



OESTERREICHISCHE NATIONALBANK  
EUROSYSTEM

# ANNUAL REPORT 2011

including the Intellectual Capital Report and the Environmental Statement  
SUSTAINABILITY REPORT 2011



Stability and Security.

## 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 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
- Maintaining a national clearing infrastructure

### *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 26, 2012

## Foreword by the President



In the course of 2011, world economic growth slowed down, and economic developments in the euro area turned even more heterogeneous. In this difficult economic environment, financial markets became increasingly sensitive to countries' great fiscal consolidation needs and the pronounced structural weaknesses of some euro area countries. Economic and monetary policy-makers faced the difficult challenge of combining more stringent fiscal policy rules with the generous provision of liquidity to create the prerequisites for a lasting resolution of the crisis. Looking ahead, joint efforts and commitment will be needed for some time to come to restore the sustainability of public finances and to strengthen competitiveness.

As great uncertainty and high volatility prevailed in the financial markets, the OeNB continued to concentrate its reserve management strategy on preserving the value of its financial investments. Because risks rise during a crisis, higher risk provisions are required. For this reason, the OeNB's operating profit in 2011 was lower than in 2010 even though operating income was higher. In the longer-term perspective, the risks arising from Eurosystem monetary policy operations as well as the liabilities resulting from increased commitments to the International Monetary Fund (IMF) have increased sharply. These are not risks that the OeNB can manage; instead, it must bear them along with other Eurosystem central banks. The risk environment will have two fundamental effects on the OeNB's business activities in the future: For one thing, risk provisions will rise, just like at other Eurosystem central banks. For another thing, the OeNB's earnings potential will decline permanently, as funds may be invested only in low-risk and therefore low-return options. Thus, the OeNB's operating profit potential will be very limited in upcoming years.

The tensions in the international financial markets have persisted for several years now, and they pose exceptionally difficult challenges for all the OeNB's business areas. In 2011, the OeNB contributed criti-

cally to Eurosystem operations and to securing financial stability. Moreover, it remained engaged in the enhancement of the national supervisory system and the international supervisory architecture. Even though the OeNB is facing daunting challenges, it will continue to implement its corporate strategy of reducing headcount and meeting ambitious efficiency targets. The companies in which the OeNB holds equity interests also made progress in raising productivity and were able to develop their business areas or open up new segments. Münze Österreich Aktiengesellschaft (MÜNZE), for example, recorded large gains in sales of gold and silver investment products, and the OeNB's cash logistics subsidiary GSA successfully introduced a domestic payment clearing infrastructure. The banknote printer OeBS (Oesterreichische Banknoten- und Sicherheitsdruck GmbH), however, experienced considerable turmoil, partly in connection with grave violations of compliance rules in handling contracts to produce banknotes for third parties. Consequently, the company's CEOs had to be removed from their posts, and the company underwent a strategic reorientation.

The incidents at the OeBS prompted the OeNB to completely overhaul its group-wide management control system; in cooperation with external experts it will be brought on a par with international standards. One of the first key results is the establishment of a Compliance Office charged with supervising compliance with regulations and guidelines. The need for central banks to apply the most rigid of standards to their own operations has also been demonstrated by recent international experience. Reputation and credibility are indispensable prerequisites for central banks to efficiently fulfill their tasks.

I would like to express my gratitude to the members of the Governing Board and the General Council as well as the OeNB staff for their excellent work for the OeNB and the Eurosystem.

Claus J. Raidl  
President

## Foreword by the Governor

2011 was another eventful year for the OeNB and its subsidiaries. While the release of positive economic data gave reason for optimism at the beginning of the year, it gradually became obvious that some countries' substantial sovereign debt problems would continue to present major challenges – and they still do.

The tight fiscal situation in several euro area countries also had far-reaching negative effects on both the international and national credit industry, which were exacerbated further by the rapidly deteriorating outlook for real economic growth. Financial market tensions and the sharp rise in yields on certain euro area sovereign bonds prompted the Eurosystem to reactivate some nonstandard monetary policy measures that had already been discontinued. In addition, new instruments were introduced to improve the availability of liquidity, and the list of eligible collateral was expanded. The Eurosystem took these steps, in particular, to ensure credit supply within the economy while pursuing the primary objective of maintaining price stability over the medium term. Comprehensive policy reforms to enhance economic governance were launched – and have, in part, already been implemented – at the EU level, and national governments took extensive fiscal consolidation measures to accompany these reforms.

In Austria, the OeNB fulfilled its monetary policy tasks and contributed to the stabilization of individual credit institutions. Apart from that, bank stress-testing exercises, Basel III, the supervisory guidance to strengthen the sustainability of the business models of Austrian banks, as well as sovereign debt and rating issues and the austerity package, which the federal government passed early in 2012, were among the OeNB's priorities in 2011. The 1984 Federal Act on the Oesterreichische Nationalbank (Nationalbank Act) was amended with effect of August 1, 2011; as a consequence, the legal provisions pertaining to the OeNB have changed in several areas.

At the end of the year, we looked back on the first ten years of euro banknotes and coins. The facts and figures show that the euro has proved its worth both in Europe and particularly in Austria. Austria's eco-

nomics performance (in terms of GDP growth, unemployment rate, current account balance, export ratio) ranks among the best in the euro area. An average inflation rate in Austria of 1.9% since 1999 confirms that price stability has been successfully maintained. The ongoing reform of Economic and Monetary Union will contribute to ensuring that the euro remains a stable currency.

Events involving one of the OeNB's subsidiaries – banknote printer OeBS (Oesterreichische Banknoten- und Sicherheitsdruck GmbH) – in 2011 have shown that problems at the subsidiaries can directly affect the OeNB's reputation. Since confidence and reputation are of key importance for a central bank, we have been taking strenuous efforts to sustainably ensure trust in the OeNB by implementing new institutional arrangements and control mechanisms.

In the reporting year, further important steps of in-house reform were completed: The new Conditions of Service provide for a remuneration system that is competitive and in line with market standards. It ensures that the OeNB will remain an attractive employer for highly qualified new staff. In cooperation with the Staff Council, the OeNB management made preparations to take over leased employees under the new conditions of service; the integration of leased employees is scheduled for May 1, 2012.

The distress we witnessed in the economy and the financial markets through most of 2011 once again required extraordinary efforts from our staff, thanks to which the OeNB has been able to remain an anchor of stability in times of heightened uncertainty. With their outstanding expertise and commitment, OeNB staff have made a valuable and indispensable contribution to effective crisis management both in Austria and the euro area. I would like to thank all OeNB staff for their dedication throughout the year. Moreover, I should like to record 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 Gen-

eral 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

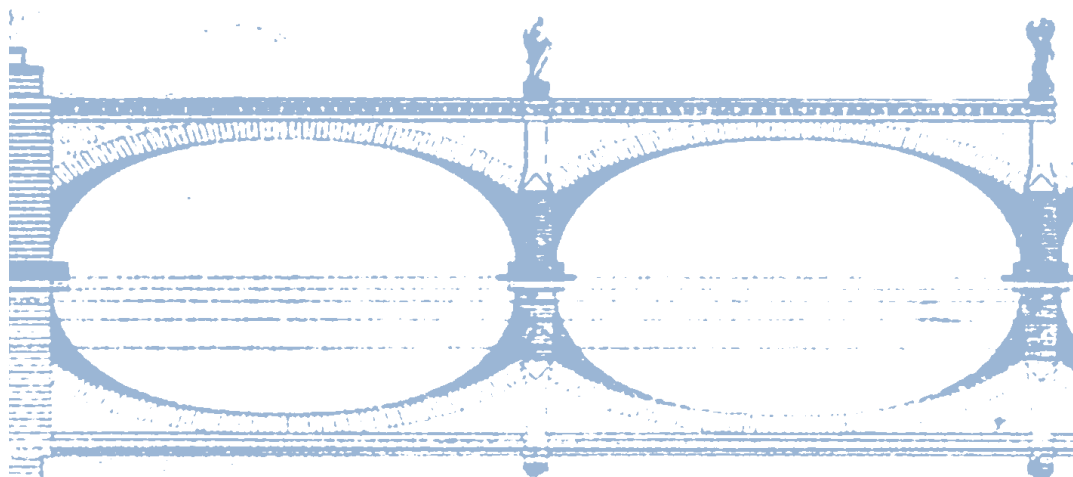
According to the 2011 amendment to the Nationalbank Act (Federal Law Gazette Part I No. 50/2011), the General Council of the OeNB will, in the future, consist of (only) the President, the Vice President and eight other members. A transitional arrangement laid down in this amendment provides for the original 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.



### **Personnel Changes between April 28, 2011, and April 22, 2012**

The ordinary General Meeting of May 26, 2011, marked the end of the term of office of General Council member Alfred Hannes Heinzl. Robert Kocmich was elected new Chair of the Central Staff Council by its members on November 2, 2011, after predecessor Martina Gerharter resigned from this post,

and Ferdinand Mramor was elected Deputy Chair (following Robert Kocmich in this position). The Central Staff Council also appointed Ferdinand Mramor deputy staff representative to the General Council. Thomas Wieser, Director General in the Austrian Federal Ministry of Finance, resigned from the post of state commissioner at his own request as at February 29, 2012.



The General Council of the OeNB comprised the following members on December 31, 2011:



Claus J. Raidl  
*President*



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



August Astl  
*Secretary General*  
*of the Austrian*  
*Chamber of Agriculture*



Markus Beyrer  
*Managing Director*  
*of Österreichische*  
*Industrieholding AG*  
*(ÖIAG)*



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



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



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



Anna Maria  
Hochhauser  
*Secretary General*  
*of the Austrian Federal*  
*Economic Chamber*



Johann Marihart  
*CEO of Agrana*  
*Beteiligungs-AG*



Werner Muhm  
*Director of the Vienna*  
*Chamber of Labour*



Gabriele Payr  
*CEO of Wiener Stadtwerke*  
*Holding AG*



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



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

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



Robert Kocmich  
*Central Staff*  
*Council Chair*



Ferdinand Mramor  
*Central Staff*  
*Council Deputy Chair*



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



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

## 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 will be 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 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, 2011, the Governing Board of the OeNB comprised the following members:



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

Ewald Nowotny  
*Governor*

Wolfgang Duchatzek  
*Vice Governor*

Peter Zöllner  
*Member of the Governing Board*

Andreas Ittner  
*Member of the Governing Board*

See [www.oenb.at](http://www.oenb.at) for additional information about the Governing Board of the OeNB.

# Organization of the OeNB

## President

Claus J. Raidl

Office of the General Council  
Richard Mader, Head

## Vice President

Max Kothbauer

## Governing Board

### Central Bank Policy

Ewald Nowotny, Governor

Internal Audit Division  
Axel Aspetsberger, Head

### Communications, Planning and Human Resources Department

Markus Arpa, Director

Communications Division  
Günther Thonabauer, Head

Planning and Controlling Division  
Elisabeth Kerbl, Head

Personnel Division  
Hannes Brodtrager, Head

### Economic Analysis and Research Department

Peter Mooslechner, Director

Economic Analysis Division  
Ernest Gnan, Head

Economic Studies Division  
Martin Summer, Head

European Affairs and International  
Financial Organizations Division  
Franz Nauschnigg, Head

Foreign Research Division  
Doris Ritzberger-Grünwald, Head

Brussels Representative Office  
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<sup>1</sup>  
Wolfgang Ruland, Head

IT Development Division  
Dieter Gally, Head

IT Operations Division  
Peter Deixelberger, Head

Web and Printing Services  
Maximilian Hiermann, Head

### Cashier's Division and Payment Systems Department

Cash and Payment Systems Management Division  
Walter Hoffenberg, Head

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  
Herbert Domes, Head

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## **Financial Stability, Banking Supervision and Statistics**

Andreas Ittner, Executive Director

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### **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

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### **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

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## **Financial Market Operations, Equity Interests and Internal Services**

Peter Zöllner, Executive Director

Legal Division  
Thomas Wagner, Head

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### **Treasury Department** Rudolf Trink, Director

Treasury – Strategy Division  
Franz Partsch, Head

Treasury – Front Office  
Reinhold Wanka, Head

Treasury – Back Office  
Felix Pollak, Head

Equity Interest Management Division  
Christa Mölzer-Hellsberg, Head

New York Representative Office  
Gerald Fiala, Chief Representative

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### **Internal Services Department**

Procurement and Technical Services Division  
Thomas Reindl, Head

Security Division  
Gerhard Valenta, Head

Documentation Management and Communications Services  
Bernhard Urban, Head

<sup>1</sup> Environmental Officer Johann Jachs  
As on April 26, 2012

# The Year 2011 at a Glance

## Monetary Policy Plays a Crucial Role in Difficult Times

Economic developments followed a similar pattern in 2011 both in the euro area and in Central, Eastern and South-eastern Europe (CESEE): While the first half of the year saw signs of recovery, the economy weakened considerably from mid-year onward. Inflationary pressures started to ease in the fourth quarter of 2011. The rapid growth in debt in several European countries sharply pushed up risk premiums in bond markets and led to tensions in the unsecured inter-bank market. Consequently, monetary policy measures about to be phased out had to be reactivated, and new measures were introduced. One priority was the provision of longer-term liquidity to support the supply of credit and prevent spillovers to other financial market segments. Since the OeNB has been taking on additional risks in this context, it is faced with new challenges in its reserve management. On balance, tensions in bond markets abated somewhat in early 2012 on account of the

monetary policy actions, the support packages adopted at the EU and international levels, the reform of EU economic governance as well as economic policy measures at the national level.

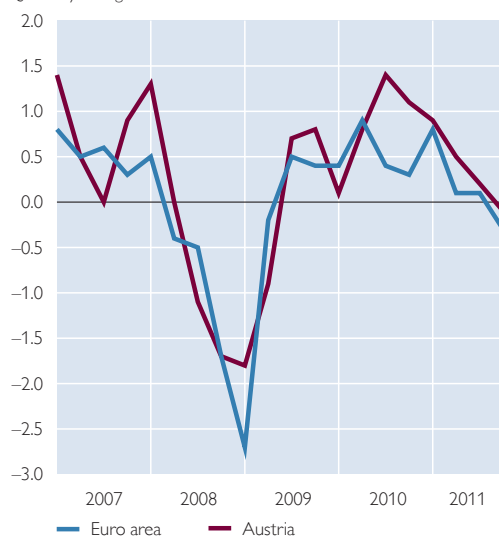
## Safeguarding Financial Stability Proves to Be Challenging

Heightened economic and financial uncertainty in Europe also put a strain on the financial sector. Austrian banks' profitability weakened markedly in the second half of 2011; their CESEE business remained a key component of operating profits, though. In the second half of 2011, credit quality in CESEE deteriorated in light of the tepid economic recovery and country-specific risks. The European Banking Authority's recapitalization exercise confirmed that Austria's large banks are more weakly capitalized than their international peers. The OeNB and the Austrian Financial Market Authority jointly drew up a supervisory guidance to strengthen the sustainability of the business models of large internationally active Austrian banks. This guidance is aimed at increasing the capitalization as well as achieving a more stable local funding base of the subsidiaries of these banks. At the international level, im-

Chart 1

### Real GDP

Quarterly changes in %

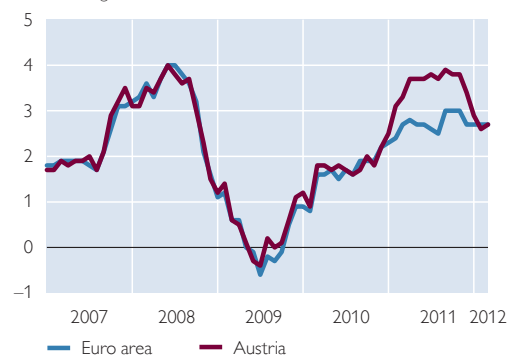


Source: Eurostat.

Chart 2

### HICP Inflation

Annual change in %



Source: Eurostat.

portant progress has been made in financial market regulation, with the transposition of Basel III into EU law already underway. The new European supervisory authorities, which started work in January 2011, have embarked on a challenging agenda.

### OeNB Records Operating Profit of Close to EUR 250 Million

The OeNB recorded operating earnings of EUR 638 million in 2011. Following the transfer to risk provisions (EUR 400 million), writedowns on securities (EUR 25 million) and the partial release of provisions in respect of monetary policy operations of the Eurosystem (EUR 36 million), the OeNB posted an operating profit of EUR 249 million for the year under review. Deducting the central government's profit share of EUR 168 million, which is 90% under the provisions of the Nationalbank Act, and corporate income tax (EUR 62 million) resulted in a profit for the year of EUR 19 million. The operating profit reflected net interest income of EUR 842 million and net realized gains arising from financial operations of EUR 83 million. Staff costs came to EUR 125 million and expenditures on goods and services amounted to EUR 79 million. The OeNB's net currency position, which includes

claims and liabilities as well as transactions that are not disclosed in the balance sheet denominated in foreign currency, increased to EUR 17.3 billion. The EUR 2.5 billion rise against December 31, 2010, is primarily attributable to unrealized valuation gains as at December 31, 2011. Gold and gold receivables accounted for EUR 11.0 billion of the net currency position.

Table 1

#### Selected OeNB Indicators

	2010	2011
<i>EUR million</i>		
<b>Performance indicators (as on December 31)</b>		
Net currency position	14,811	17,276
Banknotes in circulation	21,492	22,687
Total assets	79,766	99,361
Operating profit excluding selected items	612	638
Writedowns on financial assets and positions, transfers to/from provisions for foreign exchange rate, interest rate, credit and gold price risks, transfers from provisions in respect of monetary policy operations of the Eurosystem	-321	-389
Operating profit	291	249
Corporate income tax	73	62
Central government's share of profit	196	168
Profit for the year	22	19
<b>Full-time equivalent staff in core business areas (intellectual capital indicators)</b>	986.2	985.7
University graduates (%)	47.2	48.6
Queries to OeNB hotlines	36,112	32,992
OeNB newsletter subscriptions	18,110	18,904
Cash authentication training courses	367	368
<b>Environmental performance indicators</b>		
Heat consumption (kWh/m <sup>2</sup> )	60.0	62.0
Electricity consumption (MWh/employee)	7.86	7.98

Source: OeNB.

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

The Governor of the OeNB is a member of the Governing Council of the ECB and, in this capacity, has a vote in all monetary policy decisions of the Eurosystem. In fulfilling this task, he is supported by economists specializing in monetary policy and the analysis of economic developments in Austria, the euro area and Central, Eastern and Southeastern Europe. The OeNB publishes not only economic analyses and forecasts but also scientific articles, for instance in the quarterly Monetary Policy & the Economy and the semiannual Financial Stability Report.

