevant bank account number and bank identifier, complemented by a country code (AT for Austria) and two check digits. For cross-border transactions within the EU, it will still be necessary to provide the international Bank Identifier Code (BIC) in addition to the IBAN up to February 1, 2016.

TARGET2-Securities
With TARGET2-Securities (T2S), the Eurosystem will provide European central securities depositories (CSDs) with harmonized services for settling national and cross-border securities transactions. Settling securities transactions in central bank money in a centralized manner on a single technical platform will increase efficiency and security in the post-trading sector.

Broad Participation in TARGET2-Securities

The signing of the Framework Agreement by the euro area NCBs, the ECB and 22 European central securities depositories (CSDs) in the second quarter of 2012 constituted another milestone in the implementation of the TARGET2-Securities (T2S) project. Based on this agreement, the majority of European securities transactions will be processed via the new T2S platform by 2017 at the latest. The harmonization of

Box 6

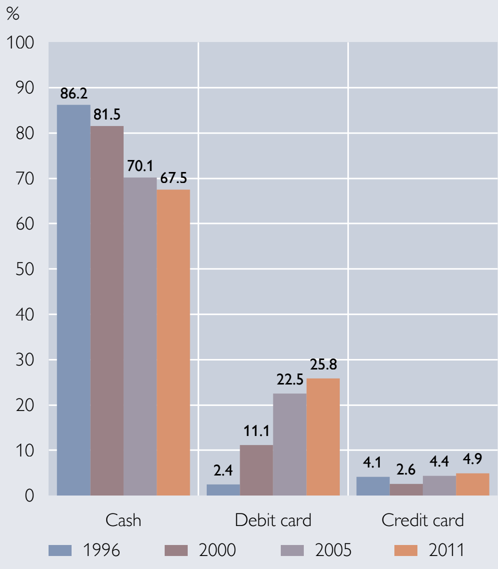
The Use of Payment Instruments in Austria

Following up on surveys carried out in 1996, 2000 and 2005, the OeNB again polled Austrians on their use of payment instruments in 2011. The survey results were published in the OeNB series "Monetary Policy & the Economy" at the end of 2012.

Cash remains the most important means of payment in Austria

Although ownership of debit and credit cards has gone up continuously since 1996, cash is still the dominant means of payment in Austria, with cash payments accounting for 83.1% of all transactions and 67.5% of the total transaction value according to the 2011 survey. Respondents claimed to have used debit cards for 13.8% of transactions (25.8% of the total transaction value), while 1.7% of transactions (4.9% of the total transaction value) were conducted via credit cards. The high level of cash usage may on the one hand be attributable to the Austrian market structure (high density of cash machines and various options of free-of-charge cash withdrawal) and, on the other, to consumers' preferences. With respect to all the characteristics they deemed important (such as simplicity, practicality, speed, absence of additional costs, high degree of retail acceptance), respondents assessed cash more favorably than alternative means of payment (debit cards or credit cards). In this context, habit and behavioral persistence may play a role as well. The survey also showed that around 40% of respondents have not changed their payment habits over the last ten years. While debit cards have become clearly more important in recent years, payment by check has all but disappeared. Credit cards are mainly used for large-value payments. All in all, innovative means of payment (such as paying by mobile phone) play only a minor role. While on the whole, these developments have caused a decline in the use of cash, Austria is not likely to become a cashless society anytime in the near future.

Share of Individual Means of Payment in Payment Volume



Source: OeNB.

Note: Share of individual means of payment in the total volume of all payments recorded by the respondents during a one-week period.

securities settlement is expected to deepen the integration of European securities markets, thereby eliminating the current market fragmentation. The OeNB and the Austrian CSD, the Oesterreichische Kontrollbank (OeKB), also signed the Framework Agreement in late June 2012, creating the legal basis for Austria's participation in T2S. Altogether, migration to T2S is scheduled to take place in three regular and one alternative migration waves; the OeNB and the OeKB are scheduled for joint migration to the new platform in the second half of 2016.

The OeNB's Direct Equity Interests

With its direct investment activities, the OeNB supports the production of cash and the provision of cash processing services and cashless payment services. With regard to its subsidiaries, it sets much store by the principles of efficiency, cost effectiveness and security.

OeNB subsidiaries focus on cash and cashless payment products and services

Münze Österreich Aktiengesellschaft (MÜNZE) mints, distributes and withdraws divisional and negotiable coins; moreover, it produces and sells items made of precious and other metals. In 2012, it supplied the OeNB with 387.8 million euro coins worth EUR 56.4 million. By meeting investors' increased demand for gold and silver given the current economic situation, MÜNZE has patently demonstrated its flexibility.

The banknote and security printer OeBS (Oesterreichische Banknoten- und Sicherheitsdruck GmbH) produces top-quality banknotes. Using cutting-edge technologies, the company excels at combining innovative security features with modern designs. The banknote production share the Eurosystem allocated to the OeNB in 2012 – and which was produced by the OeBS – amounted to 246.3 million EUR 5 banknotes of the new Europa series.

The OeNB's cash logistics company GSA (GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination G.m.b.H.) is responsible for the provision and coordination of cash processing services, for the distribution and withdrawal of banknotes and coins and the processing of cashless payment transaction data. The OeNB is committed to providing an infrastructure that promotes secure and efficient payments in Austria. To this end, the GSA also started to operate a domestic clearinghouse – Clearing Service.Austria (CS.A) – for interbank retail payments.

The real estate IG Immobilien group serves to optimally manage the real estate component of the OeNB's pension reserve assets, with a view to directly contributing to the funding of the OeNB's pension benefits on an annual basis.

OeNB rolls out compliance framework to subsidiaries

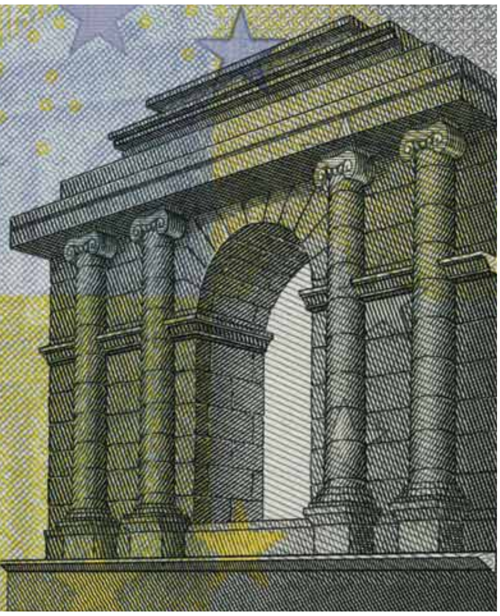
The subsidiaries are subject to continuous monitoring by the OeNB. The OeBS's international business strategy, for instance, has been refocused on the European Economic Area. All subsidiaries are also regularly monitored in respect of their risk potential.

In 2011, the OeNB started tightening its links with its subsidiaries and has since made substantial progress. The OeNB's compliance provisions have been rolled out to the subsidiaries in a slightly adapted form. Each subsidiary appointed a compliance officer to be put in charge of implementing the compliance provisions.

Table 10 provides a complete list of the OeNB's direct and indirect equity interests.

The OeNB – A Future-Oriented Enterprise

For a central bank, the concept of sustainability applies not just to the efficient use of resources to reach corporate objectives, but also to developing and implementing monetary policy strategies. Because upholding a significant level of monetary stability is a prerequisite for sustainable economic growth, the OeNB needs highly qualified staff and managers – even more so in difficult times – to ensure the smooth implementation of monetary policy decisions, to secure the value of reserve assets and to carry out its tasks as an independent and neutral institution both in the ESCB and in Austria.



"The sustainable use of resources underpins corporate stability."

Peter Zöllner
Member of the Governing Board

Intellectual Capital Report 2012 – Developments and Outlook

Successfully coping with a changing work environment

To serve Austria's citizens as well as possible, the OeNB employs highly qualified staff committed to optimally performing its tasks, especially during challenging times. Corporate intellectual capital plays a decisive role in fulfilling this responsibility: It must be steadily adapted in response to fast-moving developments and must be able to maneuver an enterprise through uncertain times. In this intellectual capital report, the OeNB publishes indicators on knowledge-based capital, processes and output that track corporate intellectual capital developments.

KNOWLEDGE GOALS

Knowledge goals derived from the OeNB's strategic objectives

- Competence
- Confidence
- Efficiency
- Interdisciplinarity

KNOWLEDGE-BASED CAPITAL

Investment in knowledge-based capital

- Human capital
- Innovation capital
- Relational capital
- Structural capital

BUSINESS PROCESSES

Efficient processes

- Core central banking functions
- Management support
- Infrastructure

PRODUCTS AND SERVICES

A wealth of expertise for core tasks

- Contribution to Eurosystem monetary policy decisions
- Implementation of monetary policy, reserve management
- Financial stability and banking supervision
- Statistics
- Cash supply
- Payment services
- National and international cooperation

The OeNB's Flexible Human Resources Strategy

In line with the principle of corporate responsibility, the OeNB endeavors to preserve corporate knowledge, for example by pursuing a long-term human resources management policy that ensures timely restaffing of key positions. In addition, in 2012, the OeNB offered staff on a contract from an employee leasing agency a service contract with the OeNB. 59 of 64 persons on a leasing contract took up the offer to become an OeNB employee, signing contracts under recently adopted Conditions of Service that reflect market conditions. This important step established equal opportunities for previously leased temporary staff and allowed for greater cost transparency.

This insourcing measure and the employment of temporary staff mainly for statistics projects increased full-time equivalent staff to 1,071.7 persons. Moreover, the rise in the share of staff with a university degree boosts the OeNB's status as an expert organization.

The indicators on knowledge acquisition reflect the OeNB's ongoing endeavors to develop knowledge-based capital by encouraging staff to acquire or hone skills and competencies: Staff spent an average 4.6 days per person in the reporting year attending continuing professional development (CPD) training. In 2012, the Personnel Division focused on assessing and refining its introductory training module for new staff as well as its management development program.

In 2012, the OeNB participated in the University of Vienna's research project *Work in Times of Change*, which provides comprehensive and objective insights into employees' work organization and working conditions. The results were mined to adapt the human resources framework and development tools to reflect the current working environment even better and to maintain high work quality in times of change.

OeNB is awarded the *berufundfamilie* (*"workandfamily"*) basic certificate

In an official ceremony held November 21, 2012, the OeNB was awarded the *berufundfamilie* basic certificate by representatives of the Federal Ministry of Economy, Family and Youth in cooperation with Familie & Beruf Management GmbH, the company which coordinates *"workandfamily"* measures in Austria. By undergoing the "workandfamily" audit, the OeNB has taken another important step in fostering family-friendly human resources management. Enabling fathers of newborns or newly adopted

Table 2

Indicators of Investment in Knowledge-Based Capital

	Unit	2010	2011	2012
Staff structure				
Full-time equivalent staff (year-end)	number	986.2	985.7	1,071.7
Fluctuation rate	%	1.8	1.0	0.7
University graduates	%	47.2	48.6	51.9
Gender management				
Share of women in staff	%	40	39	40
Share of women in the specialist career track	%	33	40	38
Share of women in management positions	%	20	19	22
Flexible working arrangements				
Part-time employees	%	9.4	9.8	10.5
Staff in teleworking scheme	%	5.7	6.3	5.4
Staff on sabbatical	number	6	5	8
Knowledge acquisition				
CE and CPD days per employee (annual average)	days	3.1	4.5	4.6
CE and CPD participation rate	%	57.3	54.1	56.9
Cost of CE and CPD per employee	EUR	1,906	1,952	2,021
Participants in development center training courses	number	12	12	12
In-house job rotations	number	33	56	41
Working visits to national and international organizations (external job rotations)	number	37	47	49
Interns	number	41	55	47

Source: OeNB.

Note: See the List of Indicators at www.oenb.at/en/presse_pub/period_pub/unternehmen/wissensbilanz/wissensbilanz.jsp for definitions of these indicators.

children to take a month of paternity leave is a further token of the OeNB's achievements as a family-friendly enterprise. In 2012, 10.5% of OeNB staff was employed in one of the (flexible) part-time models; 5.4% of employees were in the teleworking scheme. Overall, the OeNB has established an environment in which staff can work to its full potential and can thus contribute optimally to corporate excellence.

Functions Management Replaces Product Management

The OeNB has adapted the structure of business functions to meet Eurosystem conventions. The product management system introduced roughly a decade ago was restructured to create an innovative functions management system, which provides a Eurosystem-wide overview of tasks within the Eurosystem functions grid.

Reengineering the publications portfolio

The OeNB has modified its publications portfolio, discontinuing some German-language publications in favor of English-language material. As a case in point, the last issue of the semiannual *Finanzmarktstabilitätsbericht* was published in June 2012, whereas publication of the *Financial Stability Report* (formerly the English-language parallel publication) continues. In the same vein, the quarterly *Geldpolitik & Wirtschaft* last appeared at the end of 2012; its English counterpart, *Monetary Policy & the Economy*, continues to be published. Readers of both series are encouraged to increasingly access the publications online. After all inactive subscribers to the English-language publication series *Focus on European Economic Integration* were struck from the subscription list, print runs were reduced markedly. Publication of the annex tables of *Statistiken – Daten & Analysen*

One-stop shops for reporting institutions and users

was stopped at the beginning of 2013. However, users may access the updates of these tables on the OeNB's website.

OeNB Establishes a Compliance Office

The OeNB sets great store by meeting the high standards demanded of an official institution. Consequently, the OeNB has established a Compliance Office tasked with implementing a structured approach to safeguarding employee integrity. By regularly monitoring compliance-sensitive activities, compliance officers ensure that the relevant provisions are observed, and by providing training for areas subject to compliance provisions, they prevent any breaches. Compliance officers draw attention to any critical areas and document as well as report any compliance-related issues. The Compliance Office's remit covers the following areas: Code of Conduct, the prevention of insider trading, acceptance of and granting of benefits by officials, donations, secondary employment, and issues covered by the Austrian Corporate Accountability Act. In cooperation with the respective compliance officers of the OeNB's subsidiaries, the OeNB's compliance system is scheduled to be implemented in majority-owned OeNB subsidiaries.

Compliance
Compliance stands for the observation of selected accountability laws and regulations. Compliance management within a company serves to monitor fulfillment of these provisions; conversely, it protects staff e.g. against accusations of abuse of authority.

Restructuring of the OeNB's Statistics Department

The OeNB's statistics experts took forward-looking measures in 2012 to be ready for the new statistics landscape. In addition to designing a new model for reporting data and planning a centralized reporting platform, the OeNB also developed state-of-the-art, cost-efficient IT applications in 2012. The integration of data and processes represents the linchpin of the new reporting system. In practical terms, this reorientation is reflected by the complete overhaul of the organizational structure of the statistics function. Three divisions formerly organized by activities were reorganized according to the one-stop-shop principle effective from April 1, 2012. Therefore, reporting entities and users may now address their communications to a single contact.

The new organizational structure has been set up to mirror individual processes (data collection, processing, interpretation and publication). In addition to a centralized division in charge of report processing with a planned centralized data warehouse, one division each has been established for users from banking supervision bodies, the International Monetary Fund and the Bank for International Settlements and for users of economic data, from the European Central Bank, Eurostat and Statistics Austria. These two divisions are also in charge of drawing up secondary statistics and will work on refining methods. By organizationally linking the tasks that belong together, the statistics function has been substantially improved, and information has been integrated and opened up to a broader use (multi-use of data). Moreover, the reorganization has streamlined processes and has realized synergies.

IT as a Motor of Innovation

The OeNB's IT services represented a special focus of corporate knowledge management in 2012. The development, documentation and provision of IT expertise was organized in several thematically grouped competence centers to efficiently steer training and development activities and to systematically link OeNB specialists to the industry networks in their area of expertise. These measures are suited to sustainably fostering knowledge resources and to systematically supporting IT benchmarking.

Some highly specialized technological solutions designed by OeNB experts are used not just by the OeNB but also by other central banks, which makes it possible to share the cost of IT development: The OeNB has programmed a common ESCB database for counterfeit banknotes (CMS2 – Counterfeit Monitoring System), which went live successfully in 2012. The software application (e)Tender developed by the OeNB, which supports the business workflow for tender operations of national central banks with their commercial bank counterparties, has been launched also at other ESCB central banks, as has the rating software COCAS (Common Credit Assessment System), which the OeNB had developed jointly with the Deutsche Bundesbank.

Given the rapid development of the IT industry, the OeNB must frequently update its IT strategy to ensure that its computer engineering solutions meet the latest standards and remain forward-looking. The upgrade of the OeNB's IT landscape in 2012 set the stage for comprehensive reorganization projects in the business areas payment systems, treasury and statistics. These efforts center on meeting new demands, reorienting solutions to prioritize customers' needs, and optimizing interfaces.

Systems designed by the OeNB sought after internationally

Wide Variety of Services and Competencies

Constant change in the prudential framework requires the authorities to take appropriate measures to maintain high supervision quality standards in the future. In view of the establishment in the euro area of a single supervisory mechanism (SSM) for banks, the need for very highly qualified financial market supervisors will increase further. By initiating the academic program in fi-

First graduates of the university program in financial market supervision

Table 3

Indicators of Knowledge-Based Processes

	Unit	2010	2011	2012
Management structure and processes				
Staff-to-manager ratio	number	7.3	6.6	7.3
Product managers	number	72	78	77
Process managers	number	33	37	40
Technical infrastructure				
IT services for the ESCB/Eurosystem	number	4	4	4
IT applications	number	214	220	245
First-level solution rate of the OeNB IT help desk	%	79	79	75
Average Intranet visits per day	number	3,812	2,758	2,436
Efficient processes				
Quality auditors	number	13	14	13
Certified areas	number	10	10	11
Entries in the OeNB's terminology database	number	20,630	20,760	21,043
Degree of automation in the procurement process	%	46	48	43
Error-free payment transactions	%	99.8	99.9	99.9
Innovations				
Staff resources utilized for innovative projects	%	5.5	4.4	9.4
Staff suggestions for improvements	number	60	67	52
Research and development staff	number	73	77	61
Mobile devices (excluding mobile phones)	number	–	–	679
Decentralized structure				
OeNB representative and branch offices	number	6	5	5
OeNB subsidiaries offering payment services and products	number	5	4	4

Source: OeNB.

nancial supervision at Vienna University of Economics and Business, the OeNB has contributed significantly to providing tailor-made continuing professional education opportunities customized to supervisory requirements for its employees. Graduates are awarded the title "Academic Financial Market Supervisor," which certifies that they have acquired the skills to work at a high level. In fall 2012, the first group of 30 OeNB employees graduated from the program.

University program in financial market supervision
Covering all aspects of supervision, this university program is a top-notch continuing professional education opportunity developed in cooperation with Vienna University of Economics and Business. Graduates of the program are recognized as "Academic Financial Market Supervisors." Both OeNB and FMA experts are among the teachers at this university program, which is a prime example of knowledge management in practice.

The OeNB's Economic Analysis and Research Department: a center of competence

In 2012, the work of economic analysts at the OeNB focused on the rapidly changing economic environment and the protracted sovereign debt crisis. The purpose of the monetary and economic policy analyses produced at the OeNB is to provide information – as input for monetary policymaking in the Governing Council of the ECB and for other international bodies. Moreover, the analyses feed into the information briefs about monetary, fiscal, financial market and stability policy issues that the OeNB is charged with providing to the general and expert public in Austria as well as to Austrian policymakers. The OeNB's publications on economics remain in high demand, with the OeNB's website serving as the principal distribution channel. Furthermore, the OeNB holds press conferences and puts out press releases about selected publications, studies and statistical findings.

Studies on euro cash and household wealth

At the end of March 2012, the special issue *10 Years of Euro Cash* of *Monetary Policy & the Economy* was published as the first quarterly in 2012 in the series. The contributions treated themes such as euro cash, TARGET2, price developments and public opinion on the euro. In the third quarter of 2012, a special issue in the same series covered the *Eurosystem Household Finance and Consumption Survey 2010 – First Results for Austria*. The publication *Focus on European Economic Integration* (FEEI), which is a channel for communicating the OeNB's ongoing research on Central, Eastern and Southeastern Europe (CESEE), i.e. a strategic research priority of the OeNB, included a number of externally refereed empirical and theoretical studies on macrofinancial and monetary integration as well as related country analyses in 2012. Konjunktur aktuell, which is available in German on the OeNB's website, analyzes recent cyclical developments and contains short studies on current monetary policy issues.

The OeNB held its 40th Economics Conference on May 10 and 11, 2012, on the topic *European Monetary Union: Lessons from the Debt Crisis*. The conference provided an international platform for exchanges on economic policy to some 400 participants. The presentations made at the annual conference are documented in conference proceedings, all of which have been put online on the occasion of the 40th anniversary of the conference. On November 26 and 27, 2012, the Conference on European Economic Integration took place in Helsinki on the topic *Achieving balanced growth in the CESEE countries*; the conference was jointly organized by Suomen Pankki – Finlands Bank and the OeNB. Some 150 high-ranking experts from central banks, universities and research institutes as well as representatives from the world of finance and politics discussed how to stimulate sustained growth in the CESEE region and how to prevent boom-bust cycles in the future. Benefiting from years of fruitful cooperation, the European Money and Finance Forum SUERF[1] and the OeNB held a joint workshop on *The Interaction of Political, Fiscal and Fi-*

nancial Stability: Lessons from the Crisis at the OeNB on June 18, 2012, which was attended by about 100 participants.

The Joint Vienna Institute and Technical Central Bank Cooperation – Enabling Knowledge Transfer

Joint Vienna Institute celebrates 20th anniversary

The Joint Vienna Institute (JVI) was founded in 1992 in Vienna with the objective of providing training to support Central and Eastern European countries in transition. When it had become clear ten years into the JVI's existence that there would be continous demand for training in the region, the IMF and the Austrian authorities (the Austrian Federal Ministry of Finance and the OeNB) decided to establish the JVI as a permanent facility in Vienna. On July 12 and 13, 2012, the 20th anniversary of the JVI's foundation was celebrated at a high-level conference hosted by the OeNB. During the two decades since its inception, the JVI has provided training for 30,957 transition economy officials and policymakers. The JVI continues its successful operation under the management of its new Director Nobert Funke, who took office in September 2012. The JVI held 117 course weeks with 1,947 participants in 2012. The content of future JVI courses will remain geared toward meeting upcoming economic and policy challenges, will be highly practice-oriented and will put an emphasis on mutual learning. The OeNB-organized course on stress testing and the contribution of OeNB experts to the *Sound Fiscal Institutions* course showcase the OeNB's success in meeting these high standards.

For several years now, the OeNB has participated in technical assistance programs coordinated by the ECB and financed by the EU in the framework of the Instrument for Pre-accession Assistance (IPA). Together with other ESCB partners, the OeNB is currently providing support to the National Bank of Serbia and the National Bank of the Republic of Macedonia in bringing their institutional structures and core business areas up to EU standard. Additionally, the OeNB organizes numerous individual study and information visits under the umbrella of technical assistance activities. The OeNB sees this type of cooperation not as a one-way street but rather as an opportunity for a mutual exchange of knowledge and experience.

Joint Vienna Institute
The JVI is a Vienna-based training center providing courses for central bank and public sector officials from countries in Central, Eastern and Southeastern Europe and the Commonwealth of Independent States. Like the Austrian Ministry of Finance and the IMF, the OeNB is one of the main sponsors of the JVI, providing funding as well as organizing and holding courses. Experts from the EBRD, IBRD, OECD, WTO and the European Commission also hold courses at the JVI.

Payment Security through Well-Informed Consumers

Euro bus on tour

The OeNB sent its euro bus on the Euro Info Tour through Austria during the summer months in 2012. At 34 bus stops, consumers had the opportunity to find out about price stability, the benefits and challenges of monetary union and the integrated market for electronic payments in euro and to familiarize themselves with euro banknote security features. Over 22,400 people benefited from the information services provided by the euro bus. During the summer tour, the newest activities of the euro bus were broadcast via Twitter for the first time (@euro_bus).

The euro bus visited 68 primary schools, reaching 10,712 schoolchildren and 730 teachers who had signed up for the 5th Euro Kids Tour in 2012. The schoolchildren learned how to tell apart real and fake euro banknotes by checking the security features. The second part of the euro bus program informed children about the history and development of money from barter to monetary union.

[1] *Société Universitaire Européenne de Recherches Financières.*

Euro Shop Tour

Retail salespeople number among the professional cash handlers, as they typically conduct many cash transactions. Therefore, they run a higher risk of being passed counterfeits. During the Austria-wide Euro Shop Tour, organized for the second time in 2012, OeNB representatives visited cash handlers throughout Austria and showed them how to use the simple "feel-look-tilt" test to verify that a banknote is genuine. A total of 2,300 persons in 1,700 shops throughout Austria took advantage of this opportunity. As banknote authentication devices are already used at many cash registers and as users must rest assured that their devices meet high quality standards and are reliable, the Euro Shop Tour staff also provided insights on authentication devices. Above all, users were informed about the OeNB Test Center, which cooperates with manufacturers to test whether banknote authentication devices work properly and whether they are able to verify the latest banknote security features.

Information campaign on IBAN and BIC

The Single Euro Payments Area (SEPA) is scheduled for completion on February 1, 2014. SEPA will put international cashless euro payments throughout Europe on the same footing as domestic payments. To inform the public about the forthcoming changes under the SEPA framework, namely the use of IBAN, BIC, and the new credit transfer form (known as "Zahlungsanweisung" in Austria), the OeNB has launched a broad communication campaign with TV commercials, ads in the print media and information events across Austria. In addition, the OeNB publishes a regular newsletter about payment service developments in Austria and Europe.

Financial Literacy and the New Media at the Center of Public Relations Initiatives

The economic and financial situation remains complex and thus also difficult to explain to the public. Hence, the OeNB not only relies on the established options (press activities, events, information campaigns and the OeNB Call Center), but has also started to resort increasingly to leading-edge communications channels to deliver information to target groups. In addition to providing information on topical issues and the second euro banknote series, for which public relation activities began in November 2012, the financial literacy initiative designed to enhance the public's knowledge about economic and financial issues still commanded much of the OeNB's communications efforts.

The OeNB's interactive investment platform learning tool – how to assess risk and profit

The OeNB presented its interactive investment platform learning tool in March 2013. The objective of this tool is to make people aware of the risks involved in different types of investment and to increase their knowledge about investment. Another online tool, which allows for an exchange between the general public and the OeNB, is known as OeNB-im-Dialog. Schoolchildren were invited to participate in the *jetzt teste ich* competition ("it's my turn to test it out") organized by the Austrian Consumer's Association (VKI) and co-sponsored by the OeNB. For students in the last two grades of high school, the euro area-wide competition Generation €uro Students' Award about monetary policy issues is being held in the school year 2012/2013 after a very successful pilot phase in 2012, and is also tracked on Facebook. Special training seminars at which complex economics relationships and issues are explained are designed to give journalists the skills to correctly impart knowledge. The Money Museum presented the exhibition Euro

Table 4

Indicators of Knowledge-Based Output

	Unit	2010	2011	2012
Cooperation and networks				
National bodies with OeNB representatives	number	107	97	81
International bodies with OeNB representatives (ESCB, etc.)	number	254	259	261
Technical assistance activities	days	562	548	373
Information visits to the OeNB	number	95	83	65
JVI course participants	number	1,937	1,991	1,947
OeNB-hosted national and international events	number	240	316	260
Staff with external teaching assignments	number	31	25	35
OeNB-financed scholarships	number	45	45	45
(Co)supervised master's theses or dissertations	number	32	26	25
Lectures delivered by OeNB staff	number	718	813	736
ESCB staff on external work experience (EWE) visits to the OeNB	number	3	2	5
Cash expertise				
Visitors to the Money Museum	number	16,060	15,831	18,730
Cash training courses	number	367	368	397
Cash training course participants	number	10,894	7,638	9,033
Euro Kids Tour participants	number	10,851	10,917	10,712
Communication and information				
Queries to OeNB hotlines (Call Center and Statistics hotline)	number	36,112	32,992	31,863
Page views on the OeNB's website (daily average)	number	133,036	97,103	84,092
Installations of OeNB apps	number/month		986	387
Newsletter subscriptions	number	18,110	18,904	18,910
Press conferences	number	25	23	16
Press releases	number	130	192	173
Opinions prepared on projects submitted for research subsidies[1]	number	1,711	454	335
Research cooperation projects with external partners	number	83	90	79
Publications				
OeNB publications	number	75	63	73
Articles published by OeNB staff	number	172	135	115
Scientific (refereed) papers by OeNB staff	number	74	82	63
Confidence and image				
Confidence index in the fourth quarter of the review year	%	65.0	56.0	58.0
Image index in the fourth quarter of the review year (values between 5.50 and 10.00 signal success)	value range	7.1	6.3	6.5

Source: OeNB.

[1] *The number fell because since 2011, the ERP Fund (ERP stands for European Recovery Program) has been handling small-scale ERP loans itself. In addition, the OeNB's activity in the advisory board for expertises under the Act on Strengthening Company Liquidity (Unternehmensliquiditätsstärkungsgesetz or ULSG) has ended.*

Cash in Focus, which explored the first decade of the euro's use. The OeNB provides information in German about its financial literacy initiatives on its website under Bildungsangebote.

In April 2013, the OeNB restructured its communications function to achieve synergies in targeting its press and public relations activities and to further optimize its financial literacy efforts.

Smartphone app for calling up economic statistics on the go

The OeNB is the first central bank in the EU to have developed a statistics app. The app, which is available for the two most common operating systems for mobile devices (Android and iOs), allows users to access the statistical data on the OeNB's website free of charge – 36,000 time series in German and English – and thus supplements the available print and online formats for statistics information. In 2012, the app was downloaded close to 400 times a month, and a total of some 28,000 (data) queries were registered.

Environmental Statement 2012 – The OeNB as an Ecological Organization[1]

The OeNB Is Awarded Austrian EMAS Prize 2012

The Eco-Management and Audit Scheme (EMAS) is a voluntary environmental management instrument developed by the European Commission that enables organizations to evaluate, report and continuously improve their environmental performance. By participating in the EMAS scheme, the OeNB has signaled its commitment to environmental protection since 1999. In 2002 and 2003, the OeNB extended the scope of compliance with the EMAS scheme to its sites throughout Austria, and the Printing Division at the OeNB was ISO 14001 certified. Both ISO certification and EMAS validation are voluntary processes – best practices – for environmentally responsible and innovative enterprises.

EMAS
Geprüftes Umweltmanagement
REG.NO. AT-000311

ISO 14001
An international standard of the International Organization for Standardization that specifies requirements for an environmental management system and among other things provides practical tools for companies and organizations to constantly improve their environmental performance.

As an EMAS certificate holder, the OeNB has documented its effort to improve its corporate input-output balance beyond statutory requirements. The OeNB's environmental management system and related activities and procedures are an integral part of the OeNB's business management. The Austrian Federal Ministry of Agriculture, Forestry, Environment and Water Management highlighted the OeNB's special achievements in corporate environmental management in 2010 by presenting the OeNB with the Austrian Ecolabel for the production of environmentally compatible printed matter in line with the Austrian Ecolabel guideline for printed matter. In June 2012, the OeNB received the ministry's 2012 EMAS award for the best practices in environmental management, which recognizes personal achievements in implementing an environmental management system. The ECB commended the OeNB for its successful role as an eco pioneer and as a role model for other national central banks. Although the OeNB has been implementing EMAS standards for 15 years, there is still room for improvement, with all green measures being incorporated in the environmental program.

The Austrian Ministry of Life recognizes the OeNB's environmental achievement

Environmental Management at the OeNB – Clear Tasks and Responsibilities

The OeNB's environmental protection team (EPT) comprises the EMAS management representative, the Environmental Officer, the Environmental Coordinator and more than 30 environmental controllers. The EMAS management representative determines the OeNB's environmental policy and performs an annual management review to ensure that the organization meets the obligations delineated in the EMAS Regulation – e.g. compliance with environmental laws, establishment and pursuit of environmental objectives, continuous improvements. The OeNB's Environmental Officer is responsible for outlining the conceptual framework of environmental protection at the OeNB, designing strategic guidelines and monitoring the implementation of the OeNB's environmental management system in practice. On October 31, 2012, Martin Much succeeded Hans Jachs in this function. The Environmental Officer is also in charge of authorizing environmental policy-related documents (such as instructions and briefings on green issues) and is a mem-

[1] *Environmental Statement in line with EMAS Regulation (EC) No 1221/2009.*

Box 7

The OeNB's Corporate Environmental Policy

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

Responsible Resource Consumption

The OeNB endeavors to minimize negative impacts on the environment by preventing unnecessary energy and resource consumption while adhering to sound business management principles.

Green Procurement

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

Promotion of Eco-Consciousness among Employees

The OeNB promotes ecological awareness and action among all its employees by providing specific information and training measures.

Research and Cooperation with Partners

The OeNB cooperates with partners and representatives of civil society to implement environmental protection measures. In addition, the OeNB provides impulses beyond its immediate scope of action and works toward a livable environment. Its endeavors also include support for research projects.

Information Policy

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

Climate Change

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

ber of the board of B.A.U.M., the Austrian Network for Sustainable Leadership[2]. Moreover, the OeNB's Environmental Coordinator is accountable for implementing the measures outlined in the corporate environmental program and for environmental auditing. The environmental controllers in the various divisions and at the branch offices contribute to implementing the environmental program and to continuously improving the OeNB's environmental performance. As liaisons between the EPT and their respective division, they act as catalysts for environmental protection in their organizational units and report back division-specific information to the EPT. The environmental auditors are specially trained OeNB staff members; they conduct environmental audits at the OeNB and meet as a group to prepare these audits. The auditor forum provides training for and coordinates the environmental auditors. Train-

[2] *B.A.U.M., the Austrian Network for Sustainable Leadership, contributes to implementing national and international objectives for sustainable development and coordinates the Austrian discussion platform for sustainable management, www.baumaustria.at.*

ing of environmental auditors and the related coordination issues are handled by the auditor forum. Designated OeNB environmental experts on waste management and waste disposal, energy and water management (technical services and facility management) and safety engineering support the environmental protection team. The OeNB's well-organized, transparent environmental management system has achieved notable success in implementing the OeNB's environmental policy in the past decade.

Think about the environment

The butterfly symbol on the OeNB's documents on green issues epitomizes the organization's strong environmental awareness.

The environmental protection team convenes at monthly meetings, consulting with the environmental controllers at the branch offices by phone. The regular monthly meetings form an essential part of the corporate culture. The environmental controllers keep staff informed of the latest green developments and organize OeNB-wide environmental campaigns. Lectures and documentary film screenings provide training and give participants a knowledge advantage in environmental issues. The regular meetings are based on the principle of continuity and include systematic briefings and debriefings.

Environmental Auditing at the OeNB Creates Transparency

To steadily improve its environmental performance, the OeNB has put in place an environmental auditing scheme, which is based on the following principles: regular compilation of input and output data as well as consumption values in a dedicated database, analyses based on time series and benchmarks, environmental reviews, and monitoring of the implementation of the environmental program. The EcoControl database, which is accessible to every member of the environmental protection team, is a central source of information for the Environmental Officer and the Environmental Coordinator as well as environmental controllers. Data on environmental audits and measures are documented in this database, which is also used to manage deadlines and milestones. Information on green issues is also available from the OeNB's Intranet. Additionally, roughly one-quarter of all suggestions for improvement submitted by staff relate to environmental protection matters. A highly developed automated energy accounting system allows for water, power and heating meter readings whenever required for analyses.

Database provides easy access to information and helps in identifying green potential

Thanks to the OeNB's steadfast pursuit of its environmental strategy and the large number of measures implemented, its environmental core indicators have improved further over the past years. Low energy consumption for heating on account of the mild weather, the relocation of divisions and the temporary shutdown of technical equipment reduced energy consumption values in 2012, which masks the contribution of environmental measures to the energy savings, however. The development of selected parameters is outlined below.

The OeNB Purchases Electricity from Renewable Resources and Uses Resources Responsibly

Since January 1, 2010, the OeNB has been exclusively purchasing certified renewable electricity generated from wind, solar and biomass plants as well as small hydroelectric plants. This switch has driven down carbon emissions by more than 50% from 2008 to 2012, enabling the OeNB to make an important contribution to climate protection and thus to reaching Austria's Kyoto objective of reducing greenhouse gas emissions by 13% from the base year 1990.