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

One of the OeNB's core functions is implementing monetary policy, which includes conducting regular main refinancing operations with banks, implementing nonstandard monetary policy measures in response to crisis situations, monitoring Austrian banks' minimum reserve holdings, and participating in Eurosystem foreign exchange interventions should they 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.



*“The euro has proved a success –  
but some Member States are  
facing major challenges.”*

*Ewald Nowotny  
Governor*



## Monetary Policy Plays Pivotal Role in Difficult Times

### Economic Developments Require Further Monetary Policy Measures

In early 2011 the outlook for the euro area economy was good. Quarterly real GDP growth in the first three months was particularly strong (+0.8% against the previous quarter), business confidence was improving, and annual growth was projected to reach close to 2%, almost the same level as in 2010. At the same time, inflation was rising as a result of increasing commodity prices. ECB projections thus foresaw annual HICP inflation in a range between 2.0% and 2.6% for 2011. The favorable growth momentum also nourished concerns about second-round effects, which might have led to elevated inflationary pressures over the medium term. To contain these risks, the Governing Council of the ECB raised the Eurosystem's key interest rates in April and subsequently in July 2011 by 25 basis points each, thus bringing the interest rate on the main refinancing operations from 1.0% to 1.5%.

Economic momentum subsequently changed in mid-year as the tensions in

government bond markets that had initially been confined to Greece, Ireland and Portugal spilled over to Spain and Italy and then also to other euro area countries. The deteriorating global economic outlook as well as uncertainty about the sustainability of fiscal policies and about the functioning of the crisis management mechanisms created for the euro area drove up risk premiums on sovereign bonds and in the euro area money market.

In order to prevent the kind of disruptions that had arisen after the collapse of the U.S. investment bank Lehman Brothers in September 2008, the Eurosystem responded to this significant deterioration of economic and financial conditions with a range of non-standard monetary policy measures. In August 2011 the Governing Council of the ECB announced that the Eurosystem would continue to provide liquidity to banks through fixed rate tender procedures with full allotment and moreover conducted another longer-term refinancing operation (LTRO) with a maturity of six months, also with full allotment. Moreover, the Eurosystem resumed purchases of government bonds under the ECB's Securities Markets Programme (SMP). The SMP, initially launched in May 2010, seeks to mitigate disruptions in the transmission of monetary policy decisions caused by distortions in securities markets, and above all to keep tensions from spreading to other financial market segments. The modalities of the programme have remained unchanged: The Eurosystem buys government bonds in secondary markets, and the liquidity-providing effects of SMP bond purchases are fully sterilized by means of weekly liquidity-

**Stronger growth and rising inflationary pressures in the first half of 2011 call for monetary tightening**

#### Main refinancing operation

Open market operation that the Eurosystem conducts in weekly intervals to provide commercial banks with central bank money. The operations are executed at the prevailing interest rate for main refinancing operations through reverse transactions with a maturity of one week. All credit operations have to be based on adequate collateral.

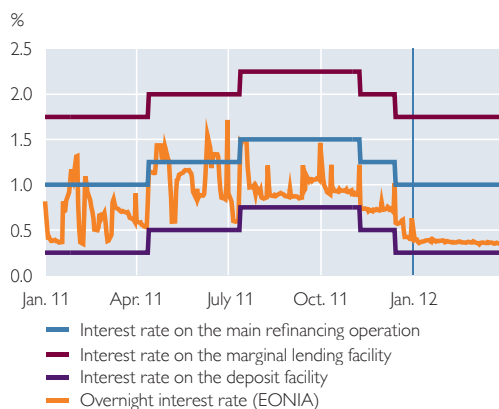
**Sovereign debt crises of some euro area countries breed turbulence in financial markets**

#### Tender

Bidding process used in open market operations on the basis of which the central bank provides commercial banks with liquidity or reabsorbs market liquidity.

Chart 3

### ECB Interest Rates and EONIA



Source: ECB, Thomson Reuters.

**Enhanced credit support measures adopted in the second half of 2011**

absorbing operations. The programme is temporary in nature and will only be retained as long as the current tensions persist. From August to November 2011 the Eurosystem bought securities worth approximately EUR 130 billion under the SMP. By the end of 2011, as conditions improved, the weekly purchase volumes were hovering at levels below EUR 5 billion, and the outstanding amount of bonds settled under the SMP had reached EUR 211.4 billion.

SMP purchases remained limited in the first quarter of 2012.

In October 2011, following a sharp rise in risk premiums in the unsecured interbank market in the euro area, the Governing Council of the ECB decided to conduct another two liquidity-providing operations with a maturity of one year each, first in October and then in December 2011. The long maturity was to mitigate uncertainty among banks about longer-term funding, and to support them in continuing to supply

Box 1

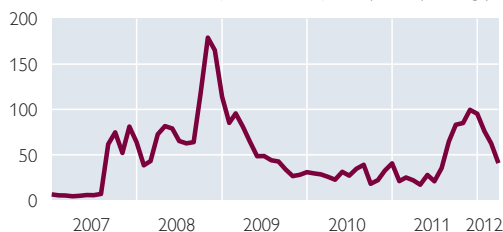
**Chronology of Nonstandard Monetary Policy Measures Taken by the Eurosystem in the Second Half of 2011**

- August 2011** *The Governing Council of the ECB decides that all Eurosystem refinancing operations scheduled until early 2012 will continue to be conducted as fixed rate tender procedures with full allotment. The Eurosystem will moreover provide supplementary liquidity through another longer-term refinancing operation (LTRO) with a maturity of six months. Like all other LTROs, this supplementary operation will be settled at the average rate of the main refinancing operations conducted over its lifetime. The ECB also reactivates its Securities Markets Programme (SMP), i.e. the Eurosystem resumes purchases of government bonds.*
- September 2011** *Following U.S. dollar funding pressures, the ECB Governing Council announces three U.S. dollar liquidity-providing operations with a maturity of three months each.*
- October 2011** *All refinancing operations will continue to be conducted as fixed rate tender procedures with full allotment at least until mid-2012. Moreover, there will be another two supplementary LTROs, both with a maturity of one year, to be conducted in October and December 2011. The Eurosystem also launches a new covered bond purchase programme (CBPP2), providing for the purchase of covered bonds with an intended value of EUR 40 billion by October 2012.*
- November 2011** *In a coordinated action, the Bank of Canada, the Bank of England, the Bank of Japan, the U.S. Federal Reserve Bank, the Schweizerische Nationalbank and the ECB enter into reciprocal swap arrangements that will allow them to provide foreign currency liquidity support to their respective banking systems, if needed. In addition, the pricing on existing temporary U.S. dollar liquidity-providing swap arrangements is lowered by 50 basis points.*
- December 2011** *The Governing Council of the ECB endorses the conduct of another two LTROs, both with a maturity of three years and the option of early repayment after one year. The first operation replaces the liquidity-providing operation with a one-year maturity announced in October for December 2011; the second operation is to be settled at the end of February 2012. The ECB Governing Council adopts additional nonstandard measures (1) to increase the availability of collateral, (2) to reduce the reserve ratio from 2% to 1% and (3) to discontinue, for the time being, the fine-tuning operations carried out on the last day of each maintenance period.*

Chart 4

### Risk Premiums in Interbank Market Operations

Three-month Euribor/EONIA spread in basis points (monthly average)



Source: Thomson Reuters.

credit to households and businesses. Banks' bids in the October tender process totaled some EUR 57 billion and were allotted in full. Interest will be payable at the average rate of the main refinancing operations conducted over the lifetime of the one-year operation. In addition, the Eurosystem launched a second covered bond purchase programme (CBPP2), under which an intended nominal amount of EUR 40 billion of euro area bonds is to be purchased until October 2012.<sup>1</sup>

The intensification of tensions in financial markets negatively affected the funding conditions for banks, and thus the funding conditions for households and businesses. The ensuing downturn in economic sentiment and a moderation of global growth dynamics dampened the outlook for the euro area, so that GDP expectations had to be revised downward. In an environment of markedly weaker growth, the risk of excessive wage and price pressures eased significantly. To counteract the danger of the euro area sliding back into recession, the Governing Council of the ECB decreased the interest rate on the main refinancing operations by 25 basis points first in November and

then in December 2011, thus bringing the rate back to 1.00%, the level at which it had started the year.

In December 2011 the Governing Council of the ECB adopted additional credit support measures. Instead of the second supplementary LTRO with a one-year maturity, which had been announced for December, it conducted a liquidity-providing operation with a maturity of three years and an early-redemption option after one year. Banks which had raised funds in October with a maturity of one year were offered the possibility to shift to the three-year operation. Demand in the banking sector for longer-term funding was very high. On balance, banks placed bids for approximately EUR 500 billion in the two tender procedures, which were allotted in full. In February 2012 the Eurosystem offered a second LTRO with a maturity of three years, thereby providing a total

**Eurosystem increases liquidity provision significantly**

#### EONIA

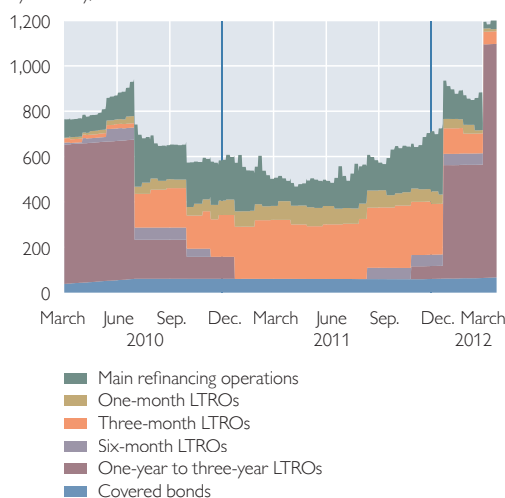
The EONIA is a weighted average of the interest rates charged on unsecured lending transactions in the euro interbank overnight market.

**Economic growth dampened by tensions in financial markets**

Chart 5

### Liquidity Provision in the Euro Area

By maturity, EUR billion



Source: ECB.

<sup>1</sup> Under the first covered bond purchase programme, the Eurosystem bought bonds of a nominal value of EUR 60 billion during the period from May 2009 to June 2010.

of some EUR 530 billion. Given the underlying shift of liquidity from short-term refinancing operations to the longer-term operations, the net supply of liquidity was, however, significantly below those levels. Ultimately, the overall volume of liquidity provided to the banking sector (including CBPP purchases) increased to more than EUR 900 billion until the end of 2011 and climbed further to close to EUR 1,200 billion in the initial months of 2012. The banks are holding large parts of this liquidity with the Eurosystem itself.

#### **Collateral**

As a precondition for participating in the Eurosystem's credit operations, banks must deposit assets as a guarantee for the repayment of any liquidity they are allotted. The securities used as collateral must meet the defined eligibility criteria and are revalued regularly at current market prices. In addition they are subject to defined haircuts, as a result of which the amount of liquidity available for some collateral assets may be well below the market value of those assets. The size of the haircut depends on the expected volatility of asset prices.

After the allocation of the second LTRO with a maturity of three years, recourse to the deposit facility jumped to about EUR 800 billion.

An additional measure adopted in December 2011 to ease refinancing for banks was to increase collateral availability for Eurosystem credit operations by reducing the rating threshold for certain asset-backed securities and by accepting as collateral, as

a temporary solution, also bank loans that satisfy specific minimum eligibility criteria.

### **Revival of the Global Economy Stalled**

While in the first half of 2011 the outlook for the global economy was good, expectations started to deteriorate markedly in the summer. Apart from geopolitical tensions that caused commodity prices to rise, the uncertainty in global financial markets that resulted from the debt problems of some European countries was a drag on global growth.

The huge earthquake in Japan in March 2011 led to disruptions in the global supply chains and triggered sharp growth setbacks in Japan in the first part of the year. Following a short re-

vival in the fall, the Japanese economy cooled off considerably again toward year-end owing to the strong yen and decreasing exports. On balance, Japanese output dropped by 0.7% in 2011.

U.S. sovereign debt was downgraded by Standard & Poor's in August 2011 given sharply increasing debt levels and the political stalemate about fiscal consolidation. The loss of the top rating had limited consequences, though; the U.S. economy still grew by 1.7% in 2011. Contrary to global trends in labor markets, unemployment levels started to drop markedly toward year-end in the United States, and the U.S. real estate market also showed some signs of revival.

China registered a marked slowdown of growth toward the end of 2011. The IMF hence projected annual growth in China to decline to 8.2% in 2012, which would be even lower than the rate observed in the crisis year 2009. With imports augmenting at a rapid pace and export demand flagging at the same time, the surplus in the balance of payments also decreased considerably. The concomitant drop in the inflation rate created room for a more accommodative monetary policy stance, which was adopted in late 2011.

For the global economy, the IMF has projected annual GDP growth to drop to 3.3% in 2012, following 3.8% in 2011. The global imbalances are likely to weaken slowly: The current account surpluses of China and Japan have already shrunk considerably, while the current account deficit of the United States remained broadly unchanged in 2011.

### **Euro Area Growth Weakens from Mid-2011**

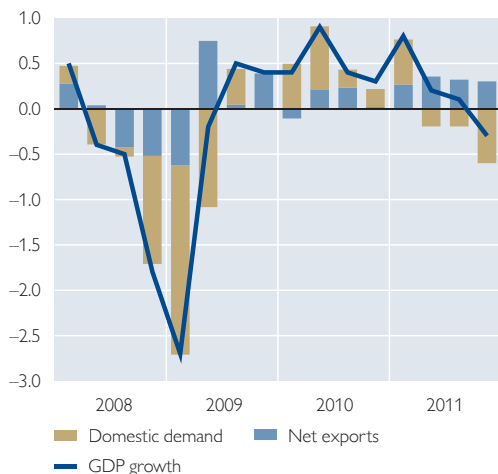
Following the improved performance of the euro area economy and a rise in GDP growth to 1.8% in 2010, the annual rate of output growth reached only

**Earthquake in Japan and uncertainty in financial markets dampen global activity**

Chart 6

### Contributions to Real GDP Growth in the Euro Area

Quarterly growth in %; contributions to growth in percentage points (seasonally adjusted)



Source: Eurostat.

1.5% in 2011. Overall economic activity was dampened above all by a loss of consumer and business sentiment, less favorable funding conditions, deleveraging across all sectors as well as a weakening of external trade. While quarterly output growth still rose by 0.8% in the first quarter of 2011, the economy cooled off increasingly thereafter.

In the fourth quarter, real GDP growth retreated 0.3% against the previous quarter. At the same time, these euro area-wide figures mask significant differences across countries and industries. While a number of countries (Germany, France, Finland and Austria) continued to reach visibly positive quarterly growth rates in the second half of 2011, other euro area economies (Italy, Ireland, Portugal and the Netherlands) saw their GDP contract against the previous quarter already in the third quarter.

In the euro area as a whole the temporary revival in the first quarter of 2011 was driven by a strong increase in

domestic demand, above all in gross fixed capital formation, and by net exports. While the growth momentum of external trade weakened in the second part of the year, net exports remained the sole robust pillar of growth. In contrast, the contribution of capital formation turned negative in the second half of 2011. Inventories were drawn down, and capacities were cut. These developments went hand in hand with dwindling industrial output growth, which even turned negative in December 2011 for the first time since 2008–09.

While comprehensive fiscal consolidation measures in some euro area countries caused the contribution of public consumption to growth to stall, the growth rate of private consumption decelerated more and more as well. In early 2011, improved labor market conditions had supported real incomes, but in the second half rising prices as well as fiscal consolidation measures had an adverse impact on disposable incomes and hence on consumption propensity. Households increasingly used savings to finance consumption, as is evident from a decline in the saving ratio. Moreover, the unemployment rate went up again, rising from its low of 9.9% in April 2011 to 10.7% in January 2012. In this

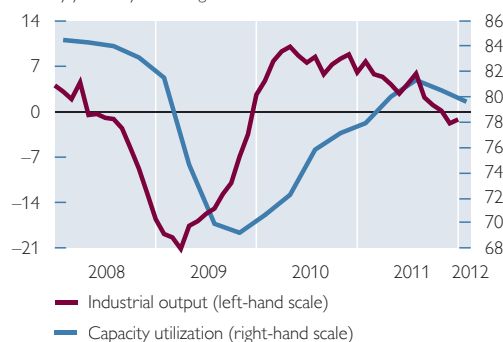
Net exports as the sole robust pillar of growth

Low consumption growth in the euro area

Chart 7

### Industrial Output in the Euro Area

Monthly year-on-year change in %



Source: Eurostat.

respect, developments were highly mixed across the euro area. While Germany reached the lowest unemployment rate in 20 years in early 2012, Ireland, Portugal, Spain and Greece reported rising jobless rates in the double-digit area.

**Inflation averages  
2.7% in 2011**

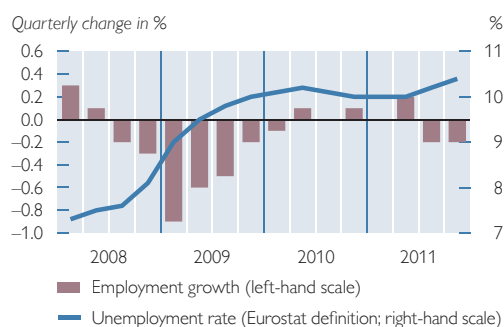
In its staff projections of March 2012, the ECB anticipated real GDP growth to come to between  $-0.5\%$  and  $0.3\%$  in 2012 and to accelerate to a range of  $0.0\%$  to  $2.2\%$  in 2013, the assumption being that the euro area economy will benefit from low short-term

interest rates and a slight easing of financial market tensions. World economic and financial market developments represent downside risks to these projections, though.

The HICP inflation rate averaged  $2.7\%$  in the euro area in 2011 (2010:  $1.6\%$ ), driven mainly, above all in the first part of 2011, by the strong annual growth rates of energy and food commodity prices. In some euro area countries increases in indirect taxes and administered prices, which were part of austerity packages, also contributed to price pressures. Core inflation (rise in HICP excluding energy and unprocessed food) averaged  $1.7\%$  in 2011. According to the ECB staff projections of March 2012, HICP inflation is expected to be within a range of  $2.1\%$  to  $2.7\%$  in 2012. The rate of inflation has been driven chiefly by energy prices and renewed increases in indirect taxes. Inflation is not expected to subside to below  $2\%$  until early 2013.

Chart 8

### Employment Growth and Unemployment in the Euro Area

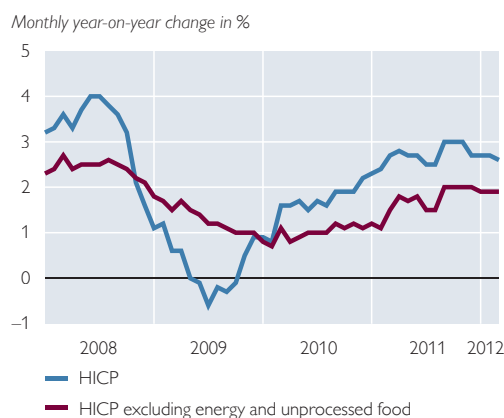


Source: ECB.