Table 5

The OeNB's Ecological Indicators

	Site	2010	2011	2012	Unit	Benchmark[1]		
						+	~	–
Energy								
Electricity consumption	Vienna	7.86	7.98	7.30	MWh per employee	< 4.5	6	> 8
Heat consumption	Vienna	60	62	67	kWh per m²	< 110	130	> 150
Total energy consumption[2]	Vienna	11,101,696	11,281,427	10,985,152	kWh			
of which renewable energy[3]	*Vienna*	*7,067,666*	*7,157,307*	*6,416,432*	*kWh*			
Water								
Water consumption	Vienna	124	114	111	liters per employee per day	< 60	100	> 120
Consumption of materials and products								
Total paper consumption[4]	All sites	52	85	91	kg per employee	< 100	200	> 500
Consumption of printing/photocopying paper	All sites	5,992	6,566	6,113	sheets per employee	< 8,000	10,000	> 12,000
Share of recycled photocopying paper	All sites	85	85	85	%	> 30%	20%	< 10%
Consumption of cleaning agents[5]	Vienna	17	18	15	g per m²	not available		
CO_2 emissions[6]	All sites	1.19	1.22	1.22	tons per employee	< 2.8	4	> 4.5

Source: OeNB.

[1] Sources: Association of Environmental Management in Banks, Savings Banks and Insurance Companies, guideline of the Austrian Society for Environment and Technology (ÖGUT).
[2] Including diesel for the emergency generator. 2010: 4,100 liters; 2011: 4,100 liters; 2012: 6,500 liters.
[3] Since January 1, 2010, the OeNB has been procuring green electricity from certified providers. The decline in electricity consumption resulted from optimization and partial shutdowns (e.g. of printing machinery).
[4] Paper consumption is based on procurement numbers and therefore includes stocks. Total consumption in 2012: 105,890 kg. Paper consumption has risen on account of relocations of divisions.
[5] Total consumption in 2012: 1,030 kg.
[6] Operation of facilities and business trips 2012: 1,413 tons. Basis for calculation: CO_2 conversion factors according to the Austrian Environment Agency (2010). Including energy consumption, business travel, transportation and the emergency generator.

Whereas electricity consumption has risen continuously in Austria, it declined at the OeNB in 2012 thanks to comprehensive energy conservation measures, falling to 6.4 million kWh (2006: 7.05 million kWh; 2009: 6.9 million kWh). The ventilation systems, the IT data center and cooling systems consumed the most energy. The energy required for heating and hot water ran to 3.5 million kWh in 2009 but had risen to 4.5 million kWh (i.e. 67 kWh per square meter per year) by 2012 as a consequence of reconstruction work and the changed utilization of the OeNB's northern office building.

Optimized technical facilities curb electrical power consumption

Ecological Indicators

Many staff members represent the OeNB in international bodies, which involves a large amount of business travel, mainly by airplane. While the annual automotive and plane travel figures do not display an explicit trend, train travel has increased steadily (table 6), which may be read as a sign of heightened environmental consciousness. To support the use of environmentally friendly transportation, the OeNB subsidizes the purchase of annual tickets for the Vienna public transport system. Moreover, to promote the use of bicycles as a means of transporta-

Table 6

OeNB Transport Mileage

	2010	2011	2012
Business travel by airplane, km	2,888,620	3,077,609	2,977,737
Business travel by car, km	770,375	632,606	663,143
Business travel by train, km	148,200	154,200	175,800
Diesel consumption for transportation, liter	18,786	20,655	19,256

Source: OeNB.

tion, the OeNB environmental protection team organized an event at which bicycle maintenance services were provided and visitors had the opportunity to test drive electric bicycles. Implementing a suggestion for improvement from a staff member, the OeNB has provided a green electricity charging station for electric bicycles.

Under a carbon offset agreement signed with the World Wildlife Fund six years ago, the OeNB has been sponsoring projects to support flood control and the renaturalization of regulated river courses to reestablish lowland forest flora and fauna.

The following measures exemplify the OeNB's commitment to ecologically sustainable energy use:

- Free cooling – using low external air temperatures to assist in cooling IT server and other rooms rather than operating an air conditioning system.
- Optimization of ventilation systems (installation of a push ventilator, server cooling system).
- Use of energy-efficient LED lighting and measures to reduce standby power consumption (for instance by distributing workstation stickers with a slogan reminding staff to turn off monitors).
- Participation in the "day of the sun" and "car-free day/European Mobility Week" drives by distributing information at building entry points and on the start screen.

Decline in Water Consumption

Efficient watering system for public greens

The OeNB is hooked up to Vienna's municipal drinking water network, but it also has its own well, which provides nonpotable water for purposes such as outdoor watering to help conserve high-quality mountain spring water. Following a decrease from 27.7 million liters to 26.4 million liters from 2007 to 2009, water consumption dropped to 24.4 million liters in 2012.

Cutting Down on Material and Product Use

New printing strategy

The OeNB's paper consumption has declined considerably over the past few years, for instance thanks to information and awareness campaigns among staff on topics like double-sided printing and copying, and through the introduction of an electronic workflow system. The OeNB has implemented a new printing strategy, cutting the number of printers and the variety of printer models and replacing them with cutting-edge all-in-one printers that print, copy, fax and scan and have "follow you" service. These multifunction printers handle office administration needs efficiently and at a reduced cost; moreover, they improve document security and are operated exclusively with recycled paper or paper from certified ecological production. The OeNB's cleaning contractor is EMAS certified and uses environmentally friendly products in appropriate amounts. Empty toner cartridges are

Table 7

Waste Generation by the OeNB, 2010–2012

	Waste code number	2010	2011	2012
		kg		
Nonhazardous materials		**98,400**	**91,960**	**121,016**
Commercial waste	91101	97,955	91,000	111,840
Electronic scrap	35202	445	960	3,756
Bulky waste	91401			5,420
Hazardous materials		**1,927**	**14,861**	**18,622**
Residues from lacquers, paints and solvents in containers	55502	–	–	14
Cooling apparatuses	35205	–	255	183
Disposable and rechargeable batteries	35338	567	–	422
Lead accumulator cells[1]	35322	157	13,754	14,082
Oil separator contents[2]	54702	582	4,260	3,700
TV tubes	35210	589	402	36
Laboratory waste	59305	–	–	60
Monitors	35212	–	–	95
Pharmaceuticals	53510	32	30	30
Recyclables		**107,163**	**104,170**	**117,688**
Colored glass	31469	2,500	2,200	3,660
Clear glass	31468	2,600	2,300	3,660
Metal/cans	35315			2,840
Biodegradable waste[3]	91701	7,500	7,300	12,890
Plastic packaging material	57118	2,150	2,300	5,800
Iron scrap[4]	35103 / 35105	1,173	1,400	7,498
Waste paper[5]	18718	90,970	88,660	81,340
Electronic storage media	57119	240	–	–
Styrofoam	57108	30	10	–
Total		**207,490**	**210,991**	**257,326**

Source: OeNB.

Note: Missing values indicate that there was no disposal under the respective waste code number.

[1] *Renewal of uninterruptible power supply.*
[2] *Oil separators in the parking garage.*
[3] *Including green waste (garden/park waste).*
[4] *Scrap iron from the disassembly of desks and office chairs in 2012.*
[5] *Waste paper reduction is traceable to the new printing strategy.*

collected and recycled. Fair trade organic coffee is now served in the OeNB cafeteria, where a newly installed drinking water dispenser represents an alternative to bottled water, reducing transportation and packaging. The OeNB plans to take fair trade criteria into account in procurement.

Waste Generation by the OeNB

The switch from offset to digital printing and the resultant reduction in chemicals and printing plates substantially cut back the amount of hazardous waste in the OeNB. However, the total amount of waste materials recently increased in connection with the adaptation of office space on the premises. Accounting for more than half of overall waste generation, waste paper, biogenic waste, plastics, glass and metal are collected separately and properly disposed of or recycled. In addition, CDs and DVDs are collected in special waste containers in the OeNB and brought to recycling centers.

Table 8

Environmental Impact Assessment at the OeNB

	Electric power	Heat	Water	Waste water	Procurement	Use of consumables, e.g. paper	Waste	Mobility, travel, transportation
Environmental impact	High	High	Moderate	Low	High	Moderate	High	High
Potential for improvement	Moderate	Low	Low	Low	Moderate	Low	Moderate	Moderate

Assessment — *High* — *Moderate* — *Low*

Source: OeNB.

Selected Environmental Aspects and Indicators Need to Be Improved

The OeNB regularly monitors and evaluates those direct and indirect environmental aspects of its operations which have the potential to significantly reduce environmental impacts. The evaluation takes into account aspects like legal issues, potential environmental hazards and the impact on stakeholders.

Table 8 provides an overview of the evaluation of environmental impacts and of the degree of possible organizational improvement. Among the indirect environmental aspects, green procurement – the environmental performance of contractors and suppliers – is the most important indicator. Overall, the table shows that the OeNB has made significant progress in several areas, while other areas still require further action.

EMAS Validation and Registration

This Sustainability Report, which consists of the Annual Report, the Intellectual Capital Report and the Environmental Statement of the Oesterreichische Nationalbank, has been validated in accordance with the EMAS Regulation by Quality Austria Training, Certification and Evaluation GmbH, located at Zelinkagasse 10/3, 1010 Vienna, Austria, AT-V-004, an independent certification, evaluation and validation organization.

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

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

Vienna, April 2013

Konrad Scheiber
Managing Director,
Quality Austria

Martin Nohava
Lead Verifier

Martina Göd
Verifier

The next update of the environmental statement will be published as part of the OeNB's Sustainability Report in May 2014.

Table 9

The OeNB's Environmental Performance in 2012 and Environmental Program for 2013

	Responsible	Deadline	Status
Further greening in procurement			
Preparing the procurement of environmentally friendly office furniture (scheduled for 2014)	Specialist division, EPT[1]	2013	At the planning stage
Reconciling the principle of green procurement of office products with external parties	Specialist division, EPT	2012	Implemented
Relaunching the e-procurement system: Flagging ecolabeled items in the OeNB's electronic order catalogue to promote the increased use of ecological products	Specialist division, EPT	2012	Implemented
Considering ecological criteria in choosing companies participating in tenders for			
– paper	Specialist division	2009	Implemented
– a new printing strategy (follow-you printing, centralized printing management, etc.)	EPT	2012	Implemented
Responsible resource consumption			
Controlling room cooling system via window sensors	Specialist division	2013	In preparation
Regulating use of cleaning agents with dosage systems, 5% reduction in cleaning product use	Specialist division	2013	At the planning stage
Promoting consumption of Viennese drinking water during meals, reducing use of plastic bottles	EPT	2012	Implemented
Introducing "district cooling" project at the OeNB to reduce energy consumption	Specialist division	2013	In preparation
Increasing the use of LED lighting:			
– Installing LED lights in the 6th basement floor of the OeNB Money Center building	Specialist division	2011	Implemented
– Using LED safety lighting in the OeNB's main building and northern office building	Specialist division	2011	Implemented
– Using LED lights in other areas, e.g. parking garage ramp and floors	Specialist division	2013	At the planning stage
Increasing environmental awareness through training			
Revising the information brochure on the OeNB's commitment to environmental protection ("Unser Engagement im Umweltschutz") available on the Intranet	EPT	2013	At the planning stage
Providing OeNB staff with information about effective airing and with instructions for the room cooling systems	EPT	2013	At the planning stage
Organizing a presentation on "model eco-friendly companies" at the monthly meetings of the environmental protection team	EPT	2013	At the planning stage
Car-free day: Encouraging greater use of public transportation among staff	EPT	2013	In preparation
Day of the sun: Providing information on alternative energy options	EPT	2013	In preparation
Holding the lecture series "Mut zur Nachhaltigkeit" (stand up for sustainability) in cooperation with the University of Natural Resources and Life Sciences, Vienna and the Environment Agency Austria (1st and 2nd lecture series)	EPT	2011, 2012	Implemented
Participating in the "Green Day" at the ECB and meeting with the environmental officers of other NCBs	EPT	2011	Implemented
Reducing emissions			
Introducing a daylight harvesting system to offset electric lighting and to minimize power consumption	EPT	2013	At the planning stage
Developing a travel concept, reviewing carriers used for business travel	EPT	2012	Implemented
Ensuring environmental audits of suppliers, in particular of subsidiaries	EPT	2012	Implemented
Holding an e-car demonstration and providing a test drive opportunity for staff	EPT	2011	Implemented
Developing a green IT concept			
Making life cycle reviews of the energy and resource consumption of the OeNB's IT facilities (servers, computers, printers, etc.)	Specialist division, EPT	2012	Implemented
Attending an information event on green IT and life cycle management at the Oesterreichische Kontrollbank	EPT	2011	Implemented
Waste			
Improving the labeling of the lattice boxes at the OeNB waste collection center	Specialist division	2013	In preparation
Auditing the waste disposal contractor	Waste management officer	2013	At the planning stage

Source: OeNB.

[1] *Environmental protection team.*

Direct and Indirect Equity Interests

Table 10 below shows all equity interests of the OeNB as required under Article 68 paragraph 4 of the Nationalbank Act. According to this provision, the OeNB must publish a list of all its participating interests in Austrian and foreign companies that, regardless of the size of the OeNB's participation, are either intended to serve the business operations of the OeNB or in which the OeNB holds a direct or indirect equity interest of at least 20% of the share capital.

Table 10

Direct and Indirect Equity Investments of the OeNB as on December 31, 2012

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
	(51) 51 WON-WorldofNumismatics GmbH	EUR	75,000.00
	100 Hans W. Hercher Münzen GmbH, Umkirch (Germany)	EUR	6,000,000.00
	50 PRINT and MINT SERVICES GmbH, Vienna (Austria)	EUR	35,000.00
	33.24 Casinos Austria AG , Vienna (Austria)	EUR	40,000,000.00
	(33.24) 100 Casinos Austria AG Liegenschaftsverwaltungs- und Leasing GmbH, Vienna (Austria)	EUR	2,000,000.00
	(33.24) 100 Casinos Austria Gastronomiebetrieb GmbH, Vienna (Austria)	EUR	270,000.00
	(33.24) 100 Casinos Austria Sicherheitstechnologie GmbH, Vienna (Austria)	EUR	500,000.00
	(29.58) 89 Congress Casinos Baden BetriebsgmbH, Baden (Austria)	EUR	400,000.00
	(33.24) 100 ÖLG Holding GmbH, Vienna (Austria)	EUR	5,000,000.00
	(22.59) 67.97 Österreichische Lotterien GmbH, Vienna (Austria)	EUR	110,000,000.00
	(11.3) 50 Entertainment Glücks- und Unterhaltungsspiel Gesellschaft mbH, Vienna (Austria)	EUR	2,870,000.00
	(22.59) 100 Albanisch Österreichische Lotterien Holding GmbH, Vienna (Austria)	EUR	35,000.00
	(22.59) 100 OLG Project Sh. P. K.[1], Tirana (Albania)	ALL	1,201,950,000.00
	(16.62) 50 Entertainment Glücks- und Unterhaltungsspiel Gesellschaft mbH, Vienna (Austria)	EUR	2,870,000.00
	(33.24) 100 Casinos Austria International Holding GmbH, Vienna (Austria)	EUR	30,000,000.00
	(22.17) 66.7 Entertainment World Okinawa Co. Limited, Naha (Japan)	JPY	161,550,000.00
	(33.23) 99.98 Glücksrad Kft., Sopron (Hungary)	HUF	15,000,000.00
	(33.24) 99.99 Immobiliaria Polaris S.A., Santiago (Chile)	CLP	10,885,549,841.00
	(33.2) 99.9 Casinos Gran Los Angeles S.A., Los Angeles (Chile)	CLP	1,951,299,759.00
	(33.2) 99.9 Hotel Buenas Noches Los Angeles S.A., Los Angeles (Chile)	CLP	917,537,939.00
	(33.2) 99.9 Casinos Gran Ovalle S.A., Ovalle (Chile)	CLP	376,148,000.00
	(33.24) 100 Casinos Austria International GmbH, Vienna (Austria)	EUR	2,000,000.00
	(33.24) 100 Spielbanken Niedersachsen GmbH, Hannover (Germany)	EUR	15,000,000.00
	(33.24) 100 Casinoland IT-Systeme GmbH, Hannover (Germany)	EUR	25,000.00
	(31.24) 94 Casino Event Immobilien GmbH, Hannover (Germany)	EUR	25,000.00
	(33.24) 100 Apollo Casino Resorts Limited, London (United Kingdom)	GBP	3,010,000.00
	(33.24) 100 Corinthian Club Ltd., Glasgow (United Kingdom)	GBP	2,600,000.00
	(33.24) 100 Viage Productions S.A., Brussels (Belgium)	EUR	7,930,000.00
	(33.24) 100 Casinos Austria Management Gesellschaft mbH, Vienna (Austria)	EUR	100,000.00
	(33.24) 100 Casinos Austria (Swiss) AG, Zug (Switzerland)	CHF	20,000,000.00
	(33.24) 100 Casinos Austria Management AG, Chur (Switzerland)	CHF	500,000.00
	(33.24) 100 CAI Management AG, Zug (Switzerland)	CHF	200,000.00
	(24.83) 74.7 Azzurro Gaming S.p.A., Milan (Italy)	EUR	5,000,000.00
	(33.24) 100 Casinos St. Moritz AG, St. Moritz (Switzerland)	CHF	1,750,000.00
	(33.24) 100 CAI Online AG, Zug (Switzerland)	CHF	1,200,000.00
	(33.23) 99.99 Intergame Holding Ltd., Floriana (Malta)	EUR	100,000.00
	(33.23) 99.99 Intergame Limited, Floriana (Malta)	EUR	200,000.00
	(33.24) 100 Casinos Odense K/S, Odense (Denmark)	DKK	1,300,000.00
	(33.24) 100 Fortuna I ApS, Odense (Denmark)	DKK	125,000.00
	(33.24) 100 Casinos Austria International (Czech) s.r.o., Prague (Czech Republic)	CZK	139,100,000.00
	(33.24) 100 Czech Casinos a.s., Prague (Czech Republic)	CZK	100,000,000.00
	(32.91) 99 Romanian-Austrian Casinos Corporation S.R.I., Bucharest (Romania)	RON	6,200,000.00
	(24.93) 75 Pannon-Partner Kft., Sopron (Hungary)	HUF	330,000,000.00
	(24.93) 100 Casinos Sopron Kft., Sopron (Hungary)	HUF	75,000,000.00
	(33.24) 100 Casinos Austria International Limited, Brisbane (Australia)	AUD	19,578,000.00
	(33.24) 100 Casinos Canberra Limited, Brisbane (Australia)	AUD	46,000,000.00
	(33.24) 100 Casinos Austria International (Canberra), Pty Limited Brisbane (Australia)	AUD	2.00
	(33.24) 100 Casinos Austria Maritime Corp., Fort Lauderdale (U.S.A.)	USD	50.00
	(33.24) 100 CAI Ontario Inc., Port Perry (Canada)	CAD	1,700,000.00
	(23.93) 72 Great Blue Heron Gaming Comp., Port Perry (Canada)	CAD	1,250,000.00
	(23.93) 100 Great Blue Heron Supply Inc., Port Perry (Canada)	CAD	1.00
	28,61 Argor-Heraeus SA, Mendrisio (Switzerland)	CHF	6,369,000.00
	(28.61) 100 Argor-Heraeus Deutschland GmbH	EUR	25,000.00
	(28.61) 100 Argor-Heraeus Italia S.p.A.	EUR	520,000.00
	(25.18) 88 Argor-Heraeus Latin America SpA, Santiago, Chile	USD	5,000,000.00

[1] *Project name, the company name is currently being changed.*

Table 10 continued

Share in %				Company		Capital issued
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
89.6				GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination G.m.b.H., Vienna (Austria)	EUR	36,336.31
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 SA, Brussels (Belgium)	EUR	5,841,610.91
	100			City Center Amstetten GmbH, Vienna (Austria)	EUR	72,000.00
	100			EKZ Tulln Errichtungs GmbH, Vienna (Austria)	EUR	36,000.00
	100			HW Hohe Warte Projektentwicklungs- und ErrichtungsgmbH, Vienna (Austria)	EUR	35,000.00
	100			IG Belgium S.A., Brussels (Belgium)	EUR	19,360,309.87
	100			IG Döbling Herrenhaus-Bauträger GmbH, Vienna (Austria)	EUR	40,000.00
	100			IG Hungary Irodaközpont Kft., Budapest (Hungary)	EUR	11,852.00
	100			IG Immobilien Beteiligungs GmbH, Vienna (Austria)	EUR	40,000.00
	100			IG Immobilien M97 GmbH, Vienna (Austria)	EUR	120,000.00
	100			IG Immobilien Management GmbH, Vienna (Austria)	EUR	40,000.00
	100			IG Immobilien Mariahilfer Straße 99 GmbH, Vienna (Austria)	EUR	72,000.00
	100			IG Immobilien O20-H22 GmbH, Vienna (Austria)	EUR	110,000.00
		25		MARINA CITY Entwicklungs GmbH, Vienna (Austria)	EUR	120,000.00
		25		MARINA TOWER Holding GmbH, Vienna (Austria)	EUR	35,000.00
		(25)	100	MARINA TOWER Entwicklungs GmbH, Vienna (Austria)	EUR	36,336.42
	100			IG Netherlands N1 and N2 B.V., Hoofddorp (Netherlands)	EUR	91,000.00
	40			U2 Stadtentwicklung GmbH, Vienna (Austria)	EUR	100,000.00
100				BLM Betriebs-Liegenschafts-Management GmbH, Vienna (Austria)	EUR	40,000.00
	100			BLM-IG Bauträger GmbH, Vienna (Austria)	EUR	35,000.00
		100		OWP5 Betriebs-Liegenschafts-Management GmbH, Vienna (Austria)	EUR	35,000.00
	55			Anzengrubergasse Errichtungs- und Verwertungs GmbH, Vienna (Austria)	EUR	35,000.00
100				HV Hotelverwaltung GmbH, Vienna (Austria)	EUR	100,000.00

Source: OeNB, subsidiaries.

Note: Figures in parentheses represent the OeNB's indirect equity investments; figures without parentheses represent the shares held by the direct equity investor. The OeNB's share of the paid-up capital of the ECB (totaling EUR 10,760,652,402.58) amounted to 1.9417% as at December 31, 2012. The OeNB also holds 8,000 shares (at SDR 5,000 each) and 564 nonvoting shares in the Bank for International Settlements' capital as well as 74 shares (at EUR 125.00 each) in S.W.I.F.T. (Society for Worldwide Interbank Financial Telecommunication), La Hulpe/Netherlands.

Financial Statements
of the Oesterreichische Nationalbank
for the Year 2012

Balance Sheet as at December 31, 2012

Assets

		December 31, 2012 EUR		December 31, 2011 EUR	
1	**Gold and gold receivables**		11,353,265,561.09		10,954,337,454.91
2	**Claims on non-euro area residents denominated in foreign currency**		9,215,591,659.91		8,446,134,387.66
2.1	Receivables from the IMF	3,231,278,528.06		3,026,738,704.39	
2.2	Balances with banks, security investments, external loans and other external assets	5,984,313,131.85		5,419,395,683.27	
3	**Claims on euro area residents denominated in foreign currency**		1,026,208,039.81		4,543,687,674.23
4	**Claims on non-euro area residents denominated in euro**		1,532,097,587.81		2,039,895,808.40
4.1	Balances with banks, security investments and loans	1,532,097,587.81		2,039,895,808.40	
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**		15,894,000,000.00		10,612,000,000.00
5.1	Main refinancing operations	180,000,000.00		3,428,000,000.00	
5.2	Longer-term refinancing operations	15,714,000,000.00		7,184,000,000.00	
5.3	Fine-tuning reverse operations	–		–	
5.4	Structural reverse operations	–		–	
5.5	Marginal lending facility	–		–	
5.6	Credits related to margin calls	–		–	
6	**Other claims on euro area credit institutions denominated in euro**		167,938.41		241,009.58
7	**Securities of euro area residents denominated in euro**		16,774,731,834.56		18,753,482,500.40
7.1	Securities held for monetary policy purposes	7,892,629,179.62		7,563,923,071.51	
7.2	Other securities	8,882,102,654.94		11,189,559,428.89	
8	**General government debt denominated in euro**		413,061,306.11		416,163,623.37
9	**Intra-Eurosystem claims**		43,283,531,734.71		34,094,521,013.05
9.1	Participating interest in the ECB	208,939,587.70		176,577,921.04	
9.2	Claims equivalent to the transfer of foreign reserves	1,118,545,877.01		1,118,545,877.01	
9.3	Claims related to the issuance of ECB debt certificates[1]	×		×	
9.4	Net claims related to the allocation of euro banknotes within the Eurosystem	41,956,046,270.00		32,799,397,215.00	
9.5	Other claims within the Eurosystem (net)	–		–	
10	**Items in course of settlement**		508.71		25,527,618.38
11	**Other assets**		9,876,836,411.45		9,462,500,381.24
11.1	Coins of euro area	120,936,558.44		139,350,192.68	
11.2	Tangible and intangible fixed assets	147,655,874.49		149,124,682.35	
11.3	Other financial assets	7,907,043,641.14		7,433,982,593.92	
11.4	Off balance sheet instruments' revaluation differences	34,003,410.45		–	
11.5	Accruals and prepaid expenses	696,400,104.81		677,420,915.98	
11.6	Sundry	970,796,822.12		1,062,621,996.31	
			109,369,492,582.57		**99,348,491,471.22**

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

Liabilities

	December 31, 2012 EUR		December 31, 2011 EUR	
1 Banknotes in circulation		23,298,473,760.00		22,686,672,840.00
2 Liabilities to euro area credit institutions related to monetary policy operations denominated in euro		23,228,499,748.28		20,801,389,918.57
2.1 Current accounts (covering the minimum reserve system)	19,931,999,748.28		9,041,853,311.07	
2.2 Deposit facility	3,296,500,000.00		10,609,536,607.50	
2.3 Fixed-term deposits	–		1,150,000,000.00	
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 issued[1]		×		×
5 Liabilities to other euro area residents denominated in euro		286,774,793.83		43,702,559.00
5.1 General government	203,466,189.53		8,051,149.04	
5.2 Other liabilities	83,308,604.30		35,651,409.96	
6 Liabilities to non-euro area residents denominated in euro		25,461,622.27		5,910,845.66
7 Liabilities to euro area residents denominated in foreign currency		154,004.27		66,474.08
8 Liabilities to non-euro area residents denominated in foreign currency		19,830,081.81		–
8.1 Deposits, balances and other liabilities	19,830,081.81		–	
8.2 Liabilities arising from the credit facility under ERM II	–		–	
9 Counterpart of Special Drawing Rights allocated by the IMF		2,024,021,061.94		2,060,483,652.92
10 Intra-Eurosystem liabilities		39,897,015,721.82		34,613,591,668.86
10.1 Liabilities equivalent to the transfer of foreign reserves[1]	×		×	
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)	39,897,015,721.82		34,613,591,668.86	
11 Items in course of settlement		–		1,438,908.34
12 Other liabilities		502,079,547.30		501,140,167.72
12.1 Off balance sheet instruments' revaluation differences	–		148,920,473.85	
12.2 Accruals and income collected in advance	26,704,931.42		36,950,594.59	
12.3 Sundry	475,374,615.88		315,269,099.28	
13 Provisions		4,735,924,738.44		4,064,719,038.90
14 Revaluation accounts		11,125,448,311.36		10,365,678,000.89
15 Capital and reserves		4,197,509,855.29		4,185,000,596.42
15.1 Capital	12,000,000.00		12,000,000.00	
15.2 Reserves	4,185,509,855.29		4,173,000,596.42	
16 Profit for the year		28,299,335.96		18,696,799.86
		109,369,492,582.57		**99,348,491,471.22**

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

Profit and Loss Account for the Year 2012

	Year ending December 31, 2012 *EUR*		Year ending December 31, 2011 *EUR*	
1.1 Interest income	1,539,682,327.36		1,496,213,405.37	
1.2 Interest expense	–523,896,854.37		–653,953,585.95	
1 Net interest income		1,015,785,472.99		842,259,819.42
2.1 Realized gains/losses arising from financial operations	188,462,243.51		82,698,135.77	
2.2 Writedowns on financial assets and positions	–2,765,220.98		–24,961,022.30	
2.3 Transfer to/from provisions for foreign exchange, interest rate, credit and gold price risks	–626,073,422.88		–400,000,000.00	
2 Net result of financial operations, writedowns and risk provisions		–440,376,400.35		–342,262,886.53
3.1 Fees and commissions income	4,304,983.58		4,635,882.40	
3.2 Fees and commissions expense	–3,882,458.49		–3,856,429.55	
3 Net income from fees and commissions		422,525.09		779,452.85
4 Income from equity shares and participating interests		41,365,181.74		58,161,151.71
5 Net result of pooling of monetary income		31,883,764.27		–4,414,826.74
6 Other income		29,365,042.49		21,083,863.32
Total net income		678,445,586.23		575,606,574.03
7 Staff costs		–130,662,986.04		–125,432,476.38
8 Expenses for retirement		–6,772,953.56		–89,535,084.78
9 Administrative expenses		–84,253,687.35		–79,236,192.13
10 Depreciation of tangible and intangible fixed assets		–12,801,105.12		–11,659,123.97
11 Banknote production services		–21,394,616.40		–11,596,734.00
12 Other expenses		–45,235,758.23		–8,856,297.92
Total expenses		–301,121,106.70		–326,315,909.18
		377,324,479.53		**249,290,664.85**
13 Corporate income tax		–94,331,119.88		–62,322,666.21
		282,993,359.65		186,967,998.64
14 Central government's share of profit		–254,694,023.69		–168,271,198.78
15 Profit for the year		**28,299,335.96**		**18,696,799.86**

Notes to the Financial Statements 2012

General Notes to the Financial Statements

Legal Framework

The Oesterreichische Nationalbank (OeNB) is obligated (under Article 67 paragraph 2 of the Federal Act on the Oesterreichische Nationalbank 1984 as amended and as promulgated in Federal Law Gazette Part I No. 50/2011 – Nationalbank Act)[1] to prepare its balance sheet and its profit and loss account in conformity with the rules established by the Governing Council of the ECB under Article 26.4 of the Statute of the European System of Central Banks and of the European Central Bank (Statute of the ESCB and of the ECB). These rules apply as laid down in the recast accounting guideline adopted by the Governing Council of the ECB on November 11, 2010.[2] The OeNB's financial statements for the year 2012 were prepared fully in line with the provisions set forth in this guideline. Activities not covered by the accounting guideline are to be treated as regulated by the generally accepted accounting principles referred to in Article 67 paragraph 2 second sentence Nationalbank Act and by the provisions of the third volume of the Unternehmensgesetzbuch (Commercial Code; Article 67 paragraph 3 Nationalbank Act). The OeNB is exempt from Article 243 paragraph 2 last sentence of the Commercial Code and from preparing consolidated financial statements as required under Article 244 et seq. Commercial Code.

Format of the Balance Sheet and the Profit and Loss Account

The financial statements for 2012 were prepared in the format laid down by the Governing Council of the ECB. Following an amendment of the Accounting Guideline by the ECB in 2012, the financial statements of the OeNB of December 31, 2012, for the first time disclosed risk provisions equivalent to reserves.

Accounting Policies

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

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

Time of Recording

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

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

Basis of Accounting

At year-end, both financial assets and liabilities are revalued at current market prices/rates. This applies equally to transactions that are disclosed in the balance sheet and to transactions

[1] *The Nationalbank Act was last amended with effect from August 1, 2011.*

[2] *Guideline of the European Central Bank of 11 November 2010 on the legal framework for accounting and financial reporting in the European System of Central Banks (recast) (ECB/2010/20, as amended on December 10, 2012, ECB/2012/29).*

that are not.[3] The arbitrage pricing principle is used to value gold interest rate swaps and forward interest rate swaps. To this end, the products are split into the components at which these products are traded on international exchanges (LIBOR curve, gold swap rates and gold forward rates).

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

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

Securities classified as held-to-maturity and nonmarketable securities are valued at amortized cost subject to impairment; any premiums or discounts are amortized. This also applies to securities purchased under the Eurosystem's covered bond purchase programmes (CBPP1 and CBPP2). Securities purchased under the Eurosystem's Securities Markets Programme (SMP) are subject to a uniform Eurosystem impairment framework.

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

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

Income Recognition

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

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

Unrealized revaluation gains are not taken to the profit and loss account, but transferred to a revaluation account on the liabilities side of the balance sheet. Unrealized losses are recognized in the profit and loss account when they exceed previous revaluation gains registered in the corresponding revaluation account; they may not be reversed against new unrealized gains in subsequent years. Unrealized losses in any one security, currency or in gold holdings are not netted with unrealized gains in other securities, currencies or gold, since netting is prohibited under the ECB's Accounting Guideline.

In derogation from general accounting principles and standards, alternative valuation methods may be applied to synthetic instruments; unrealized gains and losses of the underlying components of synthetic instruments may be netted at year-end.

Tangible and Intangible Fixed Assets

Tangible and intangible fixed assets are valued at cost less depreciation. Depreciation is calcu-

[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.*

lated on a straight-line basis from the quarter after acquisition throughout the expected economic lifetime of the assets (table 1):

Realized Gains and Losses and Revaluation Differences and Their Treatment in the Financial Statements of December 31, 2012

Realized and unrealized gains and losses are shown in table 2.

Banknotes in Circulation and Intra-Eurosystem Balances

Euro banknotes are issued by the ECB and the 17 euro area NCBs which together comprise the Eurosystem. The total value of euro banknotes in circulation is allocated among Eurosystem members on the last working day of each month in accordance with the banknote allocation key.

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

The difference between the value of the euro banknotes allocated to each NCB in accordance with the banknote allocation key and the value of the euro banknotes that it actually put into circulation, as reduced by the banknotes it withdrew from circulation, also gives rise to remunerated intra-Eurosystem balances. These claims or liabilities, which incur interest, are disclosed under the subitems *intra-Eurosystem claims/intra-Eurosystem liabilities: Net claims/liabilities related to the allocation of euro banknotes within the Eurosystem* (see Intra-Eurosystem balances in the notes on accounting policies).

In the first five years following the cash changeover year, 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 the values before the cash changeover date. The adjustments are effected by taking into account the differences between the average value of banknotes in circulation of each NCB in the reference period and the average value of banknotes that would have been allocated to them during that period under the ECB's capital key. The adjustments are reduced in annual stages until the first day of the sixth year after the cash change-

Table 1

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

Table 2

	Realized gains profit and loss account item 2.1 (posted to the profit and loss account) EUR million	Realized losses profit and loss account item 2.1 (posted to the profit and loss account) EUR million	Unrealized losses profit and loss account item 2.2 (posted to the profit and loss account) EUR million	Change in unrealized gains (posted to revaluation accounts) EUR million
Gold	0	–	–	+398.928
Foreign currency				
Holdings for own account	90.833	30.498	1.301	–23.965
Securities				
Holdings for own account	111.218	8.787	1.230	+210.835
Investment of own funds	26.829	1.133	0.233	+87.892
Equity interests (investment of own funds)	–	–	–	+56.397
Total	**228.880**	**40.418**	**2.764**	**+730.087**

over year when income on banknotes is allocated fully in proportion to the NCBs' paid-up shares in the ECB's capital. The adjustments in the review year took into account the cash changeover dates for Estonia (2011), Slovakia (2009), Cyprus and Malta (2008) as well as in Slovenia (2007). The respective adjustment periods terminate at the end of 2016, 2014, 2013 and 2012, respectively.

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

According to a decision of the Governing Council of the ECB, the ECB's income arising from securities purchased under the SMP and the income accruing to the ECB on the remuneration of its intra-Eurosystem claims on NCBs related to its share of euro banknotes in circulation is due in full to the NCBs in proportion to their shares in the subscribed capital key in the same financial year it accrues. This income is to be distributed in January of the following year in the form of an interim distribution of profit. The amount of the ECB's income on euro banknotes in circulation may be reduced in accordance with any decision by the Governing Council in respect of expenses incurred by the ECB in connection with the issue and handling of euro banknotes. Before the end of the year, the Governing Council decides whether all or part of the ECB's income arising from SMP securities and, if necessary, all or part of the ECB's income on euro banknotes in circulation should be retained to the extent necessary to ensure that the amount of the distribution does not exceed the ECB's net profit for the year.