**Fiscal developments  
mixed within the  
euro area**

Chart 9

### HICP: Headline and Core Inflation in the Euro Area

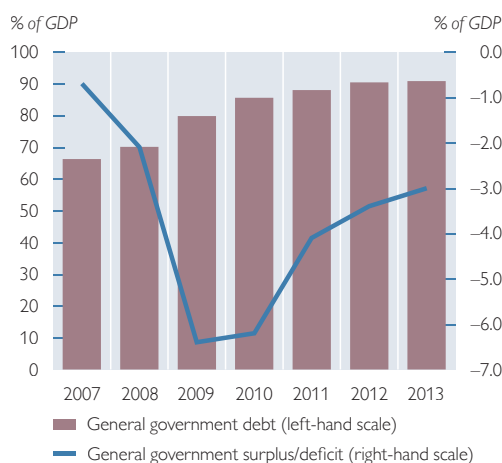


Source: Eurostat.

### Tensions in Bond Markets Addressed by EU-Wide Measures

As a result of the financial crisis and the recession that it brought on, fiscal positions deteriorated significantly in the euro area in 2009. The consolidation measures adopted in 2010, together with a revival of economic activity, led to a stabilization of general government budget balances in 2010 and to a reduction in the euro area deficit by approximately 2 percentage points to  $-4.1\%$  on average in 2011. As a result sovereign debt growth decelerated significantly in 2011. At the same time, fiscal developments were highly mixed across the euro area. Ireland's deficit ratio surged to  $10.3\%$  of GDP, while Greece reported a deficit ratio of  $8.9\%$  and a debt ratio beyond  $160\%$  of GDP. While the aggregate general government deficit improved for the

Chart 10

**Fiscal Developments in the Euro Area**

Source: European Commission.

Note: Data for 2011–2013 are based on projections.

euro area as a whole, bond markets nonetheless suffered from severe disruptions.

Concerns about the sustainability of the debt paths of some euro area economies together with the ensuing downgrading of sovereign debt caused the risk premiums on government bonds to rise sharply in some instances. By March 2011, the sovereign debt crisis was affecting above all three countries, namely Ireland and Greece (the two countries receiving EU-IMF financial assistance) as well as Portugal. When the yields for ten-year Portuguese government bonds went beyond 10% in May 2011, the Portuguese authorities negotiated EU-IMF financial assistance under the EU's crisis management mechanisms. This aid – a package of loans totaling EUR 78 billion provided on the basis of a three-year policy program – is meant to give Portugal the necessary room for maneuver for putting its public finances back on a sound footing.

However, the establishment of financial assistance mechanisms for euro area countries and the loans extended

under these mechanisms failed to sustainably strengthen investor confidence. When in June 2011 a possible restructuring of Greek sovereign debt received broad attention, the tensions in bond markets spilled over to Spain and Italy. The ECB responded to these developments by reactivating its SMP scheme, thereby intervening in secondary markets. To contain the crisis of confidence, the euro area governments announced their intention to increase the flexibility of the European Financial Stability Facility (EFSF), empowering the EFSF to buy bonds in the secondary market and to extend loans to banks. Additional national consolidation measures announced by the governments of Italy and Spain were meant to underline the reform will of the respective countries.

A second rescue package for Greece totaling EUR 130 billion was announced in fall 2011, as the original expectations for growth and fiscal developments proved too optimistic. The set of measures included a debt haircut on private debt. Following protracted negotiations between private sector creditors – represented by The Institute of International Finance (IIF) – and the Greek authorities, agreement on the modalities of the haircut was reached eventually in mid-February 2012. Subsequently the euro area finance ministers moved to adopt the financial aid package for Greece on February 21, 2012. The Greek bond rollover was successful with a coverage ratio of 84%, which jumped to 96% through the activation of collective action clauses. The haircut initiative was a crucial step toward bringing down the Greek debt ratio to 120.5% by 2020 as

**European financial assistance mechanisms**

At its meeting on March 24 and 25, 2011, the European Council agreed to establish a permanent crisis management mechanism: the European Stability Mechanism (ESM), which has the power to provide support to euro area countries subject to strict conditionality if it is established that such support is indispensable to safeguard financial stability in the euro area. The ESM, which has an effective lending capacity of EUR 500 billion, is foreseen to enter into force on July 1, 2012. It will replace both the European Financial Stability Facility (EFSF) and the European Financial Stabilisation Mechanism (EFSM), which were established as temporary instruments in 2010.

**Second financial assistance package for Greece****Collective action clauses (CACs)**

Collective action clauses are an integral part of sovereign bond contracts and become effective if a sovereign borrower defaults. Under such clauses a qualified majority of creditors may agree to change the initial payment terms and their action will bind all creditors.

**Italy and Spain hit by crisis of confidence**

**Reforms and monetary policy measures calm financial markets**

planned. The rating agency Fitch responded to this measure by significantly upgrading the rating for new Greek government bonds to B–.

Yields on ten-year government bonds have dropped significantly in most euro area countries since the beginning of 2012. On the one hand bond markets have benefited from progress achieved in reforming economic governance in the EU. On the other hand there has been increasing demand for government bonds on the part of euro area banks following the ample provision of long-term liquidity by the Eurosystem. To further restore market confidence, policymakers must adhere strictly to the agreed fiscal consolidation strategies. In particular, the countries receiving EU-IMF financial assistance need to

fully comply with their programme commitments, while all countries subject to excessive deficit procedures need to ensure compliance with their budgetary targets. The fiscal measures should moreover be supported by structural reforms to boost the long-term growth potential, thus minimizing the risks of budgetary slippages. These reforms must take into account country-specific factors and should address the primary sources of fiscal imbalances in the individual countries.

**Economic Governance Framework and Reform**

Complementing the short- and medium-term crisis resolution measures under the European financial assistance mechanisms, a number of decisions

**New economic governance rules**

Box 2

**Assistance Provided under Crisis Facilities**

The table below provides an overview of the crisis management resources committed and provided under the EFSF and the EFSM with a view to stabilizing the euro area.

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

As at March 31, 2012

Funding source	Total volume		Volume accessed <sup>4</sup>			Remaining volume	
	Loans	Guarantees	Loans		Guarantees	Loans (available for commitments)	Guarantees
			committed	provided			
<i>EUR billion</i>							
EFSM <sup>1</sup>	60.00	x	48.50	34.00	x	11.50	x
EFSF <sup>2</sup>	440.00	726.00	193.20	46.97	23.90	246.80	702.10
Austrian share	x	21.64	x	x	3.96	x	17.68
ESM <sup>3</sup>	Capital stock	To be paid in	To be mobilized	Lending capacity			
Total	700.00	80.00	620.00	500.00			
Austrian share	19.50	2.20	17.30	x			

Source: European Commission, EFSF, IMF, Austrian Federal Ministry of Finance.

<sup>1</sup> EFSM: European Financial Stabilisation Mechanism.

<sup>2</sup> EFSF: European Financial Stability Facility.

<sup>3</sup> ESM: European Stability Mechanism. The ESM will enter into force on July 1, 2012.

<sup>4</sup> Includes EFSF loans committed to Greece in March 2012, totaling EUR 144.7 billion. See also [http://ec.europa.eu/economy\\_finance/publications/occasional\\_paper/2012/pdf/ocp94\\_en.pdf](http://ec.europa.eu/economy_finance/publications/occasional_paper/2012/pdf/ocp94_en.pdf).



have been taken at the EU level to expand the economic policy framework with a view to preventing future crisis incidents. Further measures were aimed at closing gaps evidenced by the crisis in the processes of macroeconomic coordination. Whenever discussions on the reform agenda related to central banking matters the President of the ECB participated in Eurogroup meetings and in meetings of the Ecofin Council.<sup>2</sup>

- Six legal acts constituting the EU governance reform package (known as the *six-pack*) aimed at strengthening economic and fiscal policy coordination were adopted on November 16, 2011, following interinstitutional negotiations between the European Council and the European Parliament. The package contains a new procedure for monitoring and correcting macroeconomic imbalances in the euro area as well as adjustments to fiscal policy rules introduced earlier: expenditure benchmarks, provisions to speed up and clarify the excessive debt procedure, minimum standards for compiling statistics in the context of national budgetary frameworks as well as the possibility of imposing fines for non-compliance with recommendations for correcting budgetary imbalances.
- These provisions were reinforced with the conclusion of the *Euro Plus Pact* during a special euro summit on March 11, 2011. Under the Euro Plus Pact, all euro area countries and some non-euro area countries have committed themselves to undertake further measures to strengthen competitiveness, employment and the long-term sustainability of public finances. These measures include the

commitment to incorporate rules ensuring fiscal discipline (such as a “debt brake,” a rule related to the primary balance or an expenditure rule) into national constitutions, as well as enhanced surveillance of national budget plans.

- The fiscal compact, which was signed by all EU countries with the exception of the United Kingdom and the Czech Republic, provides for further measures to enforce stricter budget controls.
- Based on the *Europe 2020 strategy* for smart, sustainable and inclusive growth, EU surveillance over the economic policies of its Member States is now organized in an annual cycle consisting of a *European semester* (which requires Member States to submit their national budget to the European Commission and the other EU Member States as early as six months before national parliaments vote on the respective proposals) and a *national semester* (during which national budgets are to be finalized in the light of the country-specific recommendations made by the European Council). This new process is to provide for a better alignment of national and EU policies.

Overall, the new regime provides for clearer and more binding guidance for national fiscal policies and puts a broader range of economic policies under EU surveillance.

### International Support for EU Crisis Measures

The IMF has been supporting the EU in its crisis management efforts. To be able

#### Fiscal compact

The fiscal compact – signed at the European Council meeting of March 1, 2012 – requires the participating countries to incorporate a “balanced budget rule” into their national legal systems through constitutional provisions. This rule sets limits for the annual structural deficit, thus limiting the room for government borrowing. Moreover, the contracting parties committed themselves to strengthen the coordination of fiscal policies and to step up efforts to lower their debt levels.

<sup>2</sup> See also the special issue of the OeNB’s *Monetary Policy & the Economy Q4/11* on “EU Governance Reformed” (available at [www.oenb.at](http://www.oenb.at)).

**IMF crisis lending framework expanded and reformed**

to do so, it adopted measures to enhance its funding capacity at the IMF's annual meeting in fall 2011. Among other things, agreement was reached on setting up a Short-Term Liquidity Facility (SLF) and on activating the New Arrangements to Borrow (NABs) for a further six-month period, i.e. the maximum activation period. The NABs are a crisis funding facility that enables the IMF to top up its regular resources by mobilizing funds that the financially strongest member countries have committed.

**CESEE economy expands by 3.2%**

The IMF stands ready to assist its member states with a number of emergency credit facilities. In late 2011 the IMF's Executive Board endorsed a reform of the Fund's credit facilities to ensure more flexibility in responding to urgent liquidity needs and to strengthen the IMF's crisis prevention role through the provision of two new credit facilities: First, the Precautionary and Liquidity Line (PLL), under which member states may access 1,000% of their quota in the event of crisis; and second, a Rapid Financing Instrument (RFI), which entitles member states to access financial assistance of up to 100% of their quota.

On December 19, 2011, the euro area finance ministers pledged to provide EUR 150 billion of additional resources to the IMF. This move commits Austria to the provision of EUR 6.13 billion. All in all, the IMF is seeking to raise up to USD 600 billion in new resources. This measure is part of an international initiative to increase the firepower of the IMF to fight crises.

From June 2 to 14, 2011, the IMF conducted its annual consultations with Austria in the process of multilateral surveillance of macroeconomic policies. In its recommendations, the IMF highlighted the need for a more ambitious budget consolidation path from

2012 onward, the need for reforms to cut spending on health and pensions as well as spending under the fiscal sharing mechanism and subsidies, and the need for measures to limit the risks arising from the banking system.

**Subdued Economic Growth Also in Central, Eastern and Southeastern Europe**

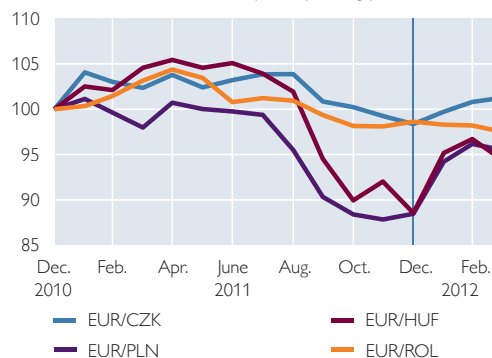
At the beginning of 2011, economic activity in the countries of Central, Eastern and Southeastern Europe (CESEE) was comparably strong. As economic stabilization continued and growth figures were robust in most CESEE countries, rating agencies published positive assessments for several countries in the region.

As early as in spring 2011, however, some indicators pointed to an approaching economic slowdown. Industrial output growth, for example, weakened noticeably, and business confidence gradually deteriorated in most countries of the region. These developments reflected slackening global economic growth on the one hand but were, on the other, also attributable to the increasing negative impact of the euro

Chart 11

**Euro Exchange Rate Developments**

Index: December 31, 2010 = 100 (monthly average)



Source: Thomson Reuters.

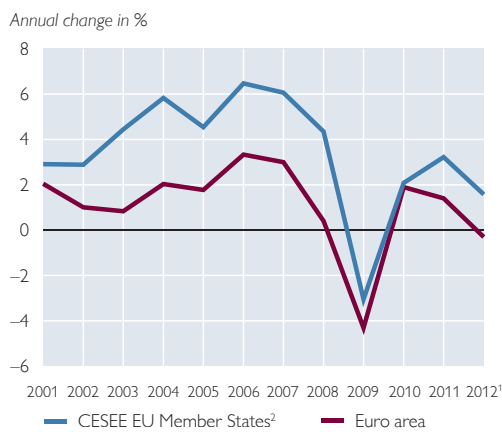
Note: A rise corresponds to an appreciation of the local currency.

area sovereign debt crisis on the risk outlook for CESEE in the second half of 2011. As a consequence, equity markets weakened markedly and several national currencies depreciated strongly against the euro as of mid-year.

The real economy continued to expand at a rather robust pace, and the growth performance remained positive until the third quarter of 2011, not least owing to good harvests in several countries. Toward the end of the year, however, the intensifying turmoil in the euro area began to increasingly affect the CESEE region. While, in the fourth quarter economic growth continued at a comparably strong pace in Latvia, Poland and Slovakia, it began to slow down in a number of CESEE countries. Nevertheless, at 3.2% average growth in the entire CESEE region was higher in 2011 than in 2010 (2.1%).

As of summer 2011, developments in Hungary received broad international media coverage. First, investor confidence deteriorated markedly following the implementation of a number of controversial policy measures by the Hungarian government; then the forint depreciated strongly against the euro, losing some 20% in value from July to December 2011, to be traded at a historical low in early January 2012. All the three major rating agencies downgraded Hungarian bonds to speculative grade status. Failed or canceled sovereign debt auctions increased uncertainties about the financing of Hungary's government debt. In response, Hungary entered into talks with the EU and the IMF about financial assistance but the negotiations were suspended when Hungary adopted a new constitution and central bank law. While the government agreed to take back parts of the controversial provisions after the European Commission launched a series of infringement procedures against

Chart 12  
**Real Economic Growth**



Source: Eurostat, European Commission Interim Economic Forecast (February 2012).

<sup>1</sup> Forecast.  
<sup>2</sup> This aggregate only comprises countries that have not yet introduced the euro.

Hungary in mid-January 2012, the negotiations have not been resumed so far. Moreover, having noted that the country had made insufficient progress toward fiscal consolidation, the European Council moved to the next step of the excessive deficit procedure (EDP) against Hungary in January 2012. If Hungary does not take adequate action by September 2012 at the latest to correct its excessive deficit, the EUR 500 million (0.5% of Hungarian GDP) scheduled commitments from the EU's Cohesion Fund will be suspended as of January 1, 2013, according to the March 2012 decision of the Ecofin Council.

The outlook for 2012 also shows that economic developments in CESEE remain mixed. Although growth expectations have been significantly revised downward for all countries in the region over recent months, the European Commission expects economic growth in 2012 to be negative only in Hungary and Slovenia. The average growth rate for the CESEE EU Member

**Infringement procedure against Hungary**

**CESEE's growth edge on the euro area remains intact**

Exports and investments drive Austrian growth in 2011

States is envisaged at around 1.5%, which means that the region would retain a growth edge on the euro area of 1½ to 2 percentage points. The catching-up process of the region is therefore likely to continue also in 2012.

Turning to inflation developments, price pressures were comparably high in CESEE in the first half of 2011, which was, above all, attributable to surges in food prices as a result of bad harvests in 2010. Furthermore, high prices for energy and commodities and not least tax increases also pushed up inflation in a number of countries. The sharpest rise in inflation was recorded in the summer of 2011. After that, base effects and easing food price pressures had a dampening effect on inflation. In 2012, average inflation in the CESEE EU Member States is expected to come to just under 3%, which would be 1 percentage point lower than in the previous year.

European integration makes headway

On January 1, 2011, Estonia adopted the euro and became the 17<sup>th</sup> member of the euro area. The conversion rate between the Estonian kroon and the euro was irrevocably fixed at 15.6466 kroons to the euro. Estonia's share in the GDP of the enlarged euro area is no more than around 0.2%; it has therefore only insignificant effects on the aggregate macroeconomic indicators of the euro area. In 2011, per capita income in Estonia (at purchasing power parity) was about 64% of the EU average.

The EU and Croatia sealed the country's entry to the EU, signing the Treaty of Accession on December 9, 2011. In the ensuing referendum on January 22, 2012, the majority of the Croatian population voted in favor of EU membership. Following the ratification of the Treaty of Accession by all EU Member States, Croatia may join the EU as its 28<sup>th</sup> Member State on July 1, 2013. In recognition of its comprehen-

sive reform efforts. Serbia was granted EU candidate status in March 2012. Accession negotiations have not been taken up yet, however.