The Governing Council may also decide to transfer all or part of the income to be distributed to a provision for foreign exchange rate, interest rate, credit and gold price risks. The amount distributed to the NCBs is disclosed in the profit and loss account under item 4 *Income from equity shares and participating interests*.

Risk Management

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

Financial Risk

The financial risk categories relevant to the OeNB are market, credit and liquidity risk. Reserve asset and risk management principles are laid down in a *rule book* adopted by the OeNB's Governing Board. Reserve assets are invested by the OeNB's Treasury Department on the basis of a risk budget that reflects the risk limits designated by the Governing Board, as adopted by the latter on proposal of the Risk Committee. The Risk Committee monitors compliance with the risk budget based on a recognized risk measurement system, and it reports regularly to the Governing Board. Strategies for broadening diversification to include new currencies and types of investment must be authorized by the Governing Board. In line with international trends, the OeNB has implemented an integral risk management framework to monitor financial risk.

Market Risk

Market risk is the risk of exposure arising from movements in markets, in particular exchange rate and interest rate changes. The Investment Committee develops the strategic asset allocation subject to risk budget constraints. The Governing Board sets concentration limits for each currency and defines asset allocation standards. Currency risk and interest rate risk are managed in line with the limits imposed by the risk budget. Compliance with the risk budget is monitored with VaR and ES (expected shortfall, or conditional VaR) calculations based on one-year horizons and confidence intervals of 99%.

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

In addition, the OeNB makes provision for ECB and Eurosystem investment risks commensurate to its relative capital share in the ECB's paid-up capital.

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

Credit Risk

Credit risk is the potential that a counterparty will fail to meet some or all of its obligations. Risk management relies on a credit risk limit system which provides real-time information on all risk limits and risk exposures. The ECB calculates credit risk arising from monetary policy operations; OeNB risk reporting accounts for this risk on a pro rata basis. The VaR and ES calcuations are consistently based on a one-year period and a confidence interval of 99%. The OeNB calculates the credit risk arising from its own holdings for own account and investments of own funds, with the individual items valued separately.

Liquidity Risk

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 avoid this risk, the OeNB deals only with creditworthy counterparties and strictly applies the issuing limits established by the OeNB's Governing Board, with security and liquidity considerations taking precedence over yield.

Operational Risk

Operational risk is the risk of incurring losses due to defects, inadequate procedures or systems, human error or unforeseen events affecting operations. Management of operational risk is provided for by the rules laid down in the OeNB's *Risk and Crisis Management Handbook*. Risk valuation takes into account the impact of various risk scenarios on the OeNB's reputation, on costs, and any resulting losses. Risks are monitored on an ongoing basis and are reported to management at regular intervals.

Buffers for Financial Risks and Other Loss-Absorbing Capital

In line with the principle of universality, the OeNB's financial risks are covered by the full range of its financial buffers, i.e. by all financial buffers that it maintains specifically to cover financial risks as well as by any other financial buffers that may be used to absorb balance sheet losses. In calculating risk exposure, balances on revaluation accounts against which losses may be offset are recognized as risk-mitigating factors. On December 31, 2012, buffers for financial risks were high enough to offset the OeNB's exposure.

Table 3 shows the changes in buffers for financial risks and other loss-absorbing capital from December 31, 2011, to December 31, 2012.

IT Security Policy

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

- The IT Security Forum, which provides advice on IT security and coordinates and controls related activities and which puts into force IT security provisions;
- The IT security manager, who is responsible for the technical accuracy of the measures submitted for approval as well as for initiating and implementing IT security processes;
- The IT security experts, who are responsible for drafting and implementing IT security guidelines and IT specifications; and
- The technical experts in charge of the respective products.

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

Table 3

	December 31, 2011 EUR million	Increase EUR million	Decrease EUR million	December 31, 2012 EUR million
I. Buffers for financial risks				
Reserve for nondomestic and price risks (L 15.2)	1,973.263	–	–	1,973.263
Risk provisions equivalent to reserves (L 13)	1,923.927	+626.073	–	2,550.000
	3,897.190	**+626.073**	**–**	**4,523.263**
II. Loss-absorbing capital				
Profit-smoothing reserve (L 15.2)	26.090	+8.497	–	34.587
OeNB Anniversary Fund for the Promotion of Scientific Research and Teaching				
OeNB Anniversary Fund (initial funding) (L 15.2)	31.500	–	–	31.500
OeNB Anniversary Fund National Foundation endowment (L 15.2)	1,500.000	–	–	1,500.000
	1,557.590	**+8.497**	**–**	**1,566.087**
Total	**5,454.780**	**+634.570**	**–**	**6,089.350**

Note: L = liability item.

Related-Party Transactions

Article 237 item 8b Commercial Code stipulates that financial statements must include information about material transactions with related parties that were concluded under other than normal market conditions. The OeNB has in place a special reporting framework and a separate internal control system for such instances.

Any business the OeNB transacted with related parties in 2012 was at market conditions.

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 profit for the year after tax, and by decision of the General Meeting, it additionally receives a dividend of up to 10% of its share of the capital.

Net Equity

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

Table 4

		December 31, 2011 EUR million	Increase EUR million	Decrease EUR million	December 31, 2012 EUR million
L 13	Risk provisions equivalent to reserves	1,923.927	+626.073	–	2,550.000
L 14	Revaluation accounts[1]	10,365.678	+759.770	–	11,125.448
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	26.090	+8.497	–	34.587
	OeNB Anniversary Fund for the Promotion of Scientific Research and Teaching				
	OeNB Anniversary Fund (initial funding)	31.500	–	–	31.500
	OeNB Anniversary Fund National Foundation endowment	1,500.000	–	–	1,500.000
	Net equity	**15,832.458**	**+1,394.340**	–	**17,226.798**

Note: L = liability item.

[1] Includes revaluation accounts (unrealized valuation gains) as well as revaluation effects from the revaluation of securities and equity interests recorded in the opening balance sheet of January 1, 1999, which have not been released yet.

Development of the OeNB's Currency Positions in the Financial Year 2012

Table 5

	December 31, 2012	December 31, 2011	Change	
	EUR million	*EUR million*	*EUR million*	*%*
Gold and gold receivables	11,353.266	10,954.337	+398.929	+3.6
Claims on non-euro area residents denominated in foreign currency	9,215.592	8,446.134	+769.458	+9.1
Claims on euro area residents denominated in foreign currency	1,026.208	4,543.688	–3,517.480	–77.4
Other assets	106.235	127.841	–21.606	–16.9
less:				
Liabilities to euro area residents denominated in foreign currency	*0.154*	*0.066*	*+0.088*	*+133.3*
Liabilities to non-euro area residents denominated in foreign currency	*19.830*	*–*	*+19.830*	*x*
Counterpart of Special Drawing Rights allocated by the IMF	*2,024.021*	*2,060.484*	*–36.463*	*–1.8*
Other liabilities	*0.696*	*3.188*	*–2.492*	*–78.2*
Revaluation accounts[1]	*82.777*	*94.077*	*–11.300*	*–12.0*
	19,573.823	**21,914.185**	**–2,340.362**	**–10.7**
Transactions that are not disclosed in the balance sheet (net)	–1,431.609	–4,638.332	–3,206.723	–69.1
Total	**18,142.214**	**17,275.853**	**+866.361**	**+5.0**

[1] *Resulting from the change in net unrealized exchange rate gains on foreign currency-denominated securities as on December 31, 2011, and December 31, 2012, respectively.*

Notes to the Balance Sheet

Assets

1 Gold and Gold Receivables

Closing balance	*EUR million*	
December 31, 2012	11,353.266	
December 31, 2011	10,954.337	
Change	+398.929	(+3.6%)

This item comprises the OeNB's holdings of physical and nonphysical gold, which amounted to 9,002,104.825 fine ounces or 279,996.79 kg of fine gold on December 31, 2012. At a market value of EUR 1,261.179 per fine ounce (i.e. EUR 40,547.84 per kg of fine gold), the OeNB's gold holdings were worth EUR 11,353.266 million on the balance sheet date.

The annual change reflects valuation gains as of December 31, 2012.

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

Closing balance	*EUR million*	
December 31, 2012	9,215.592	
December 31, 2011	8,446.134	
Change	+769.458	(+9.1%)

Table 6 shows the development of *item 2.1 Receivables from the IMF,* which rose by EUR 75.503 million in 2012 on account of net credit and debit entries.

The changes in receivables from the IMF, moreover, reflect valuation changes, net exchange rate gains and book value reconciliation (totaling –EUR 14.932 million).

The IMF remunerates participations in the Fund at a rate of remuneration that is updated weekly. In 2012, this rate hovered between 0.03 % and 0.15 % per annum, mirroring the prevailing SDR rate.

Table 6

	December 31, 2012	December 31, 2011	Change	
	EUR million	*EUR million*	*EUR million*	*%*
Total claims (Austrian quota) equivalent to SDR 2,113.9 million[1]	2,464.174	2,508.565	–44.391	–1.8
less: *Balances at the disposal of the IMF*	*1,674.208*	*1,779.170*	*–104.962*	*–5.9*
Receivables from the IMF	**789.966**	**729.395**	**+60.571**	+8.3
SDR holdings	1,948.921	2,005.178	–56.257	–2.8
Other claims against the IMF	492.392	292.166	+200.226	+68.5
Total	**3,231.279**	**3,026.739**	**+204.540**	**+6.8**

[1] *Pursuant to federal law as promulgated in Federal Law Gazette No. 309/1971, the OeNB manages Austria's entire quota on behalf of the Republic of Austria.*

Table 7

	December 31, 2012	December 31, 2011	Change	
	EUR million	*EUR million*	*EUR million*	*%*
Balances with banks	821.309	1,593.423	–772.114	–48.5
Securities	5,163.004	3,825.972	+1,337.032	+34.9
Total	**5,984.313**	**5,419.395**	**+564.918**	**+10.4**

SDR holdings[4] were recognized in the balance sheet at SDR 1,671.9 million at December 31, 2012. The reduction in 2012 of holdings by EUR 56.257 million on balance resulted from the net sale of SDRs equivalent to –EUR 26.775 million. The remuneration of the participation in the IMF, interest credited, realized gains/losses and revaluation differences totaled –EUR 29.482 million.

Under the IMF's Articles of Agreement, the OeNB is obligated to provide currency on demand in exchange for SDRs up to the point at which its SDR holdings are three times as high as its net cumulative allocations of SDRs, which in the OeNB's case totaled SDR 1,736.3 million on December 31, 2011. See the *Notes on Transactions Not Disclosed in the Balance Sheet* for information about this obligation.

The OeNB's claims arising from the *New Arrangements to Borrow* (NAB) in connection with IMF concessional programs are shown under *other claims against the IMF*. Federal law as promulgated in Federal Law Gazette I No. 114/2010 authorized the OeNB to increase its credit line under the NAB to up to SDR 3.6 billion on behalf of the Republic of Austria. Since the reformed and expanded NAB entered into force on March 11, 2011, resources totaling SDR 422.4 million (equivalent to EUR 492.4 million) were drawn from the OeNB's credit line. The *transactions not disclosed in the balance sheet* included a contingent liability to the IMF under the NAB as on December 31, 2012.

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

3 Claims on Euro Area Residents Denominated in Foreign Currency

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

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

Table 8

	December 31, 2012	December 31, 2011	Change	
	EUR million	*EUR million*	*EUR million*	%
Balances with banks	454.904	4,046.742	–3,591.838	–88.8
Securities	571.304	496.946	+74.358	+15.0
Total	**1,026.208**	**4,543.688**	**–3,517.480**	**–77.4**

Table 9

	December 31, 2012	December 31, 2011	Change	
	EUR million	*EUR million*	*EUR million*	%
Securities	219.974	711.998	–492.024	–69.1
Marketable securities classified as held-to-maturity	1,312.124	1,312.060	+64	+0.0
Other investments	–	15.838	–15.838	–100.0
Total	**1,532.098**	**2,039.896**	**–507.798**	**–24.9**

Table 10

	December 31, 2012	December 31, 2011	Change	
	EUR million	*EUR million*	*EUR million*	%
5.1 Main refinancing operations	180.000	3,428.000	–3,248.000	–94.7
5.2 Longer-term refinancing operations	15,714.000	7,184.000	+8,530.000	+118.7
5.3 Fine-tuning reverse operations	–	–	–	–
5.5 Marginal lending facility	–	–	–	–
Total	**15,894.000**	**10,612.000**	**+5,282.000**	**+49.8**

Balances with banks as shown on December 31, 2012, resulted from claims that arose from USD 600 million (EUR 455 million) of reverse operations with Austrian banks against collateral. This U.S. dollar funding was made available in connection with EUR/USD swaps that the ECB made with the Federal Reserve Bank of New York under the Federal Reserve's Term Auction Facility. At December 31, 2011, swaps outstanding under this facility totaled USD 5,236 million (EUR 4,047 million).

4 Claims on Non-Euro Area Residents Denominated in Euro

Table 9 shows the development of *claims on non-euro area residents denominated in euro* on December 31, 2011, and December 31, 2012.

The change in securities resulted chiefly from transactions. On December 31, 2012, there was no requirement to impair the portfolio of securities classified as held-to-maturity. Securities other than those held to maturity are recognized at market value.

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

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

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

5.1 Main Refinancing Operations

Main refinancing operations are regular liquidity-providing reverse transactions carried out by the Eurosystem NCBs with a weekly frequency in the form of standard (variable or fixed rate) tender operations with a maturity of one week. All main refinancing operations in 2012 were carried out as fixed rate tender procedures with full allotment until December 31, 2012.[5] The interest rate on main refinancing operations came to 0.75% per annum on December 31, 2012.

5.2 Longer-Term Refinancing Operations

Longer-term refinancing operations (LTROs) are regular liquidity-providing reverse transactions that are carried out through monthly standard tenders and that have a maturity of three months. Special LRTOs with maturities of one month were continued in 2012. In addition, LTROs totaling EUR 15.7 billion with maturities of 36 months (latest maturity date: until February 26, 2015) were outstanding at the balance sheet date; the LTROs come with the option of early repayment of some or all of the monies.[6]

All LTROs conducted in 2012 were fixed rate tender procedures with full allotment.

The four LRTOs with a combined total of EUR 648 million and maturities of three and six months, respectively, that were conducted in 2011 expired on schedule in 2012.

5.3 Fine-Tuning Reverse Operations

Operations conducted in 2012 totaling EUR 1.2 billion expired on schedule in the course of 2012. Hence, no fine-tuning reverse operations were outstanding as on December 31, 2012.

5.5 Marginal Lending Facility

In 2012, Austrian banks obtained overnight liquidity against eligible assets under the marginal lending facility for a total of EUR 160 million. No such operations were outstanding on December 31, 2012.

6 Other Claims on Euro Area Credit Institutions Denominated in Euro

Closing balance	EUR million	
December 31, 2012	0.168	
December 31, 2011	0.241	
Change	–0.073	(–30.3%)

This item comprises claims not related to monetary policy operations.

7 Securities of Euro Area Residents Denominated in Euro

Table 11 shows the development of *securities of euro area residents denominated in euro* as on December 31, 2011, and December 31, 2012.

7.1 Securities Held for Monetary Policy Purposes

This item contains securities acquired by the OeNB under the first and second covered bond purchase programmes (CBPP1 and CBPP2)[7] and public debt securities acquired

Table 11

	December 31, 2012	December 31, 2011	Change	
	EUR million	*EUR million*	*EUR million*	%
7.1 Securities held for monetary policy purposes	7,892.629	7,563.923	+328.706	+4.3
7.2 Other securities	8,882.103	11,189.560	–2,307.457	–20.6
of which				
Marketable securities other than held-to-maturity	*4,756.168*	*5,927.645*	*–1,171.477*	*–19.8*
Marketable securities classified as held-to-maturity	*4,125.935*	*5,261.915*	*–1,135.980*	*–21.6*
Total	**16,774.732**	**18,753.483**	**–1,978.751**	**–10.6**

[5] *Decision of the Governing Council of the ECB of March 4, 2010 (as amended on October 6, 2011).*

[6] *Decision of the Governing Council of the ECB of December 8, 2011.*

[7] *Decision of the Governing Council of the ECB of 2 July 2009 (ECB/2009/16) and of 3 November 2011 (ECB/2011/17).*

under the Securities Markets Programme (SMP)[8]. The securities are classified as held-to-maturity.

Total Eurosystem NCB holdings of CBPP1 securities amount to EUR 60 billion, of which the OeNB holds some EUR 1.5 billion. The acquisition of such securities was completed as scheduled at the end of June 2010. Total Eurosystem NCB holdings of CBPP2 securities amount to EUR 16.4 billion, of which the OeNB holds some EUR 0.5 billion. The impairment test of the monetary policy security holdings under the CBPP1 and CBPP2, which was harmonized across the Eurosystem, did not result in any writedown requirement on December 31, 2012. Any risks from holdings of CBPP1 and CBPP2 securities, if they were to materialize, are not shared by the Eurosystem NCBs.

Total Eurosystem NCB holdings of SMP securities amount to EUR 208.3 billion, of which the OeNB holds some EUR 5.9 billion. The SMP was discontinued in September 2012.[9] These securities are valued at amortized cost, subject to a uniform Eurosystem impairment framework.

In accordance with Article 32.4 of the Statute of the ESCB and of the ECB, any risks from holdings of SMP securities, if they were to materialize, should eventually be shared in full by the Eurosystem NCBs, in proportion to the prevailing ECB capital key shares. As a result of an impairment test conducted as at December 31, 2012, the Governing Council of the ECB established that all future cash flows on these securities are expected to be received. Therefore, there was no impairment on SMP securities on December 31, 2012.

7.2 Other Securities

The change resulted chiefly from transactions. On December 31, 2012, there was no requirement to impair the portfolio of securities classified as held-to-maturity. Securities other than those held to maturity are recognized at market value.

8 General Government Debt Denominated in Euro

Closing balance	*EUR million*	
December 31, 2012	413.061	
December 31, 2011	416.164	
Change	–3.103	(–0.7%)

This balance sheet item corresponds 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. 425/1996. Table 12 shows the change in 2012.

Any amount outstanding on December 31, 2040, will have to be repaid in the five following years (2041 to 2045) in five equal installments. Technically, the federal liability amounted to EUR 1,138.1 million on December 31, 2012.