### Austria's Economy Expanded Vigorously in 2011

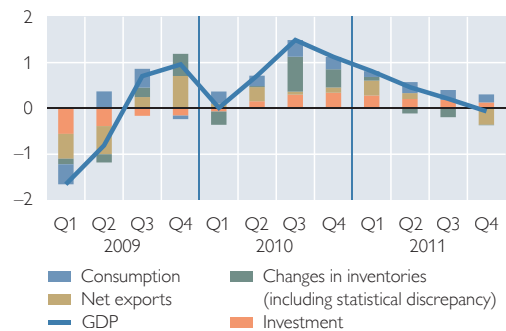
The robust recovery of the Austrian economy recorded in 2010 continued well into the first half of 2011, resulting in a comparably high annual growth rate, which at 3% clearly exceeded the euro area average. While early in the year, economic growth mainly relied on exports and on the downturn in the inventory cycle, investment and domestic demand were the key drivers for the remainder of 2011. With the confidence and debt crisis intensifying, growth weakened considerably in the second half of 2011; in the fourth quarter, real quarter-on-quarter GDP contracted slightly.

The slowdown in growth recorded at the end of 2011 was mainly attributable to the weak international environment. Leading indicators point to a slight improvement in economic activity in the first half of 2012, both at a global level and in Austria, which means

Chart 13

### Contributions to Real GDP Growth in Austria

Quarter-on-quarter growth in %; contributions to growth in percentage points (seasonally adjusted)

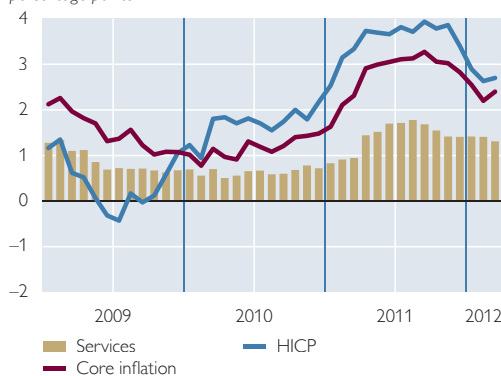


Source: Eurostat.

Chart 14

### Services Sector Contribution to HICP Inflation

Annual change in % (HICP and core inflation) and contributions in percentage points



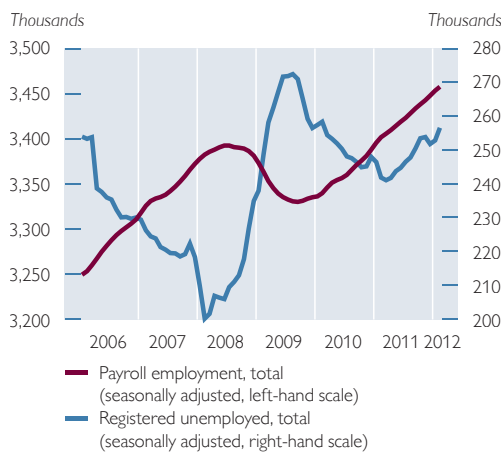
Source: Statistics Austria.

1.6% in 2013 (OeNB economic outlook for Austria, December 2011).

HICP inflation in Austria climbed from 2.2% to 3.7% from December 2010 to April 2011 and remained at high levels until December 2011 (3.4%). The acceleration of overall inflation until March 2011 mainly resulted from energy and food price developments, while later price increases were exclusively caused by rising prices for services. For 2011 as a whole, HICP inflation in Austria came to 3.6% and was thus above the euro area average and higher than the comparable rates in Germany and Italy. The OeNB expects inflation in Austria to decline markedly to 2.4% in 2012 and to decrease to below 2% in 2013.

Chart 15

### Employment and Unemployment Rate in Austria



Source: Austrian Public Employment Service (AMS), Main Association of Austrian Social Security Institutions, OeNB.

The Austrian labor market performed extraordinarily well in 2011, posting excellent figures in international comparison. At 4.1% (Eurostat definition) for 2011 as a whole, the Austrian unemployment rate was the lowest among all EU countries; developments in youth unemployment were also relatively positive. Employment grew strongly in 2011, with changes in job vacancies being the only indicator of a slight labor market deterioration in the course of the year.

**Austrian unemployment rate at 4.1% lowest in the EU**

The sound economic recovery, favorable trends in employment as well as tax increases (petroleum tax) caused tax revenues to rise substantially in 2011. Cuts in social transfers as well as the weak rise of public sector wages and pensions contributed to keeping expenditure growth relatively low. For this reason, Austria was able to achieve a better deficit ratio than that defined as its target in its 2011 Stability Programme, posting a general government budget balance of -2.6% of GDP. At the same time, the government debt ratio rose to 72.2%. As the euro area sovereign debt crisis intensified, the yield

**OeNB expects weak growth for 2012**

that a recession is unlikely. Nevertheless, growth in Austria is expected to come to no more than 0.7% in 2012, reflecting the external macroeconomic environment as well as fiscal consolidation measures. In line with the expected recovery of the international economy and the return of confidence, growth is assumed to accelerate to

spreads of Austrian government bonds against the corresponding German bonds widened. Standard & Poor's downgraded Austria's long-term rating to AA+. These developments, together with the requirements related to the debt brake established in the fall of 2011, led the federal government to adopt a comprehensive consolidation package in the spring of 2012. This package envisages cumulative savings of EUR 26.4 billion to be reached by 2016; two-thirds of this volume are to be gained through measures on the expenditure side.

Austria recorded another large current account surplus of EUR 5.9 billion

(2010: EUR 8.6 billion) in 2011. While trade in goods resulted in a deficit of around EUR 7 billion, services posted a EUR 14 billion surplus, which was attributable to the traditionally profitable travel and tourism industry as well as to other services categories. The balance on current transfers, which mainly reflects public sector transactions – such as EU contributions – closed with a deficit of around EUR 2 billion. Cross-border income produced a surplus of just under EUR 1 billion.

Austria's financial transactions with other countries improved in 2011, after having recorded disinvestments in the 2009–10 crisis years for the first time

Box 3

### Facts on the Euro<sup>1</sup> Confirm Positive Effects for Austria's Economy

*January 1, 2002, marked the introduction of euro banknotes and coins in Austria and eleven other EU countries. The facts show that thanks to the solid economic strength (totaling EUR 9,200 billion in 2011) of the euro area countries, the euro has become a recognized world currency within the relatively short period since its introduction, providing direct economic benefits to the 332 million citizens of the currently 17 participating countries.*

*There is evidence that especially small, export-oriented economies like Austria have profited from the introduction of the euro. The environment of stable exchange rates created by the single currency has driven up Austria's export ratio. The current account balance has been in surplus since 2002. Austria's international trade links, as measured by the share of direct investment in GDP, have quadrupled. Since the introduction of the euro, the growth rate of the Austrian economy has been continuously over ½ percentage point higher than that of the euro area. Employment has gone up by 1% on average since 1999, while the unemployment rate has remained low, coming to around 4% in 2011 – the lowest level in the euro area. In 2010, Austria's GDP per capita was the fourth highest in the euro area. With an annual rate of inflation of some 2% since 1999, Austria has also successfully maintained its citizens' purchasing power.*

*The interest rates on housing and corporate loans have never since the end of World War II been lower in Austria over a longer period of time than since the introduction of the euro. The Single Euro Payments Area (SEPA) has made payment transactions between euro area countries more efficient and less costly, which is an advantage for small, open economies in particular.*

*During the international financial and economic crisis, belonging to the euro area protected Austria and other countries from currency speculation – as took place against the schilling, for example, in 1993. Also, the Single Market and the euro cushioned the recession in Austria in 2009. The rise in unemployment was modest and brief, and the economy recovered relatively quickly. Even if confidence in the euro weakened during the sovereign debt crisis, recent surveys show that the vast majority of Austrians and of euro area citizens see the euro as their common currency for years to come.*

<sup>1</sup> See also the brochures "Fakten zum Euro" (available in German only) and "Facts on Austria and Its Banks" as well as the Q1/12 special issue of the OeNB's quarterly Monetary Policy & the Economy on "10 Years of Euro Cash," available at [www.oenb.at](http://www.oenb.at).

since Austria joined the EU. However, these signs of recovery by no means indicate a return to normality, as the 2011 results are far from the record investments that were observed immediately before the onset of the financial crisis. The repercussions of the crisis became apparent, above all, in the fact that Austrian investors withdrew from

international portfolio investment. Since the mid-1990s, this segment had traditionally played a key role in the rapidly advancing internationalization of the Austrian capital market. By contrast, the bank lending and deposit business as well as cross-border direct investment grew more dynamically in 2011.



# The OeNB's Reserve Management Ensures Positive Profit Performance despite Changed Market Conditions

## Financial Market Developments Reflect Uncertainty

The year 2011 was characterized by high uncertainty among financial market participants, which translated into significant price fluctuations in the financial markets. Accordingly, investment behavior mainly focused on risk reduction.

While the euro firmed in the first half of 2011, partly owing to the deteriorating growth outlook for the United States, it weakened against the major trading currencies in the second half of the year as the sovereign debt crisis in Europe intensified. Over the entire year 2011, the single currency depreciated by around 3% against the U.S. dollar.

The Swiss franc featured prominently as a safe-haven currency, in particular in the third quarter of 2011. By August 2011, it had appreciated against the euro by up to 18% compared with

its exchange rate recorded at the beginning of the year. The upward pressures on the Swiss franc were alleviated only at the beginning of September 2011, after the Swiss central bank had set a minimum exchange rate of CHF 1.20 to the euro and taken the necessary interventions to back this monetary policy measure.

The Japanese yen also benefited from the flight into safe currencies. After having come under pressure in the wake of the disastrous earthquake in spring, the Japanese currency firmed markedly over the remainder of the year, appreciating by up to 12% against the U.S. dollar and up to 19% against the euro. At the end of October, the Japanese yen traded against the U.S. dollar at an all-time high. To counteract any further currency appreciation, the Bank of Japan undertook three major money market interventions in 2011. At the beginning of 2012, the Japanese yen depreciated again.

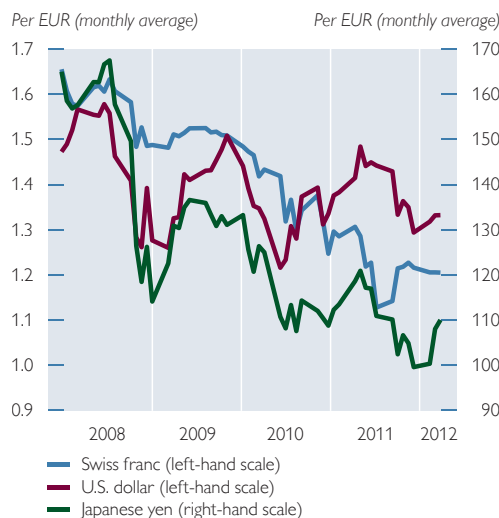
The gold price also benefited from flight-to-safety investments, reaching a new all-time high at USD 1,921 per fine ounce at the beginning of September 2011. In the fourth quarter of 2011, the upward trend in gold prices weakened. This slowdown was, in part, triggered by lower commodity prices and easing tensions with respect to inflation expectations. Over the entire year 2011, the U.S. dollar gold price rose by 11%, while the euro gold price went up by 14%.

High uncertainty was also observable in equity markets, which had long been able to withstand the strong fluctuations and disruptions experienced in the markets for other investment instruments. During the summer of 2011, however, equity prices declined

Gold, Swiss franc and Japanese yen in high demand during debt crisis

Chart 16

### Exchange Rate Developments

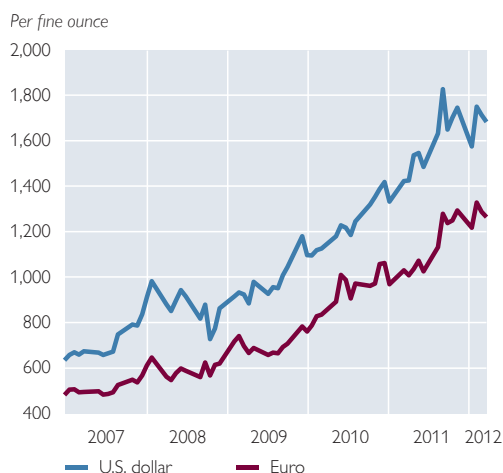


Source: Thomson Reuters.



Chart 17

### Gold Price Developments



Source: Thomson Reuters.

substantially as the sovereign debt crisis intensified, the economy slowed down and debates over raising the U.S. debt ceiling continued. Over this period, stock prices slumped by 30% in Europe (Euro STOXX 50 index) and by 18% in the U.S.A. (Standard & Poor's 500 index). Stock markets continued to record strong fluctuations until end-2011 and only started to recover in early 2012 on account of the improved economic outlook (especially for the U.S.A.) and the first signs of an easing of the sovereign debt crisis in Europe.

### Sovereign Debt Crisis Impacts on OeNB Reserve Management

The OeNB's reserve management activities in 2011 reflected financial mar-

ket developments. Together with the ECB and the other Eurosystem central banks, the OeNB faced up to the challenge of providing sufficient market liquidity, inter alia by (re)introducing sovereign and covered bond purchase programs, respectively. To ensure the provision of U.S. dollar liquidity to European banks, swap lines with other central banks, in particular with the Federal Reserve System, were activated. Under the IMF financing measures, increasing use was made of the funds provided by the OeNB with respect to Special Drawing Rights.

As the monetary policy measures described above meant additional risk for the OeNB, its reserve management focused on safeguarding stable and steady profits by ensuring sufficient levels of collateral and liquidity. The OeNB achieved this goal primarily by continuing its policy of low-risk diversification across investment categories. The OeNB's gold reserves also contributed to keeping the value of its reserve assets stable. At 280 tons, the OeNB's gold reserves remained unchanged in quantity against the previous year.

In reaction to changes in global capital market developments and in view of China's increasing economic weight, the OeNB signed an important agreement with the People's Bank of China which will allow the OeNB to include investments in the Chinese renminbi-yuan in its reserve management strategy from now on.

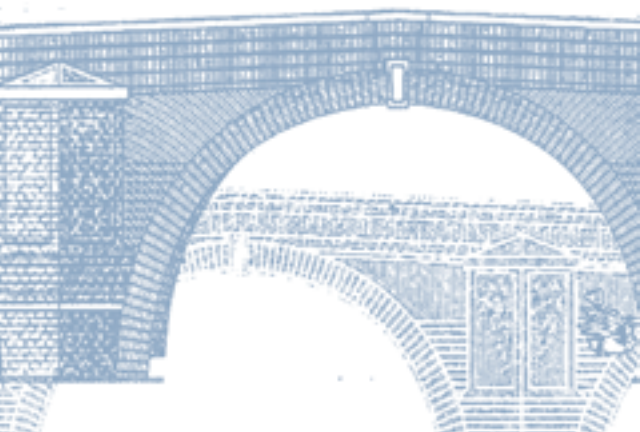
**Reserve management ensures steady profit performance**

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

The OeNB is responsible for conducting financial stability analyses, off-site analyses and on-site inspections of banks as well as for 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 doing so, the OeNB gives due consideration to current national and international regulatory standards and to the implications of changes to the regulatory framework on financial stability.

## *We provide high-quality and timely financial statistics*

The OeNB compiles and analyzes monetary, interest rate, supervisory and external data. In-depth and current statistics and analyses feed into the monetary policy strategy of the Eurosystem, banking supervision activities, the work of international organizations and Austria's economic policymaking. Moreover, OeNB experts are actively involved in developing and enhancing national and international databases.



**“Banks must increase  
their resilience further –  
Basel III makes sense!”**

*Andreas Ittner  
Member of the Governing Board*

## Challenges to Financial Stability Are on the Rise Again

### Austrian Financial Institutions Face Difficult Environment

The uncertainty surrounding the public finances of some euro area countries, declining economic activity in the second half of 2011 and certain economic policy measures in several CESEE countries had a significant impact on Austrian banks' business operations in the reporting year. As confidence in the interbank market was waning again, the market for unsecured wholesale funding almost dried up. Moreover, the distribution of liquidity among European banks became increasingly uneven. Sovereign rating downgrades and the negative outlook (also on Austria's rating) adversely affected the financial sector additionally, because, on the one hand, this sector is an important creditor to sovereigns and, on the other hand, creditors of large banks assume that these banks have implicit government backing. Against this background Austrian banks stepped up their deposit taking on the back of rising retail interest rates. Retail deposits increased by 4.2% to EUR 519 billion in 2011. The consolidated total assets of Austrian banks edged up to EUR 1,166 billion at the end of 2011.

Despite the difficult environment, there were no signs of excessive deleveraging in Austria. Retail loans picked up by 2.2% in 2011, mostly driven by the growth of euro-denominated loans, as expected. Credit quality as measured by the loan loss provisions ratio remained broadly stable in Austria. Domestic banks' subsidiaries in CESEE, however, experienced another deterioration in credit quality, in particular in the second half of 2011. Moreover, there were impairments on goodwill. These developments were mostly at-

tributable to country-specific risks, the faltering recovery, diminished capital inflows and the region's close ties with the euro area. Profitability varied throughout the year, recovering in the first half and losing considerable momentum in the second half.

The CESEE business still provided an important contribution to Austrian banks' profitability. Their consolidated end-of-period profit came to EUR 0.7 billion, which corresponds to a return on assets of 0.1%, clearly down from the previous year's figure. Individual banks' performances varied, with some banks posting losses, which, in some cases, necessitated stabilizing government measures in 2011 and early 2012.

Austrian banks' risk-bearing capacity as measured by their capitalization remained almost unchanged year on year. The consolidated capital ratio of the domestic banking sector stood at 13.6%, the consolidated tier 1 capital ratio came to 10.3%. Considering Austrian banks' risk profiles and their below-average capital buffers (by international comparison), they should raise

**Austrian banks' profitability weakens significantly**

#### Loan loss provisions

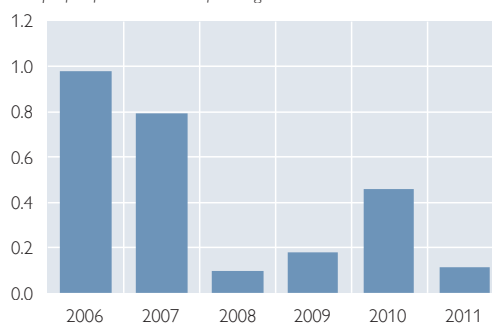
Loan loss provisions are expenses that banks record in their balance sheets in case a loan cannot be fully recovered. There are specific loan loss provisions, which are used to adjust the value of a specific loan, and general loan loss provisions to cover for the risk that a bank's total claims are exposed to.

**CESEE remains important source of profit despite deteriorating credit quality**

Chart 18

### Consolidated Return on Assets of the Austrian Banking Sector

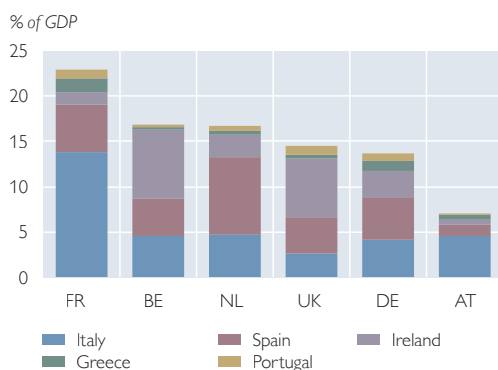
Net profit after taxes in % of average total assets



Source: OeNB.

Chart 19

### Bank Exposures to Selected Euro Area Countries



Source: BIS, Eurostat, OeNB.

Note: Data as at Q3 11; Austria: Q4 11.

#### Low interest rate environment weighs on insurers

both the quality and the quantity of their capital.

Operations in CESEE accounted for the largest share of Austrian banks' foreign business. Owing to the large differences between the countries of the

region, this exposure remains broadly diversified. The claims on CESEE of Austrian-owned banks amounted to just below EUR 220 billion at the end of 2011 (Austrian banks' total claims on CESEE came to some EUR 310 billion). In total, the domestic banking sector reduced its exposure to euro area countries whose sovereign bonds carried elevated risk premiums (Greece, Ireland, Portugal, Italy, Spain) in the reporting year. At the end of December 2011, this exposure equaled about 7% of the Austrian GDP.

Increasing their capital buffers further and implementing the new regulatory standards (e.g. Basel III) remain the key chal-

lenges for Austrian banks. Also, the credit quality in CESEE, the foreign currency loan exposure and the low profitability of the domestic business continue to be issues that need to be addressed. Against this background it is important that Austrian banks strengthen the sustainability of their business models.

Losses in bond and stock markets dented the investment income of insurance companies, pension funds and mutual funds in 2011. There is a potential for contagion resulting from the linkages of these other financial intermediaries with banks, which mainly take the form of investments in bank bonds. Insurers offering life-insurance contracts with guaranteed return have increasingly suffered from the low interest rate environment. In the reporting year, Austrian insurance companies' new business was subdued, with premium income dropping by 1.1%. Likewise, the assets of domestic mutual funds declined sharply (-7%).

#### Large Austrian Banks Must Raise Additional EUR 2.9 Billion in Capital

A recapitalization exercise conducted by the European Banking Authority (EBA) in the fall of 2011 showed that 71 systemically important European banks require an additional EUR 114.7 billion in core tier 1 equity. These findings confirmed the results of previous EBA and OeNB stress tests, according to which Austria's large banks are more weakly capitalized than their international peers.

The two Austrian banks that took part in the exercise<sup>1</sup> – Erste Group Bank AG and Raiffeisen Zentralbank

#### European Banking Authority (EBA)

The EBA is part of the new European System of Financial Supervision (ESFS), which came into being on January 1, 2011. Its objective is to promote consistent supervisory practices in Europe in the interest of safeguarding banking sector stability. In this context, the EBA closely cooperates with national supervisory authorities. Furthermore, the EBA has the mandate to issue binding technical standards and recommendations to Member States on a range of regulatory issues and to mediate and settle disagreements between authorities. In emergency situations, the EBA may be granted special powers to maintain financial market stability, e.g. direct powers of instruction and intervention. Furthermore, the EBA conducts risk assessment and stress test exercises twice a year, which is why its work increasingly has an impact on the Austrian financial market.

<sup>1</sup> After selling the bulk of its foreign business, OeVAG was removed from the sample of banks in the exercise. It submitted a recapitalization plan to the supervisory authorities. UniCredit Bank Austria AG was accounted for in the exercise through its Italian parent institution.

Österreich AG – must raise a total of EUR 2.9 billion by end-June 2012 to achieve the regulatory core tier 1 ratio of 9%. However, the exercise also showed that the domestic banking sector's exposure to euro area countries experiencing elevated risk premiums is limited.

Raising additional capital comes as a challenging task for the concerned banks. The Austrian Financial Market Authority (FMA) and the OeNB assume that lending to the real economy will not be affected as a result. In early 2012, Erste Group Bank AG and Raiffeisen Zentralbank Österreich AG presented their plans on how to achieve the required core tier 1 capital ratio of 9% by mid-2012.

### Supervisors Launch Measures to Strengthen Austrian Banking Sector

In close cooperation with the OeNB, the FMA drew up a supervisory guidance,<sup>2</sup> which was published in the first quarter of 2012. Its aim is to render the business models of the large internationally active Austrian banks more sustainable, thereby safeguarding foreign business activities while avoiding excessive risk taking that might eventually

have a systemic impact on the Austrian financial sector and, consequently, the government. The supervisory guidance specifically addresses Erste Group Bank AG, Raiffeisen Zentralbank AG and UniCredit Bank Austria AG. The package consists of three pillars.

First, the addressed banks are expected to increase their risk-bearing capacity, in particular by fulfilling the Basel III standards on common equity tier 1 already by January 1, 2013, i.e. without making use of transitional provisions; any government and private participation capital subscribed under the bank support package will be included in the capital base. Furthermore, the banks will be subject to a variable capital surcharge of up to 3 percentage points (depending on the riskiness of their business models) starting from January 1, 2016.

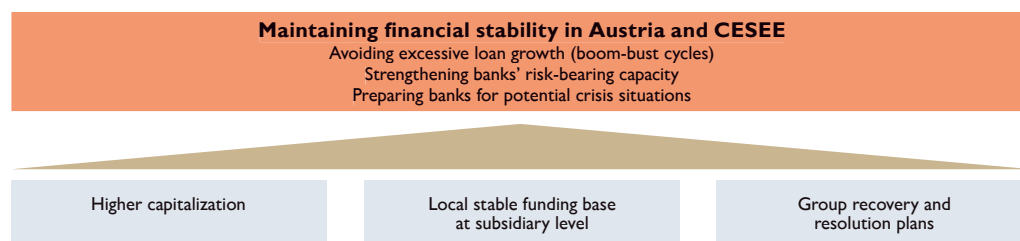
Second, stepped-up monitoring of net new lending relative to stable local refinancing<sup>3</sup> is to help achieve balanced refinancing structures at subsidiary level. Austrian supervisors' experience has shown that subsidiaries that had failed to underpin high lending growth with robust local funding base during boom times were more vulnerable to an increase in credit risk in times of stress.

**Stress tests and recapitalization exercise among EU banks confirm capital needs of Austrian banks**

**Capitalization and refinancing as pillars of the sustainability package**

Chart 20

### Strengthening the Sustainability of Austrian Banks' Business Models



Source: FMA, OeNB.

<sup>2</sup> For further information, see the OeNB's press release of March 14, 2012, at [www.oenb.at/en/presse\\_pub/aussendungen/2012/2012q1/pa\\_aufsicht\\_\\_nachhaltigkeitspaket\\_fuer\\_oesterreichs\\_banken\\_\\_246091\\_page.jsp](http://www.oenb.at/en/presse_pub/aussendungen/2012/2012q1/pa_aufsicht__nachhaltigkeitspaket_fuer_oesterreichs_banken__246091_page.jsp).

<sup>3</sup> 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.

The results of the monitoring exercises will be discussed in the supervisory colleges – the cross-border cooperation framework with the competent supervisory authorities. Home and host supervisors may use this framework also to agree on supervisory measures if deemed necessary.

Third, the concerned banks are required to prepare and submit group-wide recovery and resolution plans to the FMA by end-2012.

The cornerstones of the supervisory guidance concept were first made public in November 2011. In the ensuing consultation process, representatives of the banks concerned, host supervisors, international financial institutions, the European Commission and other stakeholders provided valuable input to the sustainability package. The measures contained in the package aim to strengthen the business models of Austrian banks and, therefore, promote financial stability in Austria and in CESEE host countries. They provide a framework for sustainable growth while strengthening the retail-oriented business model of large internationally active Austrian banks.

### Supervisory Initiatives Continue – Foreign Currency Loans Stagnate at High Level

Over the past years, Austrian supervisors have implemented several initiatives to curb lending in foreign currency. These initiatives have already started to show the intended effects, as foreign currency lending to domestic borrowers, in particular households, has been declining since the fall of 2008. However, the appreciation of the Swiss franc until the beginning of September 2011 offset this reduction almost entirely. At the end of 2011, the amount of outstanding foreign currency loans to domestic customers totaled

EUR 57 billion, with households accounting for two-thirds of this share. Adjusted for exchange rate changes, foreign currency loans to households decreased by 21% between October 2008 and December 2011 (non-exchange rate-adjusted: –3%). New loans in foreign currency as a share of total loans to households have remained below 4% since end-2010.

However, the risks resulting from foreign currency loans persist, as two-thirds of these loans in Austria have a residual maturity of more than ten years (implying exchange rate and interest rate risk) and a large part of these loans are bullet loans linked to repayment vehicles (yield risk). The bulk of foreign currency loans are denominated in Swiss francs (93% of all foreign currency loans) and were taken out when the exchange rate was considerably lower, which means that with the lending currency appreciating, borrowers have incurred exchange rate losses.

In early 2010, the Austrian banking groups active in CESEE committed themselves to an agreement with the Austrian supervisory authorities (“guiding principles”) according to which they will no longer offer the riskiest types of foreign currency loans, i.e. consumer and mortgage loans in Swiss

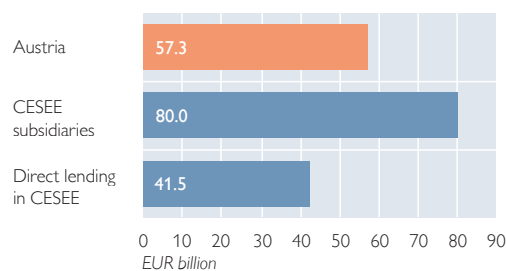
**Sustainability package contributes to financial stability in Austria and CESEE**

**Outstanding foreign currency loans total more than EUR 170 billion**

**Risks from foreign currency loans remain high**

Chart 21

#### Foreign Currency Lending by Austrian Banks



Source: OeNB.

Note: Data as at December 2011; CESEE subsidiaries: Q2 11.

francs or Japanese yen to households and small and medium-sized companies without income in matching currency; in addition, consumer loans in euro are to be granted only to borrowers with the highest creditworthiness.

Analyses by the OeNB confirm that the Austrian banks are in compliance with this self-imposed commitment. New foreign currency loans in CESEE and the CIS are exclusively denominated in euro (in the former) or U.S. dollar (in the latter). Nevertheless, the amount of outstanding foreign currency loans will remain a substantial challenge and risk in the next few years. In mid-2011, about EUR 80 billion or 45% of loans granted to CESEE companies and households by Austrian subsidiaries were denominated in foreign currency. Cross-border foreign currency loans accounted for an additional EUR 41.5 billion.

The OeNB and the FMA have warned about the numerous risks of foreign currency loans for several years and have taken a range of measures to reduce these risks. At the European level, the issue was addressed for the first time when the European Systemic Risk Board (ESRB) issued a recommendation on lending in foreign currency in fall 2011, pointing out the systemic risk potential of these loans. OeNB experts contributed to the preparation of this recommendation. Together with the FMA, the OeNB is responsible for its technical implementation in Austria. The ESRB advised national supervisory authorities to raise borrowers' risk awareness, to monitor the growth of lending in foreign currency, to ensure that related risks are adequately reflected in internal risk management systems and banks have adequate capital buffers and, if deemed necessary, to take measures to limit lending in foreign currency.

### OeNB Plays Active Role in Financial Supervision

The Austrian banking system comprises more than 800 banks and branch offices; this structure requires efficient and effective supervision. Under the 2008 reform of the Austrian financial market supervisory framework, the OeNB was assigned the task of “fact finding,” while the FMA was given the responsibility for taking official action (“decision taking”). This clear division of tasks is coupled with a joint responsibility for the entire supervisory process. Another key feature of the reform was the introduction of the single point of contact (SPOC) principle to step up the structured dialogue between supervisors and banks (and between the OeNB and the FMA themselves). In addition, “centers of excellence” for strategic issues like Basel III, own funds, liquidity, securitization or CESEE (e.g. as regards the sustainability of business models) and an electronic platform for sharing all relevant supervisory information were established, as a high level of coordination and calibration between the OeNB and the FMA is required to ensure the smooth functioning of the supervisory process.

### Enhanced Supervision of Cross-Border Banks

In order to be able to assess the risks of cross-border financial institutions, supervisors require a thorough knowledge of the home and host markets and these markets' framework conditions. Therefore, close cooperation, the exchange of information and the coordination of supervisory measures between the competent home and host supervisors are of utmost importance. In 2011, the OeNB and the FMA as well as the national supervisory authorities of Austrian banks' host markets further stepped up their practical coop-

**Efficient supervisory structures to account for sector specificities**

**ESRB recommendations confirm risk potential of lending in foreign currency**

**Supervisory colleges play key role in cross-border cooperation**

**On-site inspections  
focused on CESEE**

**OeNB provides  
Austria and CESEE  
expertise to FSB**

**Financial Stability Board (FSB)**

The Financial Stability Board is an international organization that brings together national authorities and international institutions responsible for maintaining financial stability. The members of the FSB are the central banks, financial ministries and/or supervisory authorities of the G-20 countries and Hong Kong, the Netherlands, Singapore and Switzerland, as well as the ECB, the European Commission, international organizations and standard-setting bodies.

eration, in particular in the framework of supervisory colleges. One example of a joint key decision in 2011 was the assessment of the capital adequacy of an Austrian banking group and its subsidiaries. The OeNB and the FMA also use the supervisory colleges for coordinating future areas of analysis (e.g. the impact of Basel III, stress tests, liquidity positions) and issues in connection with on-site inspections. Furthermore, the impact of the EBA's recapitalization exercise or the joint FMA and OeNB supervisory guidance to strengthen the business models of internationally active Austrian banks, are issues that will be discussed in the supervisory colleges in the future. Representatives of the EBA take part in these meetings in a mediating and monitoring role.

In line with the OeNB's and the FMA's joint bank examination strategy, on-site activities in 2011 again strongly focused on the risk of cross-border banking business, especially in CESEE. Activities included independent on-site inspections of an Austrian subsidiary in

CESEE, visits at subsidiaries to assess their integration in group-wide control processes, participation in on-site inspections by host supervisors as well as model assessments of models at subsidiaries in CESEE. Furthermore, OeNB examiners took part in on-site inspections in Croatia, Romania, Hungary, Russia, the Czech Republic and several countries in Western Europe.

**Payment Systems Oversight  
Contributes to Financial Stability**

The OeNB has been responsible for the oversight of payment systems in Austria since 2002 (the legal basis of which is laid down in the Nationalbank Act); at the ESCB level it actively contributes to the work of the relevant European

bodies. In 2011, national oversight activities focused on monitoring and assessing the security of ATMs and financial market infrastructures (securities settlement systems) in Austria. At the European level, two key issues were the security of retail payments and how to combat fraud in this area. The financial market turmoil did not affect the security and availability of the Austrian and European payment systems in 2011.

**The OeNB as an Expert on the  
Austrian Financial Market**

The close links between micro- and macroprudential supervision in the Austrian supervisory framework enable the OeNB to pursue an integrated analytical approach. The OeNB publishes the results of its analyses in its twice-yearly Financial Stability Report and discusses them with the FMA and other competent bodies at the national and international levels. In early 2011, the OeNB and the FMA jointly organized a workshop on financial stability and insurance companies.

The OeNB also supports the newly established Regional Consultative Group for Europe of the Financial Stability Board (FSB) with its expert knowledge on Austria and CESEE. The FSB set up regional groups with a view to involve non-members (like Austria) in the coordinated exchange of information and ideas at the international level with the aim of strengthening financial stability. Representatives of the Austrian Federal Ministry of Finance, the FMA and the OeNB took part in the first session of the Regional Consultative Group for Europe in December 2011 to discuss key regulatory issues in connection with Basel III, systemically relevant financial institutions and the shadow banking system as well as current topics like the European sovereign



debt crisis and its repercussions for financial stability.

### Further Progress in Enhancing the International Financial Architecture

In cooperation with national supervisory authorities, the EU has started working on transposing Basel III into European law. In this context, the European Commission published its proposal on how to implement Basel III in the EU in July 2011. While previous Basel standards were transposed through directives, the European Commission this time decided to draw up both a directive (Capital Requirements Directive IV) and a regulation (Capital Requirements Regulation) to draw up uniform provisions for banks in Europe. There are still some unresolved issues, however, such as the desired level of harmonization, the definition of the different capital categories, the division of tasks and responsibilities between home and host supervisors, the specification of the new liquidity ratios and possible special provisions on lending to small and medium-sized enterprises. The OeNB actively follows this process and serves as an information hub at the national level.

Systemically important financial institutions will be subject to stricter regulation. The G-20 endorsed a set of standards developed by the FSB to increase the loss-absorbing capacity of global systemically important banks (G-SIBs). According to these standards, G-SIBs will be subject to a progressive capital surcharge of 1% to 2.5% (common equity) and will be required to prepare and submit recovery and resolution plans. The systemic importance of a bank is measured by a methodology developed by the Basel Committee on Banking Supervision. The standards were adopted by the

G-20 at their meeting in Cannes in the fall of 2011.

Crisis management and resolution, in particular of distressed systemically important banks, has been a critical issue in banking regulation. Hence, supplementing the work of the FSB, the European Commission has been working on a framework for crisis management in the financial sector to facilitate the recovery and resolution of banks. Based on the Ecofin decision of May 18, 2010, the OeNB, the FMA and the Federal Ministry of Finance established a regional cross-border stability group for the Austrian banks involved in cross-border activities in 2011 with a view to conducting a crisis simulation exercise by mid-2012. These banks are Erste Group Bank AG, Raiffeisen Zentralbank AG, Oesterreichische Volksbanken AG and Hypo Group Alpe Adria AG.

Furthermore, the G-20 have requested national authorities to address the risks in connection with OTC derivatives trading through organized platforms and central counterparties. At the EU level, much progress has been made toward fulfilling this goal. Work has also advanced in strengthening the regulation of alternative investment fund managers, rating agencies and short selling. In the insurance sector, new risk-based solvency rules (Solvency II) will become effective as in the course of 2013.

A number of national supervisory authorities and international financial institutions have carried out a systemic risk analysis of exchange traded funds (ETFs), identifying the risks of these instruments to financial stability. The highest risks tend to arise from synthetic ETFs, which have been growing strongly in Europe.

### EU transposes Basel III into European law

#### Basel III

The Basel Committee on Banking Supervision adopted the new international regulatory framework for banks, commonly known as Basel III, in December 2010. Under the new framework, banks will be required to hold more and better capital and to meet minimum liquidity standards in order to strengthen their overall resilience.

### Addressing risks in the securities market

#### Exchange traded fund (ETF)

An ETF is an investment fund traded on a stock exchange that usually tracks an index (to keep costs low). The ETF market in Europe is still relatively small but growing fast. There are two types of ETFs: those that replicate an index by physically holding the assets underlying this index ("physical ETFs") and synthetic (swap-based) ETFs, which use swaps with a counterparty (usually an investment bank) to replicate an index's performance.