Table 12

	EUR million
Government remuneration for silver commemorative coins returned to Münze Österreich AG	+5.803
Proceeds from metal recovery	–3.092
Redemptions made out of the central government's profit share in 2011	–5.814
Total	**–3.103**

[8] *Decision of the Governing Council of the ECB of 14 May 2010 (ECB/2010/5).*

[9] *Decision of the Governing Council of the ECB of 6 September, 2012.*

9 Intra-Eurosystem Claims

Closing balance	*EUR million*	
December 31, 2012	43,283.532	
December 31, 2011	34,094.521	
Change	+9,189.011	(+27.0%)

This balance sheet item consists of the claims arising from the OeNB's share of the ECB's capital and the claims equivalent to the transfer of foreign reserves to the ECB. Furthermore, this item shows net claims related to the allocation of euro banknotes within the Eurosystem. Table 13 shows the changes in *intra-Eurosystem claims* from December 31, 2011, to December 31, 2012.

9.1 Participating Interest in the ECB

This subitem shows the share that the OeNB holds in the capital of the ECB. The OeNB's percentage share in the fully paid-up capital of the ECB remained unchanged at 2.7750% on December 31, 2012.

Pursuant to Article 28.1 of the Statute of the ESCB and of the ECB, the ECB increased its subscribed capital by EUR 5 billion[10] from EUR 5,760,652,402.58[11] to EUR 10,760,652,402.58 with effect from December 29, 2010. The NCBs of the euro area countries paid up their increased capital in three equal annual installments. The OeNB paid its third, i.e. last, installment of the ECB capital increase of EUR 32.362 million on December 27, 2012.

9.2 Claims Equivalent to the Transfer of Foreign Reserves

This item represents the OeNB's claims arising from the transfer of foreign reserve assets to the ECB. The claims are denominated in euro at the original conversion rate, so that the OeNB does not have a claim on the ECB for retransfer of these foreign reserve assets.[12] See the *Notes on Transactions Not Disclosed in the Balance Sheet* for information about additional capital contributions transferred to the ECB.

9.4 Net Claims Related to the Allocation of Euro Banknotes within the Eurosystem

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

11 Other Assets

Table 14 shows the development of *other assets*.

11.1 Coins of Euro Area

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

11.2 Tangible and Intangible Fixed Assets

Tangible and intangible fixed assets comprise OeNB *premises and equipment* (including computers, related hardware and software, and mo-

Table 13

	December 31, 2012	December 31, 2011	Change	
	EUR million	*EUR million*	*EUR million*	%
9.1 Participating interest in the ECB	208.940	176.578	+32.362	+18.3
9.2 Claims equivalent to the transfer of foreign reserves	1,118.546	1,118.546	–	–
9.4 Net claims related to the allocation of euro banknotes within the Eurosystem	41,956.046	32,799.397	+9,156.649	+27.9
Total	**43,283.532**	**34,094.521**	**+9,189.011**	**+27.0**

[10] *Council Regulation (EC) No 1009/2000 of 8 May 2000 (OJ L 115/1, 16 May 2000).*

[11] *After increase by Decision of the European Central Bank of 18 December 2006 (ECB/2006/26) in conjunction with Article 49.3 of the Statute of the ESCB and of the ECB.*

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

Table 14

	December 31, 2012	December 31, 2011	Change	
	EUR million	*EUR million*	*EUR million*	%
11.1 Coins of euro area	120.937	139.350	–18.413	–13.2
11.2 Tangible and intangible fixed assets	147.656	149.125	–1.469	–1.0
11.3 Other financial assets	7,907.043	7,433.982	+473.061	+6.4
11.4 Off balance sheet instruments' revaluation differences	34.003	–	+34.003	x
11.5 Accruals and prepaid expenses	696.400	677.421	+18.979	+2.8
11.6 Sundry	970.797	1,062.622	–91.825	–8.6
Total	**9,876.836**	**9,462.500**	**+414.336**	**+4.4**

tor vehicles), *assets under construction* and *tangible real assets*. Table 15 shows the development of *premises*.

Table 15

	EUR million
Cost incurred until December 31, 2011[1]	116.811
Purchases in 2012	0.613
Sales (cost incurred) in 2012	–
Accumulated depreciation	51.505
Book value on December 31, 2012	65.919
Book value on December 31, 2011	69.723
Annual depreciation in 2012	4.417

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

Table 16 shows the development of *assets under construction*.

Table 16

	EUR million
Cost incurred until December 31, 2011	2.977
Purchases in 2012	1.184
Sales (cost incurred) in 2012	–
Book value on December 31, 2012	4.161
Book value on December 31, 2011	2.977

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

Table 17 shows the development of *equipment*.

Table 17

	EUR million
Cost incurred until December 31, 2011	86.098
Purchases in 2012	9.651
Sales (cost incurred) in 2012[1]	15.531
Accumulated depreciation	50.860
Book value on December 31, 2012	29.358
Book value on December 31, 2011	28.219
Annual depreciation in 2012	8.384

[1] *The balance between the book value of the sales and the underlying historical costs less accumulated depreciation is EUR 0.127 million.*

Table 18 shows the development of *tangible real assets*.

Table 18

	EUR million
Cost incurred until December 31, 2011	50.034
Purchases in 2012	0.012
Sales (cost incurred) in 2012	–
Accumulated depreciation	1.828
Accumulated appreciation	9.269
Book value on December 31 ,2012	48.218
Book value on December 31, 2011	48.206
Annual depreciation in 2012	–

Tangible real assets comprise the coins of the OeNB's Money Museum and the OeNB's collection of historical string instruments. On December 31, 2012, the OeNB's collection of valuable instruments encompassed 29 violins, 6 violoncellos and 3 violas. The string instruments are on loan to renowned musicians under the OeNB's cultural promotion program.

Table 19

	December 31, 2012	December 31, 2011	Change	
	EUR million	*EUR million*	*EUR million*	*%*
Securities	6,790.588	6,074.906	+715.682	+11.8
Participating interests	1,091.260	1,041.359	+49.901	+4.8
Other investments	25.195	341.806	–316.611	–92.6
Items in course of settlement	–	–24.089	–24.089	–100.0
Total	**7,907.043**	**7,433.982**	**+473.061**	**+6.4**

11.3 Other Financial Assets

Table 19 shows the development of *other financial assets.*

Of the OeNB's securities portfolio, EUR 1,562.534 million represent investments of pension reserve assets, another EUR 1,580.696 million reflect investments of the *OeNB Anniversary Fund for the Promotion of Scientific Research and Teaching* (of which EUR 1,548.671 million were earmarked as an endowment for the National Foundation for Research, Technology and Development, also referred to in brief as the National Foundation). Under its own funds management, the OeNB had invested EUR 3,647.359 million.[13] Revaluations of the portfolios resulted in unrealized price gains of EUR 152.963 million and unrealized price losses totaling EUR 0.233 million.

Of the *participating interests*, EUR 785.902 million formed part of the own funds portfolio and EUR 305.357 million part of the investment portfolio relating to investments of the pension reserve. Table 20 shows the development of *participating interests*.

Table 20

	EUR million
Net asset value on December 31, 2011	1,041.359
Purchases in 2012	–
Sales and adjustments in 2012 (at book value)	0.084
Annual depreciation in 2012	–
Revaluation in 2012	49.985
Net asset value on December 31, 2012	1,091.260

Sales and adjustments resulted from the redistribution of participating interests in the Society for Worldwide Interbank Financial Telecommunication s.c. (S.W.I.F.T.).

Other investments include investments of the pension reserve (EUR 2.571 million) and investments to promote the National Foundation (EUR 0.123 million), investments of the initial OeNB Anniversary Fund (i.e. exclusive of the National Foundation endowment; EUR 22.501 million) and consisted mainly of overnight and short-term funds.

11.4 Off Balance Sheet Instruments' Revaluation Differences

Closing balance	*EUR million*	
December 31, 2012	34.003	
December 31, 2011	–	
Change	+34.003	(x)

The amount shown on December 31, 2012, resulted from book value reconciliation and realized gains/losses on forward sales and purchases.

11.6 Sundry

Table 21 shows the development of *sundry assets.*

Pursuant to Article 3 paragraph 2 ERP Fund Act, the OeNB's maximum financing commitment corresponds to the amount by which the federal debt was written down initially (EUR 341.955 million) plus interest accrued on a reserve account (EUR 646.160 million on December 31, 2012). The ERP loan portfolio managed by the OeNB thus totaled EUR 988.115 million on December 31, 2012. The provisions governing the extension of loans

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

Table 21

	December 31, 2012	December 31, 2011	Change	
	EUR million	EUR million	EUR million	%
Claims arising from ERP loans to companies	674.100	647.461	+26.639	+4.1
Money market investment with the Oesterreichische Kontrollbank (OeKB) for ERP lending	220.001	335.729	–115.728	–34.5
ERP loan portfolio managed by the OeNB	**894.101**	**983.190**	**–89.089**	**–9.1**
Claims on the tax authorities arising from corporate income tax prepayment	–	13.234	–13.234	–100.0
Schilling coins	6.247	7.291	–1.044	–14.3
Shareholder loans	37.446	39.310	–1.864	–4.8
Advances on salaries	8.274	6.659	+1.615	+24.3
Advances	15.594	8.856	+6.738	+76.1
Accounts receivable	5.709	2.408	+3.301	+137.1
Claim on Münze Oesterreich in respect of unsettled schilling coin returns	0.050	0.096	–0.046	–47.8
Other accounts receivable	3.376	1.577	+1.799	+114.1
Total	**970.797**	**1,062.622**	**–91.825**	**–8.6**

from this portfolio are laid down in Article 83 Nationalbank Act.

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

Other claims on December 31, 2012, mainly comprised advances, accounts receivable and claims arising from day-to-day business.

Liabilities

1 Banknotes in Circulation

Closing balance	EUR million	
December 31, 2012	23,298.474	
December 31, 2011	22,686.673	
Change	+611.801	(+2.7%)

This item reflects the value of euro banknotes in circulation allocated to the OeNB. Table 22 shows how this share is calculated and how it developed in 2012.

Table 22

	December 31, 2012	December 31, 2011	Change
	EUR million	EUR million	EUR million
Banknotes actually put into and taken out of circulation by the OeNB (unadjusted banknotes)	–18,657.572	–10,112.724	–8,544.848
Adjusted for:			
Liability resulting from the share of euro banknotes in circulation allocated to the ECB's balance sheet[1]	–2,025.974	–1,972.773	–53.201
Claims related to the allocation of euro banknotes within the Eurosystem (Capital Share Mechanism – CSM)	+43,982.020	+34,772.170	+9,209.850
Net claims related to the allocation of euro banknotes within the Eurosystem	+41,956.046	+32,799.397	+9,156.649
Banknotes in circulation[2]	**23,298.474**	**22,686.673**	**+611.801**

[1] *The amount corresponds to the OeNB's share of the 8% of the total value of euro banknotes in circulation within the euro area that is allocated to the ECB.*

[2] *This corresponds to 2.553% of the total amount of euro banknotes in circulation within the euro area (unchanged from December 31, 2011).*

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

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

Table 23

	Banknotes in circulation, annual average	Change	
	EUR billion	*EUR billion*	%
2008	18.458	+1.844	+11.1
2009	19.323	+0.865	+4.7
2010	20.341	+1.018	+5.3
2011	21.270	+0.929	+4.6
2012	22.204	+0.934	+4.4

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

Table 24 shows the development of *liabilities to euro area credit institutions related to monetary policy operations denominated in euro.*

2.1 Current Accounts (Covering the Minimum Reserve System)

This subitem contains the credit balances on the transaction accounts of credit institutions that are required to hold minimum reserves. Banks' minimum reserve balances have been remunerated since January 1, 1999, at the prevailing marginal interest rate for the Eurosystem's main refinancing operations. As any credit balances on these accounts in excess of the minimum reserve requirement do not receive interest, banks formerly kept just enough funds on their current accounts to fulfill their minimum reserve requirements and placed any additional deposits with the interest-bearing deposit facility. However, following the decision of the Governing Council of the ECB of July 5, 2012, to lower the interest rate on the deposit facility to 0% from July 11, 2012, banks' current account deposits surged.

2.2 Deposit Facility

The *deposit facility* refers to overnight deposits placed with the OeNB by Austrian banks that access the Eurosystem's liquidity-absorbing standing facility at the prespecified rate. In 2012, the volume of such transactions averaged EUR 8,048.232 million.

2.3 Fixed-Term Deposits

In 2012, *fixed-term deposits* of between EUR 750.827 million and EUR 8,180.702 million were made at interest rates of between 0.01% per annum and 0.75% per annum.

5 Liabilities to Other Euro Area Residents Denominated in Euro

Closing balance	*EUR million*	
December 31, 2012	286.775	
December 31, 2011	43.703	
Change	+243.072	(n.a.)

Liabilities to other euro area residents denominated in euro consist of general government deposits of EUR 203.466 million (+EUR 195.415 million).

Table 24

	December 31, 2012	December 31, 2011	Change	
	EUR million	*EUR million*	*EUR million*	%
2.1 Current accounts (covering the minimum reserve system)	19,932.000	9,041.853	+10,890.147	+120.4
2.2 Deposit facility	3,296.500	10,609.537	–7,313.037	–68.9
2.3 Fixed-term deposits	–	1,150.000	–1,150.000	–100.0
Total	**23,228.500**	**20,801.390**	**+2,427.110**	**+11.7**

9 Counterpart of Special Drawing Rights Allocated by the IMF

Closing balance	EUR million	
December 31, 2012	2,024.021	
December 31, 2011	2,060.484	
Change	–36.463	(–1.8%)

This item represents the counterpart in euro of the SDR 1,736 million allocated gratuitously to the OeNB, measured at current market values at the reporting date. The OeNB was allocated SDRs on January 1 from 1970 to 1972, from 1979 to 1981 and on August 28 and September 9, 2009. The decrease resulted mainly from the decline in the exchange rate of the SDR against the euro.

10 Intra-Eurosystem Liabilities

Closing balance	EUR million	
December 31, 2012	39,897.016	
December 31, 2011	34,613.592	
Change	+5,283.424	(+15.3%)

This item shows the OeNB's net liabilities arising from transactions with the NCBs participating in TARGET2 and with the ECB. It also comprises the nonremunerated intra-Eurosystem balances between the ECB and the OeNB resulting from EUR/USD swap transactions as on December 31, 2011 and December 31, 2012. Moreover, this item covers net claims arising at year-end from the difference between monetary income to be pooled and distributed, the balances arising from any redistribution of ECB seigniorage income, and pro rata expenditure in connection with losses incurred in respect of monetary policy operations of the Eurosystem.

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

12 Other Liabilities

Table 25 shows the development of *other liabilities*.

12.1 Off Balance Sheet Instruments' Revaluation Differences

Off balance sheet instruments' revaluation differences subsumes the realized losses and book value reconciliation arising on off balance sheet positions.

12.3 Sundry

Table 26 shows the development of *sundry liabilities*.

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

The subitem *schilling banknotes in circulation with an exchange deadline* is attributable to schilling banknotes with an exchange deadline which were still outstanding on December 31, 2012. 2012 did not mark the end of the exchange period of any schilling banknote.

According to the General Meeting's decision, EUR 9 million of the profit for the year 2011 were apportioned to the *OeNB's Anniversary Fund for the Promotion of Scientific Research and Teaching*. The initial OeNB Anniversary Fund thus received funds of EUR 33.420 million. Of these funds, EUR 9.138 million were paid out in 2012; EUR 15.459 million of the

Table 25

	December 31, 2012	December 31, 2011	Change	
	EUR million	EUR million	EUR million	%
12.1 Off balance sheet instruments' revaluation differences	–	148.920	–148.920	–100.0
12.2 Accruals and income collected in advance	26.705	36.951	–10.246	–27.7
12.3 Sundry	475.375	315.269	+160.106	+50.8
Total	**502.080**	**501.140**	**+0.940**	**+0.2**

Table 26

	December 31, 2012	December 31, 2011	Change	
	EUR million	EUR million	EUR million	%
The central government's share of profit	254.694	168.271	+86.423	+51.4
Liability from schilling banknotes in circulation with an exchange deadline	114.984	116.370	–1.386	–1.2
Earmarked funds of the OeNB Anniversary Fund				
OeNB Anniversary Fund (initial funding)	24.282	23.093	+1,189	+5.2
OeNB Anniversary Fund National Foundation endowment	75.000	3.281	+71.719	n.a.
Settlement account with the tax authorities	2.552	1.271	+1.281	+100.8
Other	3.863	2.983	+0.880	+29.5
Total	**475.375**	**315.269**	**+160.106**	**+50.8**

remaining undisbursed funds of EUR 24.282 million on December 31, 2012, have been pledged. In 2012, the General Council voted to allocate an additional EUR 9.931 million to fund 108 projects. This means that since funds were first pledged as financial assistance in 1966, a total of EUR 744.904 million has been paid out.

The amounts appropriated each year for the National Foundation (EUR 75 million for 2012) are transferred the day after the General Meeting.

13 Provisions

Provisions are shown in table 27.

A new article on risk provisioning added to the Guideline on the legal framework for accounting and financial reporting in the ESCB under the latest amendment changed the legal basis for the disclosure of risk provisions in the OeNB's financial statements of December 31, 2012. The new provisions that NCBs "may establish for foreign exchange rate, interest rate, credit and gold price risks" on their balance sheets are equivalent to the risk provisions that the OeNB disclosed in its financial statements in the past. The risk provisions are designed to capture the types of risk arising from the nature of the activities of an NCB. NCBs may decide on the size and the use of the provisions on the basis of a reasoned estimate of their risk exposure. The OeNB based its method for calculating the risk exposure on recommendations of the ECB and recognized principles. To calculate the need to allocate or release risk provisions, the OeNB uses bandwidths for all financial risks it incurs, including the risks arising from the single monetary policy of the Eurosystem. These bandwidths are based on risk calculations using VaR and ES calculations with a confidence level of 99% over a one-year time horizon (plus a three-month horizon for market risk). The bandwidths also reflect the results of stress scenarios for the risks arising from the single monetary policy. Taking into account the prohibition of netting in the Accounting Guideline, balances on revaluation accounts that may be used to absorb losses are used to reduce risk in calculating market risk.