### Higher risk buffers for systemically important banks

**ESRB identifies risks  
and issues  
recommendations**

**European Systemic Risk Board  
Acts as Early Warning System**

The European Systemic Risk Board (ESRB) held its inaugural meeting on January 20, 2011. Its tasks include analyzing systemic risks to the EU financial system and issuing warnings and recommendations. In October 2011 the ESRB warned of the risk potential of lending in foreign currency and issued its first recommendation to national supervisors, the EBA and the countries of the European Economic Area. In light of the relatively high funding needs in U.S. dollar and the lack of confidence in the interbank market, another recommendation was published in December 2011. In January 2012, the ESRB further issued a recommendation to the national governments of the EU Member States on the macroprudential mandate of national authorities.

Moreover, the ESRB highlighted significant systemic risks to financial

stability in the EU, in particular the European debt crisis and negative feedback effects, at hearings before the European Parliament, press conferences and in its external communications in general. It also pointed out that the regulatory framework for financial institutions, products, markets and infrastructures had to provide adequate flexibility for macroprudential supervision. Under such a framework, macroprudential supervision can mitigate systemic risks and improve the resilience and stability of the financial system, while the provision of financial services to businesses and consumers is maintained.

The OeNB contributes actively to the work of the ESRB. The OeNB's Governor is a voting member of the ESRB's General Board, and an OeNB representative serves as vice chair on its Advisory Technical Committee.

## The OeNB – A Center of Competence for Financial Statistics

### The OeNB Is a Key Provider of Statistics

The compilation of statistics is a core task of the OeNB that is central to meeting the objectives of price and financial market stability as well as to safeguarding the smooth functioning of payment services. Accurate and timely information about financial market

structures and developments is crucial for identifying crisis events as early as possible to respond with appropriate action, a lesson driven home by the recent financial turbulence. What is more, the financial crisis has also brought to light the future challenges and the large potential for further development in the field of statistics.

Box 4

#### High-Quality Data – A Prerequisite for the EU’s Macroeconomic Imbalance Procedure<sup>1</sup>

On February 14, 2012, the European Commission published its first annual Alert Mechanism Report (AMR). This marked the official launch of the new EU surveillance procedure for preventing and correcting macroeconomic imbalances, i.e. the Macroeconomic Imbalance Procedure (MIP). Under this mechanism, countries are examined against a scoreboard of ten economic indicators, for which thresholds have been defined. A deviation from these thresholds results in an in-depth qualitative review of the given economy by the European Commission, which will then issue economic policy recommendations. For Austria, three of these indicators are compiled based on the OeNB’s external sector statistics, namely the current account balance, the net international investment position (each as a percentage of GDP) and the change in the export market share. Two indicators – private sector credit flow and private sector debt – are determined based on the financial accounts compiled by the OeNB. In addition to public sector debt, the remaining indicators cover macroeconomic aspects, such as exchange rate developments, unit labor costs, house prices and the unemployment rate. While Austria exceeded three indicative thresholds in 2010 according to the first AMR (MIP scoreboard for 2010), no imbalances were detected in the ensuing in-depth review.

OeNB contributes data to Macroeconomic Imbalance Procedure

Scoreboard indicators	Thresholds	Values Austria	Upward deviation Austria
	%		
Three-year average of the current account balance in % of GDP	+6/-4	3.5	No
Net international investment position in % of GDP	-35	-9.8	No
Three-year percentage change of the real effective exchange rate	+/-5 (euro area) +/-11 (non-euro area)	-1.3	No
Five-year percentage change of export market shares	-6	-14.8	Yes
Three-year percentage change in nominal unit labor costs	+9 (euro area) +12 (non-euro area)	8.9	No
Year-on-year change in deflated house prices in %	+6	-1.5	No
Private sector credit flow in % of GDP	+15	6.4	No
Private sector debt in % of GDP	160	166	Yes
Public sector debt in % of GDP	60	72	Yes
Three-year average of the unemployment rate	+10	4.3	No

<sup>1</sup> For more information, see [http://ec.europa.eu/economy\\_finance/articles/governance/2012-02-14-alert\\_mechanism\\_report\\_en.htm](http://ec.europa.eu/economy_finance/articles/governance/2012-02-14-alert_mechanism_report_en.htm).

Reporting agents benefit from cooperation

## Efficient Compilation and Processing of Statistics

The OeNB's most important partners in producing statistics are the Austrian reporting entities, in particular banks, other financial service providers and nonfinancial corporations as well as households. Demand for statistical data is on a steady rise and frequently goes hand in hand with new legal reporting obligations. Consequently, the reporting burden increases both for the reporters that compile and transmit data and the OeNB, which processes the returned data. The OeNB is keen on relieving the burden on reporters as much as possible (subject to all legal and contractual provisions on statistical returns) and has been evaluating the entire production process for cost efficiency (see also the section on the START II project in the chapter "The OeNB – A Future-Oriented Enterprise").

In the same vein, enhanced interface management helps the OeNB streamline its in-house processing of reported data. Its long-standing cooperation with Statistics Austria under several cooperation framework agreements has yielded substantial efficiency gains. Under the quality management regime, which envisages continuous monitoring and calibration of core processes, the workflow and quality assurance measures applied to statistical reporting, e.g. data plausibility checks, were refined further in 2011.

Demand for high-quality financial statistics is sure to augment further, and so will the performance expectations the OeNB's statistical team will need to meet. Inter alia, the cooperation with the newly established European supervisory authorities, such as the European Systemic Risk Board (ESRB), bears testimony to this trend.

## The Financial Crisis Gave Rise to New International Data Requirements

The urgent need for greater transparency was effectively demonstrated by the recent financial market turbulence. In the wake of the crisis, central banks were faced with an ever-growing demand for information about the risks inherent in financial markets.

Especially international organizations, which had already regularly collected data before the crisis, stepped up their requests for statistics. Under Basel III, i.e. the new capital adequacy framework, an observation period was specified to allow for the finetuning of the new standards before they become legally binding. Basel III implementation monitoring began in 2011 and will be repeated semiannually by means of a quantitative impact study (QIS). The European Banking Authority (EBA) coordinates the EU's QIS for all European countries, complying with the requirements and time schedule issued by the BIS. In this exercise, the OeNB is in charge of the Austrian part.

Moreover, the EBA and the ESRB developed a common set of quantitative and qualitative indicators (risk dashboard, key risk indicators – KRIs) to identify and measure systemic risk. Throughout Europe, 57 credit institutions based in 19 countries are obliged to report; in Austria, this applies to three banks (Erste Group Bank AG, Oesterreichische Volksbanken AG and Raiffeisen Zentralbank Österreich AG). The KRIs were collected in mid-2011 for the first time; starting from 2013, extended data requirements will apply.

## New Communications Strategy for Statistical Content

In line with its mandate of providing the public with information, the OeNB uses various channels to disseminate its

### EBA key risk indicators (KRIs)

Aggregate quantitative and qualitative indicators for determining and measuring banks' systemic risks that the national central banks have been reporting to the European Banking Authority (EBA) on a quarterly basis since the beginning of 2011. They cover balance sheet, capital adequacy, profitability and credit risk measures.

statistics. For starters, all statistics are available on the OeNB website. In addition, a number of statistical publications ranging from concise folders to comprehensive quarterlies are provided to meet the public's demand for statistical information in a user-friendly manner. Press conferences and press releases on topical issues round off the product portfolio. In 2011, the OeNB statistics team reviewed its communications strategy to make it more effective. It was concluded that the broad array of quantitative data offered should increasingly be supplemented by interpretation. Therefore, the OeNB will provide more analyses in response to current developments and public demand for information, while also attempting to proactively draw the public's attention to important issues.

### The OeNB Pioneers Mobile Access to Statistics

As the first central bank in the EU, the OeNB complemented its vast online data warehouse with a software app that provides access to current statistical data and information compiled by the OeNB via mobile end devices. It thus caters to those Austrians that own a smart phone (around 40%), for whom the presentation of data in charts and tables is now only a few taps away. Running on the Android and iOS operating systems, the OeNB app is available free of charge from iTunes and Android Market.

**OeNB provides user-friendly statistical products**



## *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 banknotes in circulation meet high quality standards. This makes it easier for the general public to quickly and effectively verify the security features of euro banknotes.

## *We ensure efficient cashless payments*

The OeNB contributes significantly to the smooth functioning of payment systems in Austria. It is responsible for payment systems oversight; it operates payment systems and, acting as catalyst, promotes innovation and development in Austrian and international payments.



*“The establishment of the national payments clearing house is another milestone in the reorganization of the national and European payment architecture.”*

*Wolfgang Duchatzek  
Vice Governor*

## Providing Secure Money – A Core Competence of the OeNB

### The OeNB Acts as a Cash Supply Hub in Europe

In particular in the area of cash logistics, Austria's geographical position along the main European transit routes and surrounded by emerging markets and regions has proven a great asset for the OeNB. Having established itself as a cash competence center and cash logistics hub, alongside Geldservice Austria Logistik für Wertgestionierung und Transportkoordination G.m.b.H. (GSA), the OeNB plays an important role in supplying Austria and the CESEE countries with euro banknotes and coins. This is also why the OeNB was designated by the Eurosystem as one of the sites holding the strategic stock of euro banknotes in the euro area. Moreover, Austrian banks' activities in CESEE result in a substantial return of euro cash to Austria, which – once having been processed – is again distributed within the euro area. Given this track record, the OeNB has become a key partner in all matters regarding euro cash for many CESEE central banks.

### The OeNB Ensures Stable and Secure Cash Supply

The value of euro banknotes and coins in circulation in the euro area widened to some EUR 890 billion until end-2011. The euro's role as one of the key international currencies continues to be confirmed by the high external demand for euro banknotes. The ECB estimates that 20% to 25% of euro cash in circulation is held outside the euro area. As far as the value of banknotes and coins in circulation is concerned, the euro surpassed the U.S. dollar already in 2006. With a common currency, it is no longer possible to precisely determine country-specific circulation fig-

ures. The OeNB therefore estimates that, based on the initial supply of euro cash, growth rates of cash withdrawals at cash machines and annual delivery volumes, the value of euro banknotes and coins circulating in Austria runs to EUR 25 to 27 billion.

To ensure the integrity of euro cash, the OeNB and the GSA jointly check all recirculated banknotes for authenticity and fitness for circulation. Banknotes are reissued only if they are fully compliant with all criteria.

### Austria Records Low Number of Counterfeit Euro Banknotes

In 2011, the quantity of euro counterfeits recovered in Austria decreased further (-36.6%), which resulted in the second-lowest loss incurred from counterfeits since

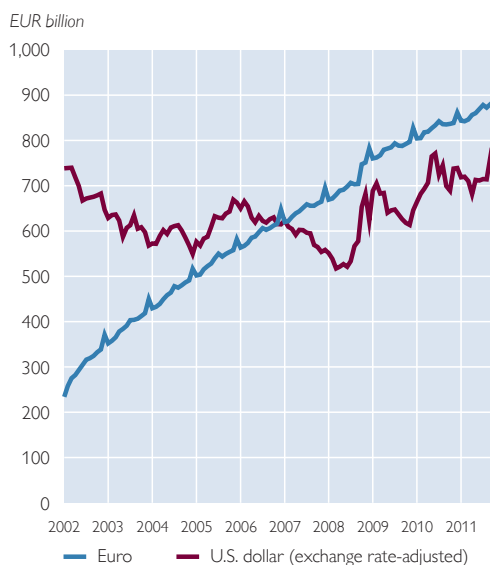
**1.61 billion banknotes and 2.12 billion coins were processed in 2011**

#### Eurosystem Strategic Stock (ESS)

This stock is intended for use in exceptional circumstances, i.e. when logistical stocks in the Eurosystem are insufficient to cover an unexpected increase in the demand for banknotes or in the event of a sudden interruption in supply. The logistical and strategic stocks ensure that any changes in demand for banknotes can be handled at any time by the national central banks, irrespective of whether the demand comes from inside or outside the euro area.

Chart 22

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

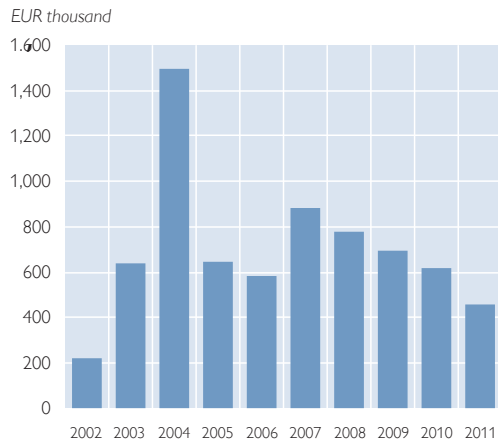


Source: OeNB.

**Tailor-made cash logistics and cross-border cash operations**

Chart 23

### Loss Incurred from Euro Counterfeits in Austria



Source: OeNB.

**Framework for cash processing has been extended**

the introduction of the euro in 2002. This trend is mirrored throughout Europe, with the overall reduction of counterfeits coming to -9.3%. Of the total of 606,000 counterfeit euro banknotes withdrawn from circulation in Europe in 2011, Austria accounted for 5,583.

At 33%, EUR 50 banknotes accounted for the highest share of counterfeits in Austria, followed by EUR 100 banknotes (29.3%) and EUR 20 banknotes (24.7%). Across Europe, the EUR 20 note accounted for 47.5% of all counterfeits, while the EUR 50 note and the EUR 100 note recorded shares of 32.5% and 16%, respectively.

To increase the resilience of euro banknotes to counterfeiting, a new series of euro banknotes will be introduced in a few years' time.<sup>1</sup> Building on the most important characteristics of

the first banknotes, the new series will be equipped with cutting-edge security features that are easy to verify.

The ECB's decision on the authenticity and fitness checking and recirculation of euro banknotes as well as the amended regulation (EC) laying down measures necessary for the protection of the euro against counterfeiting took effect on January 1, 2011.<sup>2</sup> They provide a uniform and legally binding basis for cash processing, which is targeted at a wider group of professional cash handlers (including credit institutions and retailers that check and recirculate banknotes). The OeNB Test Center is primarily in charge of implementing these rules in Austria. In the year under review, the Test Center continued to run free tests on authentication devices as well as counting and sorting machines and the respective sensors in line with ECB requirements. The test results were made available on the websites of the OeNB and the ECB.<sup>3</sup>

### The OeNB Runs Reliable Payment Systems for Austria's Banks

Domestic payment services are the lifeblood of the economy, as patently evidenced by the yearly transaction volume being roughly ten times as high as GDP. In line with its legal mandate, the OeNB ensures secure and efficient payment systems. In fulfilling this core task, the OeNB guarantees smooth payment flows among market participants, thus fostering confidence in a functioning and liquid market.

The OeNB's payment systems, through which transactions in euro as well as other currencies are processed,

**Payment systems ensure optimal liquidity provision to the financial market**

<sup>1</sup> [www.ecb.europa.eu/euro/html/anniversary.en.html](http://www.ecb.europa.eu/euro/html/anniversary.en.html).

<sup>2</sup> Decision of the European Central Bank of 16 September 2010 (ECB/2010/14) and Regulation (EC) No 1338/2001.

<sup>3</sup> [www.oenb.at/testzentrum](http://www.oenb.at/testzentrum); [www.ecb.int/euro/cashhand/devices/results/html/index.en.html](http://www.ecb.int/euro/cashhand/devices/results/html/index.en.html).



### 10 Years After – Austria’s Experience with the Euro

*In a special issue of its Monetary Policy & the Economy quarterly, the OeNB took stock of the first decade of euro cash.<sup>1</sup> The following summarizes the highlights of this exercise.*

*Given the smooth changeover from the schilling to the euro in Austria, confidence in the common currency grew quickly, as people took to the new banknotes and coins without difficulty and developed a good sense of value regarding smaller euro prices. In 2010, over 90% of the Austrian population felt confident in distinguishing between the various banknote denominations, and for more than 70% the same was true for coins (with 1-cent and 2-cent coins causing some confusion). Euro banknotes and coins proved to be a reliable and secure means of payment. The greatest benefits of euro cash, as acknowledged by Austrian consumers, are that prices are more transparent, traveling has become cheaper and simpler and the cost of payment transactions has been reduced. In light of the favorable performance of the common currency from the perspective of both businesses and consumers as well as the measures underway to improve the stability of the euro, around two-thirds of the Austrian population have faith in the euro.*

*The introduction of euro cash also resulted in changes in the OeNB’s balance sheet. Starting in 2002, the balance sheet had to show Austria’s share in the total circulation of euro banknotes in addition to schilling banknotes in circulation. Each Eurosystem NCB reports the total value of banknotes in circulation, i.e. the net balance of euro banknotes issued by and returned to it, to the ECB. The ECB then arrives at the overall circulation of euro banknotes. The OeNB’s share in total euro banknotes in circulation rose from about EUR 10 billion at end-2002 to some EUR 23 billion on December 31, 2011. The value of banknotes actually put into and withdrawn from circulation by the OeNB came to around –EUR 10 billion at year-end 2011 (2002: some EUR 17 billion).*

<sup>1</sup> *Monetary Policy & the Economy Q1/12 comprised seven short papers. For more details, see [www.oenb.at](http://www.oenb.at).*

provide the Austrian financial marketplace with the perfect infrastructure both for domestic and cross-border transactions. The OeNB regularly monitors developments and innovations in payment systems infrastructure to ensure that financial market players will have access to state-of-the-art solutions also in the future.

### Decision of the ECB’s Governing Council on TARGET2 Has Been Implemented

TARGET2, the Eurosystem’s real-time gross settlement system for processing large-value transactions, began operation on November 19, 2007. During a four-year transition period, it was possible to continue processing particular payment transactions via national systems operated by national central

banks. The OeNB and Austrian banks successfully completed this transition period on November 21, 2011. Banks that had access to TARGET2 via the OeNB (indirect participants) up to that date were faced with two options: either getting connected directly to TARGET2 or participating via a direct participant. The OeNB continues to carry out liquidity transfers, cash operations as well as transactions related to standing facilities (deposit and marginal lending facilities) and the fulfillment of reserve requirements for Austrian financial institutions.

### Single Euro Payments Area Is Taking Shape

Aimed at achieving a fully integrated market for euro retail payments, the Single Euro Payments Area (SEPA) will

Successful conclusion of the transition period

February 2014 marks the mandatory end date for migration to SEPA credit transfers and direct debits

allow economic agents to effect cashless euro transactions throughout Europe from a single account by using efficient and secure harmonized payment instruments. In a nutshell, SEPA will render the distinction between cross-border and national payments obsolete.

However, migration to the SEPA instruments from existing national systems has been taking longer than expected. Consequently, the full potential of SEPA has yet to be realized. For this reason, the European Commission proposed to introduce binding end dates for migration. In line with this end-date regulation, February 1, 2014, will usher in the exclusive use of SEPA credit transfer and direct debit schemes within the euro area. Economic agents will be able to conduct any euro payments via a single account as well as benefit from faster credit transfers and harmonized fees applicable to both cross-border and national transactions.

### Initiatives to Improve the Efficiency and Security of Inter-bank Retail Payment Systems

For years the OeNB had strived to establish a common clearing house for settling interbank payments to make the handling of retail payments more efficient. January 1, 2010, marked the launch of the GSA clearing service project, which was aimed at developing a national clearing infrastructure at GSA. During the initial project phase, design specifications were laid down and preparations for the implementation of the service were made at the business, legal and technical levels. Before the Clearing Service Austria (CS.A) went live on November 18, 2011, all relevant Austrian banks signaled their interest in ac-

tively participating in the system by signing a letter of intent. The transaction volumes handled by CS.A will rise steadily given the complexity of transactions and the fact that currently national and SEPA instruments are still used in parallel. In the first weeks, CS.A processed a daily average of 20,000 transactions, which contrasts with an estimated daily transaction volume of 1.5 million by mid-2012.

### Legal Basis for TARGET2-Securities Has Been Set Up

With TARGET2-Securities (T2S), the Eurosystem will provide European central securities depositories (CSDs) with harmonized services for settling national and cross-border securities transactions starting from June 2015. T2S is primarily aimed at raising the efficiency and security of the post-trading infrastructure, as its technical platform enables centralized securities settlement in central bank money. It will also boost competition and reduce – in particular cross-border – settlement costs in Europe.

Following more than two years of negotiations with European CSDs, the Governing Council of the ECB approved the T2S Framework Agreement in November 2011, the contractual agreement to be signed by the CSDs that plan to participate in T2S. CSDs signing the agreement already by April 2012 benefit from lower fees during the first months of participation and are exempt from the participation fee that will be charged to CSDs joining after June 2012.

By year-end 2011, the Eurosystem had virtually completed its negotiations with the non-euro area central banks that were interested in allowing their national currencies to be settled in T2S.

#### SEPA

After the successful launch of euro cash, the Single Euro Payments Area is the next step in harmonizing Europe's fragmented markets for cashless payment services by introducing uniform formats, systems and rules. SEPA will eliminate the distinction between cross-border and national payments.

#### National clearing house starts operations

## The OeNB's Direct Equity Interests

The OeNB holds equity interests in cash producing and processing companies as well as in cashless payment services providers. In particular, banknote and security printer OeBS (Oesterreichische Banknoten- und Sicherheitsdruck GmbH) produces top-quality euro banknotes for the OeNB. Münze Österreich Aktiengesellschaft (MÜNZE) mints the euro circulation coins for Austria and, additionally, produces a wide range of collector's coins and other precious metal items. The OeNB's cash logistics company GSA (GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination G.m.b.H.) is responsible for the supply of euro banknotes and coins in Austria. Since end-2011, the GSA has also been operating a domestic payment clearing infrastructure. The three companies aim at providing cash and cashless payment products and services in Austria in a modern, effective and efficient way. Outsourcing these activities to subsidiaries has helped the OeNB significantly reduce costs, as the subsidiaries secure flexibility in the production processes and pay market-based salaries. The outsourcing of the production of banknotes, for example, has considerably reduced the costs incurred by the OeNB through the procurement of euro banknotes.

MÜNZE holds an important financial investment through its equity interest in Casinos Austria AG, which, on the one hand, serves the public interest in a stable ownership structure of the gaming company and, on the other hand, represents assets backing coins in circulation. IG Immobilien-Gruppe is the vehicle for investing the funds earmarked for the OeNB's pension reserve in real estate. This direct form of investment has helped avoid losses that indirect investments suffered over the past decade. The OeNB regularly reviews the adequacy of its portfolio of equity in-

terests. In 2011, it sold its remaining 15% share in smart card and identity systems producer AUSTRIA CARD-Plastikkarten und Ausweissysteme Gesellschaft m.b.H.

A routine audit of the OeBS carried out by the OeNB's division responsible for conducting corporate group audits in early fall 2011 found that there was reason to suspect illegal practices in the OeBS's business operations and that the supervisory board had not been adequately informed. The Governing Board of the OeNB subsequently commissioned an external auditor to carry out an extraordinary audit of the OeBS. Upon completion of the external auditor's report, the OeNB filed charges with the Vienna Office of Public Prosecutors on October 25, 2011. The OeBS CEOs were immediately removed from their posts to facilitate the fast and complete resolution of the matter. The Governing Board of the OeNB has emphasized its full cooperation with the authorities. The Vienna Office of Public Prosecutors meanwhile expanded its investigations to include MÜNZE.

While the investigations are still in progress, the OeNB has already taken the following immediate measures: The business strategies of MÜNZE and the OeBS were refocused on the European Economic Area. To safeguard uniform corporate governance, the role of the OeNB Governing Board in the management of the OeNB's subsidiaries was substantially strengthened. The Governing Board also appointed two interim CEOs for the OeBS and one interim board member for MÜNZE. In addition, a corporate governance task force consisting of OeNB and renowned external experts was established to develop a new and improved compliance framework for the OeNB group, including the OeNB itself. Table 9 provides a complete list of the OeNB's direct and indirect equity interests.

## *The OeNB – A Future-Oriented Enterprise*

The OeNB is committed to the principle of sustainability: It uses its capacities as efficiently as possible to accomplish its corporate objectives, and it contributes to and implements solid monetary policy strategies. While a high level of price stability is a prerequisite for sustainable economic growth, the OeNB needs highly qualified staff and management, even more so in difficult times, to ensure the smooth implementation of monetary policy decisions, to secure the value of its reserve assets and to carry out its tasks as an independent and impartial institution both in the ESCB and in Austria.



*“Sustainable governance  
makes an organization  
fit for the future.”*

*Peter Zöllner  
Member of the Governing Board*

# Intellectual Capital Report 2011 – Developments and Outlook

## The OeNB – An Expert Organization Serving Citizens

Over the years, the OeNB has accumulated and developed a substantial stock of intellectual capital, which enables it to optimally fulfill its core tasks of serving citizens, especially during economically difficult times. “Knowledge” is an active process that can best be supported by ensuring an efficient corporate infrastructure and targeted motivation. The intellectual capital report has the purpose of documenting, and transparently disclosing, information about the OeNB’s intellectual capital, its relationship networks and its services, and of flagging areas requiring improvement. The report not only serves to communicate facts within the OeNB and to the general public, it is also a governance instrument. The achievement of knowledge goals, which are derived from the OeNB’s strategy, is measured by means of indicators.

## Sustainable Human Resources Strategy at the OeNB

The share of university graduates in OeNB staff, which has risen continuously throughout the past years to nearly 49% at present, underlines the OeNB’s status as an expert organization and consequently confirms the importance of knowledge-based capital. The framework conditions for serving as an expert organization are continuously evaluated and adapted. New Conditions of Service were introduced in 2011, securing a timely, competitive salary scheme in line with market standards. With a stronger focus on performance and the assessment of individual achievement, the OeNB has succeeded in securing its attractiveness as an employer, in particular when hiring qualified persons with years of professional experience.

Moreover, a project was launched in 2011 to evaluate insourcing options for staff on leasing contracts. As part of this project, an analysis assessed criteria related to fields of activity and to persons; moreover, cost effectiveness and sustainability were examined. Upon conclusion of the evaluation, 64 staff members on leasing contracts were offered a job contract with the OeNB at the beginning of 2012.

The regular investment in Continuing Education (CE) and Continuing Professional Development (CPD) is a key success factor in coping with the ever greater challenges central banks are facing. Therefore, the CE and CPD ratio and the related expenditures were maintained at a high level in 2011. In particular, the joint supervisory academy established by the OeNB and the FMA was developed further and officially recognized as a postgraduate course at the Vienna University of Economics and Business.

Continuing with the analysis of staff developments, staff mobility figures augmented in the review year. Both the number of in-house job rotations – also of management staff – and of working visits at national and international organizations expanded strongly. This type of mobility supports the exchange of knowledge and the acquisition of new knowledge.

In its mission statement, the OeNB commits itself to being a socially re-

### 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

University-level postgraduate course in financial supervision established at the Vienna University of Economics and Business

Table 2

### Indicators of Investment in Knowledge-Based Capital

Indicator	Unit	2009	2010	2011
<b>Staff structure</b>				
Full-time equivalent staff (year-end)	number	984.1	986.2	985.7
Fluctuation rate	%	0.9	1.8	1.0
University graduates	%	44.5	47.2	48.6
<b>Gender management</b>				
Ratio of women to men in staff	%	39 : 61	40 : 60	39 : 61
Ratio of women to men in the specialist career track	%	33 : 67	33 : 67	40 : 60
Ratio of women to men in management positions	%	18 : 82	20 : 80	19 : 81
<b>Flexible working arrangements</b>				
Part-time employees	%	8.6	9.4	9.8
Staff in teleworking scheme	%	5.0	5.7	6.3
Staff on sabbatical	number	5	6	5
<b>Knowledge acquisition</b>				
CE and CPD days per employee (annual average)	days	3.2	3.1	4.5
CE and CPD participation rate	%	55.1	57.3	54.1
Cost of CE and CPD per employee	EUR	1,940	1,906	1,952
Participants in development center training courses	number	24	12	12
In-house job rotations	number	19	33	56
Working visits to national and international organizations (external job rotations)	number	32	37	47
Interns	number	31	41	55

Source: OeNB.

Note: See the List of Indicators at [www.oenb.at/en/press/pub/period\\_pub/unternehmen/wissensbilanz/wissensbilanz.jsp](http://www.oenb.at/en/press/pub/period_pub/unternehmen/wissensbilanz/wissensbilanz.jsp) for definitions of these indicators.

#### The Women's Platform for Success celebrates its fifth anniversary

sponsible equal-opportunity employer and to providing a working environment characterized by cooperative management and teamwork. The *Women's Platform for Success*, which operates under the auspices of Governor Ewald Nowotny, celebrated its fifth anniversary in 2011: Numerous information events and discussions as well as the report on gender-specific indicators developed for top management have created greater awareness of the need for modern diversity management at the OeNB. While the share of women in management positions is still lower than the ratio of women to men in total staff, in 2011 the share of women in expert career positions rose slightly above the OeNB average for the first time.

The OeNB's top management took a further major step in promoting equal opportunities and family-friendly hu-

man resources policies by deciding that the OeNB undergo the work and family audit procedure of the Federal Ministry of Economy, Family and Youth to obtain the national *berufundfamilie* certificate. This certification project was begun in 2011 on initiative of the *Women's Platform for Success*. With the package of measures planned in connection with the certification process, the OeNB will boost its attractiveness as an employer by helping to achieve a good work-life balance, improving motivation and promoting staff loyalty.

#### Transparent Structures and Processes as well as Cooperation Support Optimum Output and Security

With its broad range of publications, the OeNB targets a wide readership from the general public to expert readers. A project conducted in 2011 dealt

with optimizing processes and procedures involved in producing the OeNB's publications. The project entered the implementation phase at the beginning of 2012: The key objectives are to streamline the product portfolio, to improve the efficiency of the publication process, to tailor products more closely to customers' needs and to provide easy access to the range of publications on the OeNB's website. In the future, OeNB publications will be a centrally governed and cost-efficiently operated strategic area. The length and print runs of publications will be reduced, and production processes will be standardized. Translation and editing processes will be readjusted to fit product requirements.

The OeNB supports the cooperation of NCBs within the ESCB to achieve and exploit synergies. One result of this cooperation, in the technical field, is the gradual replacement of national IT solutions with ESCB-wide systems wherever feasible, e.g. the common ESCB database for counterfeit banknotes as a replacement for national systems. Such joint solutions aim at achieving savings in the medium term, especially through the reduction of the number of technical platforms currently in use.

IT emergency planning – in particular the systematic handling of emergencies and the preparation of structured business continuity and emergency operation plans – was one of the main focuses of IT security management in 2011. In this connection, the security provisions for the OeNB's IT applications were adjusted to comply with ESCB provisions, and business-relevant applications were defined.

An ESCB task force elaborated the rulebook *Common Rules and Minimum Standards for the Treatment of Sensitive ESCB Information* to improve the han-

dling of classified information at the ESCB and NCB level, and the Governing Council of the ECB adopted this jointly established rulebook. The implementation of this set of rules provided for standardized classification schemes and IT guidelines and improved the harmonization of different security classes within the ESCB. Under the IT quality management system, security aspects were increasingly integrated into product audits. The transition to Windows 7 opened up the use of more sophisticated technical features, substantially improving the security of end devices.

Media reports about successful hacking attacks in Austria and abroad in 2011 corresponded with an increase in observed attempts at breaking into the OeNB's computer network: The threat of unauthorized access was countered by scheduling training courses to sensitize staff and reinforcing security measures as well as reducing the time intervals for external security reviews. During the year under review, independent ISO 27001 auditors confirmed the high level of security of the OeNB's IT operations.

### The OeNB as an Interface to International Committees

The OeNB has a key role to play in international relations, appointing representatives to various EU, OECD and IMF bodies. Accounting for 155 of a total of 260 groups, ESCB/Eurosystem committees represent the lion's share of bodies with OeNB representation. The European Systemic Risk Board (ESRB) joined this list in 2011. Its objective is to help prevent future financial crises by improving macroprudential oversight.

**New publication management**

**The OeNB contributes to ESCB projects**

**Experts confirm that level of IT security is high**

Table 3

### Indicators of Knowledge-Based Processes

Indicator	Unit	2009	2010	2011
<b>Management structure and processes</b>				
Staff-to-manager ratio	number	7.0	7.3	6.6
Product managers	number	70	72	78
Process managers	number	35	33	37
<b>Technical infrastructure</b>				
IT services for the ESCB/Eurosystem	number	3	4	4
IT applications	number	210	214	220
OeNB IT help desk queries	number	23,795	21,252	24,276
Internal service level agreements	number	57	59	54
Average Intranet visits per day	number	3,760	3,812	2,758
<b>Efficient processes</b>				
Quality auditors	number	13	13	14
Certified areas	number	10	10	10
Entries in the OeNB's terminology database	number	20,370	20,630	20,760
Degree of automation in the procurement process	%	43.0	46.0	48.0
Processed supervisory and monetary statistics data	number (million)	26.5	28.3	33.2
Timely publication of supervisory and monetary statistics	%	92.0	97.0	98.0
Error-free payment transactions	%	99.8	99.8	99.9
<b>Innovations</b>				
Staff resources utilized for innovative projects	%	4.4	5.5	4.4
Staff suggestions for improvements	number	57	60	67
<b>Decentralized structure</b>				
OeNB representative and branch offices	number	6	6	5
OeNB subsidiaries offering payment services and products	number	5	5	4

Source: OeNB.

#### OeNB economic studies are cutting-edge

### The OeNB's Economic Analysis and Research Department: A Center of Competence

In 2011, economic analysis at the OeNB focused on special monetary policy measures taken to counteract the sovereign debt crisis and rising inflation. From mid-2011, assessing the renewed downturn and forecasting economic developments took a front seat. Two special issues of the OeNB's quarterly publication *Monetary Policy & the Economy*, "EU Governance Reformed" (Q4/11) and "10 Years of Euro Cash" (Q1/12), were published to explore topical themes. Studies on the economic situation in the CESEE countries, banks' risk behavior during and after the financial crisis, the structure of the Austrian tax system, the role of expectations and of administered prices in inflation developments,

and lending developments in Austria provided input for economic and monetary policymaking.

In 2011, OeNB staff members authored a total of 135 studies, most of which were featured in the OeNB's periodical economic publications. With the OeNB's website serving as a key communications channel for electronic publications, print runs and publication length were reduced in 2011. Online publications, such as *Konjunktur Aktuell*, the newsletters *Research Update* and *CESEE Research Update*, and *Facts on Austria and Its Banks*, are directed specifically at readers with an interest in economic policy and economic research issues. Conferences, symposiums, workshops, seminars and a summer school on economic issues are forums for an exchange of knowledge



with national and international professionals. Regular lectures by OeNB experts reinforce the transfer of information to policymakers, the business community and the general population. The OeNB's 39<sup>th</sup> Economics Conference debated the economic perspectives of future European integration, and its Conference on European Economic Integration (CEEI) was dedicated to *European Integration in a Global Economic Setting – CESEE, China and Russia*. Held in autumn 2011 and organized jointly with Suomen Pankki – Finlands Bank, the CEEI 2011, like the Economics Conference, provided an international platform for the exchange on economic policy issues for roughly 350 participants.

The OeNB's analyses on monetary policy and economic policy questions as well as macro- and microprudential financial stability serve as input into the monetary policy decision-making of the Governing Council of the ECB, the ESRB and other international economic policy bodies. In addition, they support the OeNB in the fulfillment of its tasks at the national level, e.g. financial and banking supervision.

### The Joint Vienna Institute and Technical Central Bank Cooperation – Enabling Knowledge Transfer and an Exchange of Information

In response to the economic and financial crisis, the international training center Joint Vienna Institute (JVI) adapted its comprehensive course program for specific target groups. In developing new courses, the OeNB has begun to cooperate more closely with the Austrian Federal Ministry of Finance and the IMF. Beyond imparting knowledge, JVI courses are designed as international platforms for exchanging opinions and experience that also pro-

vide course participants with long-term networking opportunities. To this end, the JVI has established an alumni website.

The enlargement of the JVI's facilities and increase in the volume of training activities was successfully concluded in 2011. As a result, the number of course participants increased to 1,991. OeNB experts from OeNB divisions prepared and held, or provided input to, 12 weeks of courses of a total of 111.

Since 2003, the OeNB has participated in technical assistance programs coordinated by the ECB and financed by the EU under the IPA (Instrument for Pre-Accession Assistance) and TACIS (Technical Assistance for the Commonwealth of Independent States) schemes. Together with its ESCB partners, the OeNB acted as a consultant to the Bank of Russia on the implementation of the Basel II regulatory framework. Moreover, the OeNB supported the Central Bank of Bosnia and Herzegovina and the National Bank of Serbia in bringing key business areas up to EU standards. The OeNB also contributed to a regional program on banking supervision for EU candidate or potential candidate countries.