Taking monetary policy, macroeconomic and financial stability considerations into account, the Governing Board determines the size of the risk provisions every year on the basis of the risk bandwidth. In the financial statement for 2012, EUR 626 million were allocated to the risk provisions. As defined by the ECB, these risk provisions constitute central bank-specific provisions equivalent to reserves and are to be included in net equity.

Under its initial retirement plan, the OeNB assumes full liability to provide retirement benefits to the employees with contracts concluded up to April 30, 1998. To cover this liability, the OeNB is obligated by law to hold a pension reserve. Following a change in the retirement plan, staff recruited since May 1, 1998, stands to receive a state pension supplemented by an occupational pension from an externally managed pension fund. For this supplementary pen-

Table 27

	December 31, 2011	Transfer from	Transfer to	December 31, 2012
	EUR million	EUR million	EUR million	EUR million
Risk provisions	1,923.927	–	+626.073	2,550.000
Pension reserve	1,845.798	–113.871	+137.757	1,869.684
Personnel provisions				
Severance payments	60.679	–4.377	+4.922	61.224
Anniversary bonuses	10.935	–1.577	+1.556	10.914
Residual leave entitlements	10.730	–0.100	+1.256	11.886
Supplementary contributions to pension plans	6.668	–	+3.133	9.801
Pension fund contributions	0.600	–0.096	+0.275	0.779
Widows', widower' and orphans' pensions during the first three calendar months after the end of the month of an employee's death	0.455	–	+0.095	0.550
Salary cost revisions in 2011 and 2012	0.429	–0.429	+0.445	0.445
Statutory or contractual social charges	0.118	–0.118	+0.131	0.131
Sabbaticals	0.011	–	+0.028	0.039
Other provisions				
Schilling banknotes without an exchange deadline	171.666	–3.477	–	168.189
In respect of monetary policy operations of the Eurosystem	27.449	–18.483	–	8.966
Accounts payable	2.464	–2.464	+0.700	0.700
Accounts payable to subsidiaries	2.207	–2.207	+4.754	4.754
IMF Poverty Reduction and Growth Trust (PRGT)		–	+7.244	7.244
Corporate income tax		–	+29.516	29.516
Other	0.583	–0.454	+0.974	1.103
Total	**4,064.719**	**–147.653**	**+818.859**	**4,735.925**

sion, the OeNB took out a contract effective May 1, 1999, which also applies retroactively to employees taken on in the 12 months from May 1, 1998. With the OeNB's direct liability to pay retirement benefits now limited to staff recruited before May 1, 1998, the pension reserve set up to secure this liability has become a closed system. Retirement benefit payments came to EUR 113.871 million (+3.1%) in 2012, with the entire amount covered by investment income relating to the pension reserve. These payments include the remuneration of 14 retired board members or their dependents (totaling EUR 4.107 million; 2011: 14 persons at EUR 4.064 million).

The pension reserve is shown at its actuarial present value, based on a discount rate[14] of 3.25% per annum (unchanged from 2011) and on the most recent mortality tables.[15] Employees or their dependents may become eligible for benefits from the pension reserve for three reasons: death, disability or attainment of the pension entitlement age of the employee. The retirement eligibility age depends on the applicable Terms and Conditions of Employment and on the respective employment contract provisions. The pension scheme liability for current employees was stated pro rata in the 2012 financial statements, and that for retired employees was stated at the net present value. The actuarial present value of the pension reserve

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

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

amounted to EUR 2,085.312 million on December 31, 2012; they are fully covered by the pension reserve (including hidden reserves in the real estate portfolio). Hence, the pension liability was not underfunded on December 31, 2012.

Provisions for *severance payments and anniversary bonuses* are calculated according to actuarial principles; the discount rate of 3.50% per annum is the same as that applied in 2011.

Given that under Article 32.4 of the Statute of the ESCB and of the ECB, NCBs incur costs in connection with any losses arising from monetary policy operations in proportion to their paid-up shares in the capital of the ECB, *provisions in respect of monetary policy operations of the Eurosystem* were established in 2008. Initially, a total of EUR 5.736 billion was set aside, with the OeNB's share coming to EUR 166 million. As in previous years, an adjustment was made in the business year 2012, bringing the total to EUR 310 million. The respective share of the OeNB was also adjusted, bringing *provisions in respect of monetary policy operations of the Eurosystem* to EUR 9 million in the OeNB's annual accounts in 2009 (–EUR 18 million).

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

14 Revaluation Accounts

The amounts on the *revaluation accounts* (table 28) reflect the valuation gains established in the course of the valuation of assets (on a currency-by-currency and code-by-code basis) as on December 31, 2012. Those gains are realizable only in the context of future transactions in the respective category or may be used to reverse revaluation losses that may arise in future years.

15 Capital and Reserves

According to Article 8 paragraph 1 Nationalbank Act, the *capital* of the OeNB is EUR 12 million. Since May 27, 2010, the Republic of Austria has been the sole shareholder of the OeNB, with the Ministry of Finance acting as the shareholder's representative.

Table 29 shows the development of *reserves*.

The change in the *profit-smoothing reserve* resulted from allocations out of the profit for the year 2011, which were made according to the General Meeting's decision of May 24, 2012.

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

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

Table 28

	December 31, 2012	December 31, 2011	Change	
	EUR million	EUR million	EUR million	%
Revaluation accounts				
Gold	9,135.435	8,736.507	+398.928	+4.6
Foreign currency	641.324	665.288	–23.964	–3.6
Securities	626.525	291.703	+334.822	+114.8
Participating interests	450.131	400.147	+49.984	+12.5
Coins of the OeNB's Money Museum	9.269	9.269	–	–
Total	**10,862.684**	**10,102.914**	**+759.770**	**+7.5**
Unrealized valuation gains from January 1, 1999 (initial valuation)				
Participating interests	262.764	262.764	–	–
Total	**11,125.448**	**10,365.678**	**+759.770**	**+7.3**

disposable reserve fund (EUR 545 million) and from the *general reserve fund* (EUR 955 million).

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

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

Notes on Transactions Not Disclosed in the Balance Sheet

The following financial assets and liabilities of the OeNB were recorded off the balance sheet on December 31, 2011 and on December 31, 2012 (table 30).

Notes to the Profit and Loss Account

Table 31 shows the individual items of the profit and loss account.

Table 29

	December 31, 2012	December 31, 2011	Change	
	EUR million	EUR million	EUR million	%
Profit-smoothing reserve	34.587	26.090	+8.497	+32.6
Reserve for nondomestic and price risks	1,973.263	1,973.263	–	–
OeNB Anniversary Fund for the Promotion of Scientific Research and Teaching	1,531.500	1,531.500	–	–
Earmarked capital funded with net interest income from ERP loans	646.160	642.148	+4.012	+0.6
Total	**4,185.510**	**4,173.001**	**+12.509**	**+0.3**

Table 30

	December 31, 2012	December 31, 2011
	EUR million	EUR million
Obligation under the IMF's Articles of Agreement to expand SDR holdings to up to three times the amount of SDRs received gratuitously	4,123.142	4,176.273
Contingent liabilities to the IMF under the New Arrangements to Borrow (NAB)	3,679.928	3,955.319
Obligation to make supplementary contributions to the stake in the capital of the BIS in Basel consisting of 8,564 shares of SDR 5,000 each	37.436	38.111
Forward purchases (euro and foreign currency-denominated swaps)	1,465.612	4,509.774
Forward sales (euro and foreign currency-denominated swaps)	1,431.609	4,658.694
Book value reconciliation and realized gains/losses on forward sales and purchases	34.003	148.920
Liabilities from foreign currency investments effected in the OeNB's name for third account	10.675	9.792
Repayment obligation arising from the interest share on pension contributions paid by OeNB staff members; this obligation becomes effective on termination of employment contracts	11.620	10.558
Contingent liability equivalent to the OeNB's share of the maximum of EUR 50 billion of reserve assets that the ECB may require the euro area NCBs to transfer under Article 30.1 of the Statute of the ESCB and of the ECB	970.850	970.850
Liability with respect to the remaining installment(s) to be paid following the increase in the ECB's capital with effect from December 29, 2010	–	32.362
Contingent liabilities arising from bank guarantees given	111.000	111.000
Contingent assets arising from bank guarantees received	7.863	0.299
Contingent asset from a guarantee of the OeKB in respect of payment transactions	1,000.000	1,000.000
Contingent asset from warranties and guarantees given	–	4.089

Table 31

	2012 EUR million	2011 EUR million	Change[1] EUR million	%
1 Net interest income	1,015.785	842.260	+173.525	+20.6
2 Net result of financial operations, writedowns and risk provisions	–440.376	–342.263	+98.113	+28.7
3 Net income from fees and commissions	0.423	0.779	–0.356	–45.8
4 Income from equity shares and participating interests	41.365	58.161	–16.796	–28.9
5 Net result of pooling of monetary income	31.884	–4.415	+36.299	n.a.
6 Other income	29.365	21.084	+8.281	+39.3
Total net income	**678.446**	**575.606**	**+102.840**	**+17.9**
7 Staff costs	–130.663	–125.432	+5.231	+4.2
8 Expenses for retirement	–6.773	–89.535	–82.762	–92.4
9 Administrative expenses	–84.254	–79.236	+5.018	+6.3
10 Depreciation of tangible and intangible fixed assets	–12.801	–11.659	+1.142	+9.8
11 Banknote production services	–21.395	–11.597	+9.798	+84.5
12 Other expenses	–45.236	–8.856	+36.380	n.a.
Total expenses	**–301.122**	**–326.315**	**–25.193**	**–7.7**
Operating profit	**377.324**	**249.291**	**+128.033**	**+51.4**
13 Corporate income tax	–94.331	–62.323	+32.008	+51.4
	282.993	**186.968**	**+96.025**	**+51.4**
14 Central government's share of profit	–254.694	–168.271	+86.423	+51.4
15 Profit for the year	**28.299**	**18.697**	**+9.602**	**+51.4**

[1] *Absolute increase (+) or decrease (–) in the respective item.*

1 Net Interest Income

Net interest income represents the balance of interest income and interest expense (table 32).

2 Net Result of Financial Operations, Writedowns and Risk Provisions

Table 33 shows *realized gains/losses arising from financial operations* (profit and loss account item 2.1).

Table 34 shows *writedowns on financial assets and positions* (profit and loss account item 2.2).

Transfers to *risk provisions* had an impact of EUR 626 million on item 2.3 *Transfer to/from provisions for foreign exchange, interest rate, credit and gold price risks* (2011: EUR 400 million).

4 Income from Equity Shares and Participating Interests

Table 35 shows income from equity shares and participating interests.

The Governing Council of the ECB decided that of the amount of the ECB's 2012 income of EUR 633 million on euro banknotes in circulation (seigniorage income) and the ECB's income of EUR 1,108 million on SMP securities, EUR 1,166 million should be retained and transferred the ECB's *provision for foreign exchange rate, interest rate, credit and gold price risks.* The remaining seignorage income of EUR 575 million was redistributed to the NCBs at the end of January 2013, with the OeNB receiving EUR 16 million of this amount.

5 Net Result of Pooling of Monetary Income

Table 36 shows the net result for the OeNB arising from the calculation of monetary income in the Eurosystem.

Table 32

	2012	2011	Change	
	EUR million	*EUR million*	*EUR million*	%
Net interest income from				
foreign currency investments	156.066	140.182	+15.884	+11.3
euro investments	358.550	446.860	–88.310	–19.8
monetary policy operations	512.785	325.915	+186.870	+57.3
intra-Eurosystem balances arising from the allocation of euro banknotes within the Eurosystem	337.375	365.053	–27.678	–7.6
the transfer of foreign reserve assets to the ECB	8.517	12.043	–3.526	–29.3
minimum reserves	–29.625	–77.428	–47.803	–61.7
TARGET2 transactions	–328.177	–405.743	–77.566	–19.1
Other	0.294	35.378	–35.084	–99.2
Total	**1,015.785**	**842.260**	**+173.525**	**+20.6**

Table 33

	2012	2011	Change	
	EUR million	*EUR million*	*EUR million*	%
Foreign currency transactions	60.335	14.391	+45.944	n.a.
Securities transactions	128.127	68.307	+59.820	+87.6
Total	**188.462**	**82.698**	**+105.764**	**+127.9**

Table 34

	2012	2011	Change	
	EUR million	*EUR million*	*EUR million*	%
Securities	–1.464	–24.961	–23.497	–94.1
Foreign currency	–1.301	–0	+1.301	n.a.
Total	**–2.765**	**–24.961**	**–22.196**	**–88.9**

Table 35

	2012	2011	Change	
	EUR million	*EUR million*	*EUR million*	%
Dividends				
BIS	3.169	2.797	+0.372	+13.3
Münze Österreich AG	20.000	20.000	–	–
Profit distributions				
Oesterreichische Banknoten- und Sicherheitsdruck GmbH (OeBS)	–	2.500	–2.500	–100.0
Geldservice Austria Logistik für Wertgestionierung und Transportkoordination G.m.b.H. (GSA)	0.093	0.071	+0.022	+31.0
Sale of 15% of shares of AUSTRIA CARD-Plastikkarten und Ausweissysteme Gesellschaft m.b.H.	–	9.947	–9.947	–100.0
Redistribution of S.W.I.F.T. shares	0.044	–	+0.044	x
Redistribution of ECB seigniorage income	15.946	18.093	–2.147	–11.9
Distribution of ECB profit	2.113	4.753	–2.640	–55.5
Total	**41.365**	**58.161**	**–16.796**	**–28.9**

Table 36

	2012
	EUR million
Net monetary income to be pooled	–638.632
Net redistribution of monetary income	649.490
Net expenditure from the redistribution of monetary income in the review year	**10.858**
Transfers from provisions in respect of monetary policy operations of the Eurosystem	18.483
Net income from the revision of monetary income of the previous years	2.503
Other income	0.040
Total	**31.884**

The calculation of monetary income every year is made in accordance with Article 32 of the Statute of the ESCB and of the ECB.

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

The earmarkable assets consist of the following items: lending to euro area credit institutions related to monetary policy operations denominated in euro, net intra-Eurosystem claims equivalent to the transfer of foreign reserve assets to the ECB, net intra-Eurosystem claims resulting from TARGET2 transactions, and net intra-Eurosystem claims related to the allocation of euro banknotes within the Eurosystem; moreover, a limited amount of the OeNB's gold holdings in proportion to its capital key share (gold is considered to generate no income).

Securities acquired by the OeNB under the CBPP initiatives are considered to generate income at the latest available marginal rate for the Eurosystem's main refinancing operations. Where the value of the OeNB's earmarkable assets exceeds, or falls short of, the value of its liability base, the difference is offset by applying to the value of the difference the latest available marginal rate for the Eurosystem's main refinancing operations.

The monetary income pooled by the Eurosystem is allocated among NCBs according to the subscribed ECB capital key.

7 Staff Costs

The cost of current employees falls under the heading *staff costs*. These costs are reduced by recoveries of salaries.

Salaries rose by EUR 5.030 million (+4.9%) net to EUR 106.693 million against the previous year. The OeNB's outlays were reduced by recoveries of salaries totaling EUR 7.229 million for staff members on secondment to subsidiaries and foreign institutions.

The four members of the Governing Board received emoluments totaling EUR 1.067 million, unchanged from 2011. Table 37 shows a breakdown of these items:

Table 37

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

With regard to the remuneration of Governing Board members, the Federal Constitutional Act on the Limitation of Remunerations for Public Officials stipulates that the emoluments of the central bank governor must not exceed those of the Austrian Federal Chancellor. The emoluments of the other members of the Governing Board, in turn, must not exceed the emoluments of the Governor of the OeNB. In line with these provisions, the emoluments have not been increased since 2010. Remuneration in kind (tax value of the private use of company cars, subsidies to health and accident insurance) and other benefits totaled EUR 0.037 million in 2012. The emoluments of the OeNB's President and Vice President amounted

Table 38

	Reporting date December 31,[1]			Annual average[1]		
	2012	2011	Change	2012	2011	Change
Staff employed in core business areas[2]	1,071.7	985.7	+86.0	1,032.8	984.5	+48.3
Total	1,222.4	1,146.0	+76.4	1,189.3	1,147.0	+42.3

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

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

Table 39

	2012	2011	Change	
	EUR million	*EUR million*	*EUR million*	%
Central government's share of profit	**254.694**	**168.271**	**+86.423**	**+51.4**

to EUR 0.114 million in 2012 (2011: EUR 0.114 million).

Table 38 shows the development of staff in full-time equivalents (FTEs). The increase against 2011 results above all from the insourcing of external staff.

Statutory or contractual social charges totaling EUR 17.913 million (+EUR 1.316 million) contain social security contributions of EUR 9.840 million (+EUR 0.858 million), contributions of EUR 4.721 million (+ EUR 0.247 million) to the Family Burden Equalization Fund and municipal tax payments of EUR 3.174 million (+EUR 0.157 million).

8 Expenses for Retirement

This item includes pension plan contributions of EUR 6.773 million (2011: EUR 4.599 million). Expenses for retirement in 2012 were fully covered by the investment income of the pension reserve. The remuneration of retired board members or their dependents totaled EUR 4.107 million.

9 Administrative Expenses

Administrative expenses include rent, operating expenses, maintenance and repair costs of EUR 33.092 million (+EUR 6.171 million) as well as cash processing expenses of EUR 11.398 million (+EUR 1.424 million). The headline figure also includes EUR 3.444 million (+EUR 0.528 million) that were refunded by third parties. Administrative expenses for auditing the financial statements came to EUR 0.167 million (2011: EUR 0.167 million), those for certification services to EUR 0.085 million (2011: EUR 0.051 million).

11 Banknote Production Services

Expenses for *banknote production services* result above all from the purchase of euro banknotes from the OeBS.

12 Other Expenses

Other expenses include support for the National Foundation for Research, Technology and Development (National Foundation), which is expensed in the profit and loss account and which comes to EUR 30 million, and support of EUR 2.493 million (2011: EUR 2.498 million) for the Joint Vienna Institute (JVI).

14 Central Government's Share of Profit

Table 39 shows the *central government's share of profit* under Article 69 paragraph 3 Nationalbank Act.

Governing Board (Direktorium)

Governor Ewald Nowotny
Vice Governor Wolfgang Duchatczek
Executive Director Peter Zöllner
Executive Director Andreas Ittner

General Council (Generalrat)

President Claus J. Raidl
Vice President Max Kothbauer
August Astl
Markus Beyrer
Bernhard Felderer (until April 22, 2012)
Elisabeth Gürtler-Mauthner
Erich Hampel
Anna Maria Hochhauser
Johann Marihart
Werner Muhm (until April 22, 2012)
Gabriele Payr
Walter Rothensteiner
Dwora Stein
In accordance with Article 22 paragraph 5 of the Nationalbank Act, the following representatives of the Staff Council participated in discussions on personnel, social and welfare matters:
Robert Kocmich and Ferdinand Mramor

Vienna, March 18, 2013

Ewald Nowotny

Wolfgang Duchatczek

Peter Zöllner

Andreas Ittner

Audit Opinion

Facsimile

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

TPA Horwath Wirtschaftsprüfung GmbH

Bestätigungsvermerk

Bericht zum Jahresabschluss

Wir haben den beigefügten Jahresabschluss der Oesterreichische Nationalbank, Wien, für das Geschäftsjahr vom 1. Jänner 2012 bis zum 31. Dezember 2012 unter Einbeziehung der Buchführung geprüft. Dieser Jahresabschluss umfasst die Bilanz zum 31. Dezember 2012, die Gewinn- und Verlustrechnung für das am 31. Dezember 2012 endende Geschäftsjahr sowie den Anhang.

Verantwortung der gesetzlichen Vertreter für den Jahresabschluss und für die Buchführung

Die gesetzlichen Vertreter der Gesellschaft sind für die Buchführung sowie für die Aufstellung eines Jahresabschlusses verantwortlich, der ein möglichst getreues Bild der Vermögens-, Finanz- und Ertragslage der Gesellschaft in Übereinstimmung mit den österreichischen unternehmensrechtlichen Vorschriften und den Bestimmungen des Nationalbankgesetzes 1984 in der geltenden Fassung und den ergänzenden Bestimmungen der vom Rat der Europäischen Zentralbank gemäß Artikel 26 Abs. 4 des „Protokolls über die Satzung des Europäischen Systems der Zentralbanken und der Europäischen Zentralbank" mittels der „Guideline of the European Central Bank of 11 November 2010 on the Legal Framework for Accounting and Financial Reporting in the European System of Central Banks (ECB/2010/20)" in der Fassung vom 10. Dezember 2012 (ECB/2012/29) erlassenen Vorschriften, vermittelt. Diese Verantwortung beinhaltet: Gestaltung, Umsetzung und Aufrechterhaltung eines internen Kontrollsystems, soweit dieses für die Aufstellung des Jahresabschlusses und die Vermittlung eines möglichst getreuen Bildes der Vermögens-, Finanz- und Ertragslage der Gesellschaft von Bedeutung ist, damit dieser frei von wesentlichen Fehldarstellungen ist, sei es auf Grund von beabsichtigten oder unbeabsichtigten Fehlern; die Auswahl und Anwendung geeigneter Bilanzierungs- und Bewertungsmethoden; die Vornahme von Schätzungen, die unter Berücksichtigung der gegebenen Rahmenbedingungen angemessen erscheinen.

Verantwortung des Abschlussprüfers und Beschreibung von Art und Umfang der gesetzlichen Abschlussprüfung

Unsere Verantwortung besteht in der Abgabe eines Prüfungsurteils zu diesem Jahresabschluss auf der Grundlage unserer Prüfung. Wir haben unsere Prüfung unter Beachtung der in Österreich geltenden gesetzlichen Vorschriften und Grundsätze ordnungsgemäßer Abschlussprüfung durchgeführt. Diese Grundsätze erfordern, dass wir die Standesregeln einhalten und die Prüfung so planen und durchführen, dass wir uns mit hinreichender Sicherheit ein Urteil darüber bilden können, ob der Jahresabschluss frei von wesentlichen Fehldarstellungen ist.

Eine Prüfung beinhaltet die Durchführung von Prüfungshandlungen zur Erlangung von Prüfungsnachweisen hinsichtlich der Beträge und sonstigen Angaben im Jahresabschluss. Die Auswahl der Prüfungshandlungen liegt im pflichtgemäßen Ermessen des Abschlussprüfers unter Berücksichtigung seiner Einschätzung des Risikos eines Auftretens wesentlicher

Fehldarstellungen, sei es auf Grund von beabsichtigten oder unbeabsichtigten Fehlern. Bei der Vornahme dieser Risikoeinschätzung berücksichtigt der Abschlussprüfer das interne Kontrollsystem, soweit es für die Aufstellung des Jahresabschlusses und die Vermittlung eines möglichst getreuen Bildes der Vermögens-, Finanz- und Ertragslage der Gesellschaft von Bedeutung ist, um unter Berücksichtigung der Rahmenbedingungen geeignete Prüfungshandlungen festzulegen, nicht jedoch um ein Prüfungsurteil über die Wirksamkeit der internen Kontrollen der Gesellschaft abzugeben. Die Prüfung umfasst ferner die Beurteilung der Angemessenheit der angewandten Bilanzierungs- und Bewertungsmethoden und der von den gesetzlichen Vertretern vorgenommenen wesentlichen Schätzungen sowie eine Würdigung der Gesamtaussage des Jahresabschlusses.

Wir sind der Auffassung, dass wir ausreichende und geeignete Prüfungsnachweise erlangt haben, sodass unsere Prüfung eine hinreichend sichere Grundlage für unser Prüfungsurteil darstellt.

<u>Prüfungsurteil</u>

Unsere Prüfung hat zu keinen Einwendungen geführt. Auf Grund der bei der Prüfung gewonnenen Erkenntnisse entspricht der Jahresabschluss nach unserer Beurteilung den gesetzlichen Vorschriften und vermittelt ein möglichst getreues Bild der Vermögens- und Finanzlage der Gesellschaft zum 31. Dezember 2012 sowie der Ertragslage der Gesellschaft für das Geschäftsjahr vom 1. Jänner bis 31. Dezember 2012 in Übereinstimmung mit den österreichischen Grundsätzen ordnungsmäßiger Buchführung.

Facsimile

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

TPA Horwath Wirtschaftsprüfung GmbH

Aussagen zum Geschäftsbericht

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

Der Geschäftsbericht ist auf Grund der gesetzlichen Vorschriften darauf zu prüfen, ob er mit dem Jahresabschluss in Einklang steht und ob die sonstigen Angaben im Geschäftsbericht nicht eine falsche Vorstellung von der Lage der Gesellschaft erwecken. Der Bestätigungsvermerk hat auch eine Aussage darüber zu enthalten, ob der Geschäftsbericht mit dem Jahresabschluss in Einklang steht.

Der Geschäftsbericht steht nach unserer Beurteilung in Einklang mit dem Jahresabschluss.

Wien, 18. März 2013

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

TPA Horwath
Wirtschaftsprüfung GmbH

Dr. Elisabeth Glaser
Wirtschaftsprüferin

Mag. Friedrich Hief
Wirtschaftsprüfer

Mag. Robert Bruckmüller
Wirtschaftsprüfer

Die Veröffentlichung oder Weitergabe des Jahresabschlusses mit unserem Bestätigungsvermerk darf nur in der von uns bestätigten Fassung erfolgen. Dieser Bestätigungsvermerk bezieht sich ausschließlich auf den deutschsprachigen und vollständigen Jahresabschluss samt Geschäftsbericht. Für abweichende Fassungen sind die Vorschriften des § 281 Abs 2 UGB zu beachten.

Oesterreichische Nationalbank
Bericht über die Prüfung des Jahresabschlusses zum 31. Dezember 2012

OeNB translation of the external auditors' report for information purposes

The Financial Statements including the audit opinion of Ernst & Young Wirtschaftsprüfungs-gesellschaft m.b.H. and TPA Horwath Wirtschaftsprüfung GmbH and may be published or distributed only as audited by us. This auditors' report applies exclusively to the full German version of the financial statements and annual report of the Oesterreichische Nationalbank. Any other versions are subject to Article 281 paragraph 2 Commercial Code.

Audit Opinion

Report on the Financial Statements

We have audited the accompanying financial statements of the Oesterreichische Nationalbank in Vienna for the fiscal year from January 1, 2012, to December 31, 2012, including the OeNB's accounts. These financial statements comprise the balance sheet as of December 31, 2012, the profit and loss account for the fiscal year ended December 31, 2012, and the notes.

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

The management of the company is responsible for the accounts maintained by the OeNB and for the preparation and fair presentation of these financial statements in accordance with Austrian Generally Accepted Accounting Principles, and under the Nationalbank Act 1984, as amended, as well as the supplementary regulations established by the Governing Council of the ECB under Article 26.4 of the Statute of the European System of Central Banks and of the European Central Bank, as set forth in the Guideline of the European Central Bank of 11 November 2010 on the legal framework for accounting and reporting in the European System of Central Banks (ECB/2010/20), as amended by the ECB's Guideline of 10 December 2012 (ECB/2012/29). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Auditors' Responsibility and Description of the Type and Scope of the Statutory Audit

Our responsibility is to express an audit opinion on these financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and with Austrian standards on auditing. Those standards require that we comply with professional guidelines and that we plan and perform the audit so as to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as of December 31, 2012, and of its financial performance for the fiscal year from January 1, 2012, to December 31, 2012, in accordance with Austrian Generally Accepted Accounting Principles.

Statement on the Annual Report

The Annual Report to be prepared under Article 68 paragraph 1 Nationalbank Act replaces the report of the Management Board to be drawn up pursuant to Article 243 Commercial Code. Pursuant to statutory provisions, the management report is to be audited as to whether the other disclosures are not misleading with respect to the Company's position. The auditors' report also has to contain a statement as to whether the Annual Report is consistent with the financial statements.

In our opinion, the Annual Report is consistent with the financial statements.

Vienna, March 18, 2013

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Elisabeth Glaser
external auditor

Friedrich Hief
external auditor

TPA Horwath
Wirtschaftsprüfung GmbH

Robert Bruckmüller
external auditor

The Financial Statements including our audit opinion may be published or distributed only as audited by us. This auditors' report applies exclusively to the full German version of the financial statements and annual report of the Oesterreichische Nationalbank. Any other versions are subject to Article 281 paragraph 2 Commercial Code.

Profit for the Year and Proposed Profit Appropriation

With the statutory allocation of the central government's share of EUR 254.694 million of the OeNB's profit having been made in line with Article 69 paragraph 3 Nationalbank Act (item 14 of the profit and loss account), the balance sheet and the profit and loss account show a profit for the year 2012 of EUR 28,299,335.96. On March 27, 2013, the Governing Board endorsed the following profit appropriation proposal to the General Council:

	EUR
to pay a 10% dividend on the OeNB's capital stock of EUR 12 million	1,200,000.00
to allocate to the OeNB Anniversary Fund for the Promotion of Scientific Research and Teaching for promotion by the OeNB	10,000,000.00
to transfer to the profit-smoothing reserve	17,099,335.96
	28,299,335.96

Report of the General Council on the Annual Report and the Financial Statements for 2012

The General Council (Generalrat) fulfilled the duties incumbent on it under the Nationalbank Act 1984 by holding regular meetings, by convening subcommittees to examine specific issues and by making informed decisions.

The Governing Board (Direktorium) periodically reported to the General Council on the Oesterreichische Nationalbank's operations and results, on the conditions on the money, capital and foreign exchange markets, on important day-to-day management issues, on all developments of significance for an appraisal of monetary and economic developments, on the arrangements made for auditing the OeNB's finances, and on any other significant dispositions and events affecting the OeNB's operations.

The Financial Statements for the year 2012 were given an unqualified auditor's opinion after examination by the auditors elected at the General Meeting of May 24, 2012, Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. and TPA Horvath Wirtschaftsprüfung GmbH, on the basis of the books and records of the Oesterreichische Nationalbank as well as the information and evidence provided by the Governing Board.

In its meeting of April 25, 2013, the General Council approved the Annual Report of the Governing Board and the Financial Statements for the business year 2012. The General Council submits the Annual Report and moves that the General Meeting approve the Financial Statements of the Oesterreichische Nationalbank for the year 2012 and discharge the General Council and the Governing Board of its responsibilities regarding the preceding business year. Moreover, the General Council requests that the General Meeting approve the allocation of the profit for the year in accordance with the proposal made in the notes to the Financial Statements 2012 (as mentioned above).

Notes

Abbreviations

ABS	asset-backed security
BIC	bank identifier code
BIS	Bank for International Settlements
CBPP	covered bond purchase programme
CE	continuing education
CEO	Chief Executive Officer
CESEE	Central, Eastern and Southeastern Europe
CHF	Swiss franc
CIS	Commonwealth of Independent States
CMS2	Counterfeit Monitoring System
COCAS	Common Credit Assessment System
CPD	continuing professional development
CRD IV	Capital Requirements Directive
CRR	Capital Requirements Regulation
CS.A	Clearing Service.Austria
CSD	central securities depository
CS.I	Clearing Service International
EBA	European Banking Authority
EBRD	European Bank for Reconstruction and Development
EC	European Community
ECB	European Central Bank
EFSF	European Financial Stability Facility
EFSM	European Financial Stabilisation Mechanism
EMAS	Eco-Management and Audit Scheme
EMU	Economic and Monetary Union
EONIA	Euro OverNight Index Average
EPT	environmental protection team
ERP	European Recovery Program
ESCB	European System of Central Banks
ESM	European Stability Mechanism
ESRB	European Systemic Risk Board
ESS	Eurosystem Strategic Stock
EU	European Union
EUR	euro
EURIBOR	Euro Interbank Offered Rate
EWE	external work experience
FMA	Austrian Financial Market Authority
GDP	gross domestic product
GRI	Global Reporting Initiative
GSA	GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination G.m.b.H.
HICP	Harmonised Index of Consumer Prices
IBAN	International Bank Account Number
IBRD	International Bank for Reconstruction and Development
IMF	International Monetary Fund
IPA	Instrument for Pre-Accession Assistance
IT	information technology
JPY	Japanese yen
JVI	Joint Vienna Institute
KRI	key risk indicator
LTRO	longer-term refinancing operation
MIP	macroeconomic imbalance procedure
MÜNZE	Münze Österreich Aktiengesellschaft
NCB	national central bank
OeBS	Oesterreichische Banknoten- und Sicherheitsdruck GmbH
OECD	Organisation for Economic Co-operation and Development
OeKB	Oesterreichische Kontrollbank Aktiengesellschaft
OeNB	Oesterreichische Nationalbank
OMT	Outright Monetary Transaction
OTC	over the counter
SDR	special drawing right
SEPA	Single Euro Payments Area
SMP	Securities Markets Programme
SPOC	single point of contact
SSM	single supervisory mechanism
SUERF	Société Universitaire Européenne de Recherches Financières
S.W.I.F.T.	Society for Worldwide Interbank Financial Telecommunication
T2S	TARGET2-Securities
TARGET2	Trans-European Automated Real-time Gross settlement Express Transfer system
TFEU	Treaty on the Functioning of the European Union
TSCG	Treaty on Stability, Coordination and Governance in the Economic and Monetary Union
UCITS	undertakings for collective investments in transferable securities
USD	U.S. dollar
WTO	World Trade Organization

Legend

x = no data can be indicated for technical reasons
.. = data not available
0 = the numerical value is zero or smaller than half of the unit indicated

Legend entries in the Financial Statements:
– = the numerical value is zero
0 = the numerical value is smaller than half of the unit indicated
n.a. = not applicable

Discrepancies may arise from rounding.

Periodical Publications

See *www.oenb.at* for further details.

Geschäftsbericht (Nachhaltigkeitsbericht) — German
Annual Report (Sustainability Report) — English

This report reviews the OeNB's mandate, responsibilities and organization as well as the monetary policy of the Eurosystem, economic conditions and developments both in the financial markets and in financial market supervision during the reporting year. Furthermore, it contains the OeNB's financial statements, Intellectual Capital Report and Environmental Statement.

Monetary Policy & the Economy — English

Monetary Policy & the Economy provides analyses and studies on central banking and economic policy topics and is published at quarterly intervals.

Fakten zu Österreich und seinen Banken — German
Facts on Austria and Its Banks — English

This semiannual publication provides a snapshot of Austria's economy based on a range of real and financial variables, which are also put into an international perspective.

Financial Stability Report — English

This semiannual report contains analyses of Austrian and international developments with an impact on financial stability and studies designed to offer in-depth insights into specific financial stability-related topics.

Focus on European Economic Integration — English

This quarterly publication presents peer-reviewed studies on macrofinancial and monetary integration in Central, Eastern and Southeastern Europe (CESEE) as well as related country analyses and statistics. This publication reflects a strategic research priority of the OeNB.

Statistiken – Daten & Analysen — German, English summaries

This quarterly publication contains analyses of Austrian financial institutions, cross-border transactions and positions as well as financial flows. 14 tables provide information about macroeconomic, financial and monetary indicators. In addition, this series includes special issues on selected statistics topics published at irregular intervals.

Research Update — English

This quarterly newsletter is published online *(www.oenb.at/research-update)* and informs readers about selected findings, research topics and activities of the OeNB's Economic Analysis and Research Department.

CESEE Research Update — English

This quarterly newsletter of the OeNB's Foreign Research Division is published online *(www.oenb.at/cesee-research-update)* and informs readers about OeNB research and analysis output on Central, Eastern and Southeastern Europe (CESEE) as well as past and forthcoming CESEE-related events.

Working Papers — English

This online series provides a platform for the publication of studies by OeNB economists or external authors on particular monetary policy topics.

Conference Proceedings of the OeNB's Economics Conference — English

These proceedings contain contributions to the OeNB's annual Economics Conference, an international platform for exchanging views and information on monetary and economic policy as well as financial market issues.

Conference Proceedings of the OeNB's Conference on European Economic Integration — English

These proceedings contain contributions to the OeNB's annual Conference on European Economic Integration (CEEI), which focuses on Central, Eastern and Southeastern European issues and the ongoing EU enlargement process.

Publications on Banking Supervision — German, English

www.oenb.at/en/presse_pub/period_pub/finanzmarkt/barev/barev.jsp

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The *Annual Report* of the OeNB provides information about the Eurosystem's monetary policy and reviews developments in the the economy, 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 to the Financial Statements are an integral part of the Annual Report. Since 2006, the OeNB's *Annual Report*, *Intellectual Capital Report* and *Environmental Statement* have been combined to form the *OeNB's Sustainability Report*.

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