### Financial Stability Expertise

Financial stability is a highly complex field involving a broad range of responsibilities from analysis and the quantification of systemic risk to setting up and implementing the regulatory framework. Financial market experts must have a solid knowledge of finance, economics and law; they must use their knowledge flexibly and think outside the box. They observe and analyze market developments by sectors (e.g. banks or insurance companies), by geographical regions (e.g. Austria or CESEE) and by market

OeNB participates in multilateral EU programs

#### Joint Vienna Institute (JVI)

The JVI was founded as a Vienna-based training center providing courses to public sector and central bank officials from CESEE and CIS countries. JVI courses cover economics and financial policy topics relevant to countries making the transition to market-based economies. The OeNB, like the IMF and the Austrian Federal Ministry of Finance, is one of the main sponsors of the JVI. For further information, visit [www.jvi.org](http://www.jvi.org).

Focusing expertise to enhance financial stability

segments (money or capital markets). Analyses at the individual institutional level and the systemic level are then integrated to ensure a holistic approach.

In Austria, the OeNB serves as a highly specialized competence center for these tasks. With its knowledge pool, the OeNB is well equipped to recognize risks early, to assess their systemic relevance and to gauge their impacts. OeNB experts flag the need to take action to OeNB and FMA management.

### Restructuring of the OeNB's Statistics Department

The organization of the structures, processes and above all the IT environment of the OeNB's Statistics Department must be suited to coping with new challenges arising for example in connection with the Basel III framework. The five-year reorganization project *Statistik und Analyse – Reorganisation und IT-Systeme II* (START II) set the course for the key organizational and technical changes. Among other things, a new common data model will be developed in cooperation with Austrian commercial banks to ensure that all data reported are presented in a consistent and reliable format. The required IT applications will also be updated to provide a modern and cost-efficient infrastructure. The option of using a joint reporting platform together with commercial banks is being evaluated in parallel.

The reorganization of the reporting structure is mirrored by a reorganization of the OeNB's Statistics Department, which went into force in April 2012. The new structure has been set up to reflect individual processes (data collection, processing, interpretation and publication), and a central data warehouse was established. Since the reorganization has been implemented, reporting units and customers have had a single contact, and their data have

been processed by a designated staff member. The new setup facilitates the handling of quality assurance and of changes in reporting.

### Cash as a Secure Means of Payment

As banknotes and coins in circulation are the most visible symbols of a currency, they must have a high quality; moreover, top-quality banknotes and coins deter counterfeiting. To attain high-quality cash in circulation, the OeNB employs a very specialized cash processing technology, and the OeNB's Test Center uses and provides technical expertise. On average, a banknote passes through the OeNB or the cash logistics company Geldservice Austria three to four times a year, where it is checked for authenticity, completeness and soiling with the help of high-performance processing machines. The banknote may be reissued if it meets the required quality standards. Moreover, banknote security features are easier to identify in banknotes that meet high quality specifications.

Since 2005, the Test Center has been testing banknote authentication devices and banknote counting and sorting machines according to ECB standards. 132 devices in total were evaluated in 2011. The Test Center tests innovations in banknote authentication sensors in cooperation with international producers and sellers of devices and promotes the development of technologies and know-how in this field.

Since the introduction of the euro, the OeNB has been providing a broad range of information about euro cash: training courses for professional cash handlers and persons interested in euro cash, media cooperation activities, the Euro Bus information campaign and information stalls at fairs. In 2011, the OeNB's euro information campaigns

Cash in circulation has a high quality

were expanded to include the Euro Shop Tour, an initiative targeted specifically at retail salespersons, who are at greater risk than the general population of coming into contact with counterfeit money. The Euro Shop Tour reaches out to retail sellers directly on the job and provides brief instructions to familiarize them with the simple FEEL-LOOK-TILT test. This campaign succeeded in reaching out to about 2,500 persons in over 2,400 shops across Austria. The Euro Kids Tour visited 74 elementary schools across Austria to acquaint children with the security features of euro banknotes and to teach them about the development of money. During the 10<sup>th</sup> Euro Bus Tour, 35 million Austrian schillings in total were exchanged for euro, and 28,000 visitors at 68 stops informed themselves about the euro and its security features.

### Secure Payments with Cards and Modern Payment Media

Next to cash, cashless payment media such as credit and debit cards, transfers and online payments are becoming increasingly important. The OeNB has responsibilities in the field of cashless payment media as well: it is tasked with ensuring the highest possible security standards by providing for effective payment system oversight and by conducting comprehensive information campaigns. In this vein, the OeNB published a brochure in 2011 entitled *Sicheres Bezahlen*<sup>1</sup> (Secure Payments), which gives consumers in Austria useful tips about safely using cash and making cashless payments.

Payment media operate in a highly dynamic environment. Since 2007, the OeNB has been publishing a newsletter that provides information about devel-

opments in Austrian and European payment services,<sup>2</sup> analyzes trends in the use of cash, cards and electronic payments and draws readers' attention to payment services-related events.

### Public Relations Work on the Pulse of the Times

As a result of the tensions in the global financial markets and the sovereign debt crisis of some euro area countries, the OeNB was called on more often than ever to provide its expertise and knowledge as a neutral and competent institution. During periods of heightened economic insecurity, it is especially important to keep the business community and the public suitably informed by efficiently using the entire range of communications channels available.

In this vein, the OeNB launched two public relations campaigns to inform the general public about themes related to central banking. Within the framework of its financial literacy initiative, the OeNB held a symposium in 2011 with the aim of enhancing the public's knowledge about financial issues. In addition, the OeNB participated in a pilot project, namely a euro area-wide student competition entitled *Generation Euro Students' Award*, in which students in the two final years of secondary school competed as teams and presented their knowledge about monetary policy in the 2011 to 2012 school year.

National and international economic developments were analyzed and presented inter alia at numerous press conferences, through press releases and in publications. Also, the OeNB published two new brochures in 2011 to meet the demand for targeted information in the wake of the economic and financial crisis: *Fakten zum Euro*, pub-

**The Euro Shop Tour and the Euro Bus**

**Newsletter about payment media provides first-hand information**

<sup>1</sup> [www.oenb.at/de/img/sicher\\_bezahlen\\_fin-qq\\_tcm14-241745.pdf](http://www.oenb.at/de/img/sicher_bezahlen_fin-qq_tcm14-241745.pdf) (in German).

<sup>2</sup> [www.oenb.at/de/zahlungsverkehr/newsletter/zahlungsmedien-newsletter.jsp](http://www.oenb.at/de/zahlungsverkehr/newsletter/zahlungsmedien-newsletter.jsp) (in German).

lished in German only, provides key facts about the single currency and EMU. *Facts on Austria and Its Banks* provides regularly updated information and analyses about the Austrian real economy and banking sector (available in English and German).

The sovereign debt crisis in the euro area also had a considerable impact on the information requests to the OeNB's Call Center in 2011. The economic situation in Greece, its repercussions on Austria and on financial markets as well as the possibility of higher inflation featured prominently among over 30,000 queries to the OeNB hotline team. Other top issues for callers were the

Euro Bus Tour and investments in gold and silver. In 2011, the share of written queries for the first time exceeded questions posed over the telephone. Registering around 50,000 page views a month, the online dialogue platform *direktzurnationalbank.at* treated similar themes in the form of questions answered by members of the OeNB's Governing Board.

In addition to its permanent exhibitions, the OeNB's Money Museum organized two temporary exhibitions in 2011, "... a lack of appeal ... GUSTAV KLIMT and the Central Bank" and "Impressions of History: Coins as a Medium of Communication."

Table 4

### Indicators of Knowledge-Based Output

Indicator	Unit	2009	2010	2011
<b>Cooperation and networks</b>				
National bodies with OeNB representatives	number	103	107	97
International bodies with OeNB representatives (ESCB, etc.)	number	242	254	259
Technical assistance activities	days	597	562	548
Information visits to the OeNB	number	102	95	83
JVI course participants	number	1,495	1,937	1,991
OeNB-hosted national and international events	number	259	240	316
Staff with external teaching assignments	number	29	31	25
OeNB-financed scholarships	number	45	45	45
(Co)supervised master's theses or dissertations	number	23	32	26
Lectures delivered by OeNB staff	number	748	718	813
ESCB staff on external work experience (EWE) visits to the OeNB	number	12	3	2
<b>Cash expertise</b>				
Visitors to the Money Museum	number	16,251	16,060	15,831
Cash training courses	number	390	367	368
Cash training course participants	number	9,521	10,894	7,638
Euro Kids Tour participants	number	10,653	10,851	10,917
<b>Communication and information</b>				
Queries to OeNB hotlines (Call Center and Statistics Hotline)	number	29,837	36,112	32,992
Page views on the OeNB's website (daily average)	number	90,104	133,036	97,103
Newsletter subscriptions	number	18,948	18,110	18,904
Press conferences	number	22	25	23
Press releases	number	152	130	192
Opinions prepared on projects submitted for research subsidies	number	983	1,711	454
Research cooperation projects with external partners	number	70	83	90
<b>Publications</b>				
OeNB publications	number	70	75	63
Papers published by OeNB staff	number	184	172	135
Scientific (refereed) papers by OeNB staff	number	99	74	82
<b>Confidence and image</b>				
Confidence index in the fourth quarter of 2011	%	65.0	65.0	56.0
Image index in the fourth quarter of 2011 (values between 5.50 and 10.00 signal success)	value range	7.1	7.1	6.3

Source: OeNB.

## Environmental Statement 2011 – The OeNB as an Ecological Organization

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

The OeNB has made a sustainable commitment to environmental protection since 1999, when it started to participate in the Community Eco-Management and Audit Scheme (EMAS). In 2002, voluntary implementation of the EMAS regulation was extended to all OeNB sites throughout Austria. 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 success as an

eco pioneer and role model by presenting the OeNB with the Austrian ecolabel for printed matter in 2010. Moreover, the OeNB has received several green awards for its environmental management. These honors and feedback from business partners spotlight the OeNB as environmentally conscious to the public and call attention to the central bank as a standard for ecological activities in Austria.

#### EMAS

EMAS, the EU's eco management and audit scheme, is a voluntary initiative and has become a standard management tool for innovative and committed companies and other organizations to evaluate and improve environmental performance. (See [www.emas.gv.at](http://www.emas.gv.at).)

### The OeNB's Environmental Management – Clear Tasks and Responsibilities

The EMAS management representative determines the OeNB's environmental policy and ensures that the OeNB complies with the obligations delineated in the EMAS regulation – e.g. compliance with environmental laws, establishment

**Environmental management has become part of business management**

Table 5

### The OeNB's Ecological Indicators

	Site	2009	2010	2011	Unit	Benchmark <sup>1</sup>		
						+	~	-
<b>Energy</b>								
Electricity consumption	Vienna	7.65	7.86	7.98	MWh per employee	< 4.5	6	> 8
Heat consumption	Vienna	52	60	62	kWh per m <sup>2</sup>	< 110	130	> 150
Total energy consumption	Vienna	10,360,270	11,101,696	11,281,427	kWh			
of which renewable energy <sup>2</sup>	Vienna	6,879,270	7,067,666	7,157,307	kWh			
<b>Water</b>								
Water consumption	Vienna	118	124	114	liters per employee per day	< 60	100	> 120
<b>Consumption of materials and products</b>								
Total paper consumption <sup>3</sup>	All sites	119	52	85	kg per employee	< 100	200	> 500
Consumption of printing/photocopying paper	All sites	7,752	5,992	6,566	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 <sup>4</sup>	Vienna	18	17	18	g per m <sup>2</sup>			not available
<b>CO<sub>2</sub> emissions<sup>5</sup></b>	All sites	2.66	1.19	1.21	tons per employee	< 2.8	4	> 4.5

Source: OeNB.

<sup>1</sup> Sources: Association of Environmental Management in Banks, Savings Banks and Insurance Companies, guideline of the Austrian Society for Environment and Technology (ÖGUT).

<sup>2</sup> Since January 1, 2010, the OeNB has procured green electricity from certified providers. The increase in electricity consumption resulted from the start of operation of a cooling support system.

<sup>3</sup> Paper consumption is based on procurement figures and therefore includes stocks (reduction of stocks in 2010). Total consumption in 2011: 95,891 kg.

<sup>4</sup> Total consumption in 2011: 1,757 kg.

<sup>5</sup> Total operations and business travel in 2011: 1,373 tons. CO<sub>2</sub> conversion factors according to the Austrian Environment Agency (2010). Including energy consumption, business travel and transportation.

### **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 fulfilling 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 observing 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 strives to make its activities fully carbon neutral in the long run.*

and pursuit of environmental objectives, continuous improvements. The OeNB's well-organized and transparent environmental management system (for details, see the OeNB's Sustainability Report 2009, p.70 ff.) has been instrumental in implementing the OeNB's environmental policy over the past decade. Nevertheless, room for improvement remains and is continuously addressed by means of the OeNB's environmental program.

#### **Environmental Core Indicators**

Thanks to its efforts and the implementation of numerous measures, the OeNB's environmental core indicators have significantly improved since the

introduction of the EMAS environmental management system at the Vienna head office in 2001. A comparison of the figures for 2001 with those for 2011 clearly demonstrates this improvement (see chart 24a and 24b). As a case in point, distance heat consumption has been cut by implementing thermal renovation projects.

#### **The OeNB Purchases Electricity from Renewable Resources and Uses Resources Responsibly**

Since January 1, 2010, the OeNB has procured certified green electricity exclusively from renewable resources (wind, sunlight, biomass, hydroelectricity from small power plants). This

**Switch to green electricity in 2010**

Chart 24 a

### Heat Consumption

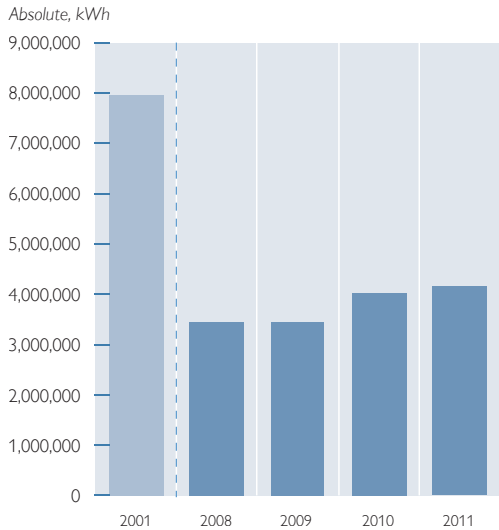
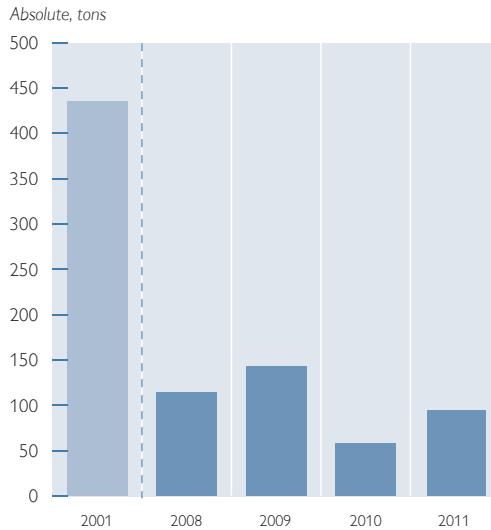


Chart 24 b

### Paper Consumption



Source: OeNB.

switch has reduced 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. In the year under review, the OeNB made progress in energy management and saved energy by optimizing its server cooling concept and introducing LED lighting in various areas.

to charge electric bicycles and scooters. The intention is to encourage staff to use these climate-friendly transport

Table 6

### OeNB Transport Mileage

	2009	2010	2011
Business travel by airplane, km	3,068,390	2,888,620	3,077,609
Business travel by car, km	745,180	770,375	632,606
Business travel by train, km	151,800	148,200	154,200
Diesel consumption for transportation, liter	18,478	18,786	20,655

Source: OeNB.

Table 7

### Waste Generation by the OeNB

	2009	2010	2011
kg			
Nonhazardous materials <sup>1</sup>	72,320	98,400	91,960
Hazardous materials <sup>2</sup>	1,710	1,927	14,861
Recyclables	123,780	107,163	104,170
<b>Total</b>	<b>197,810</b>	<b>207,490</b>	<b>210,991</b>
Share per employee	198	182	235

Source: OeNB.

<sup>1</sup> The 2009 and 2010 data under "Nonhazardous materials" were revised because a new contract was concluded with the waste disposal contractor.

<sup>2</sup> In 2011, the first batch of accumulator batteries of the uninterruptible power supply (UPS) was disposed of and renewed (13,754 kg).

**Electric vehicle charging stations now available**

modes in addition to public transportation. These charging stations are also powered with green electricity.

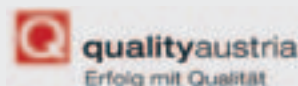
### **The Electronic Filing System Has Proven Environmentally Friendly**

The amount of nonhazardous waste generated in 2011 was about 6 tons lower than the year before, but paper consumption rose even though digital print procedures were optimized in

2011 and the amount of printed publications was reduced. The increase in paper consumption was primarily due to inventory fluctuation, however. An analysis of the trend of paper consumption over several years shows that the introduction of the electronic filing system, double-sided printing and a number of less visible measures contributed to significantly reducing printing and photocopying paper consumption.

### **EMAS Validation and Registration**

*This Sustainability Report, which consists of the Annual Report, the Intellectual Capital Report and the Environmental Statement of the Oesterreichische Nationalbank, has been validated in accordance with the EMAS Regulation by Quality Austria Training, Certification and Evaluation Ltd, 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](http://www.oenb.at)) is correct, so that Quality Austria can confirm the organization's self-assessment at a reporting level of B+.*

Vienna, March 2012

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 2013.*



Table 8

**The OeNB's Environmental Performance in 2011 and Environmental Program for 2012**

	Responsible	Deadline	Status
<b>Further greening in procurement</b>			
Reconciling the principle of green procurement of office products with suppliers and advisors	Specialist division, EPT <sup>1</sup>	2012	In preparation
Introducing the Austrian ecolabel for environmentally compatible print products for the OeNB's Web and Printing Services	Specialist division, EPT	2010	Implemented
Relaunching the e-procurement system – reassessing ecolabeled items in the OeNB's electronic order catalogue to promote the increased use of ecological alternatives (foreseen increase of 10%) and displaying of ecological options.	Specialist division, EPT	2012	In progress
Considering ecological criteria in choosing companies participating in tenders for			
– paper	Specialist division	2009	Implemented
– a new printing concept (follow-you printing, centralized printing management, etc.)	EPT	2012	In progress
<b>Responsible resource consumption</b>			
Introducing window sensors to regulate the cooling system	Specialist division	2012	At the planning stage
Implementing the project "Publications at the OeNB" to cut back by 40% on printing and paper	Specialist divisions	2011	Implemented
Increasing the use of LED lighting:			
Installing LED lighting in the 6 <sup>th</sup> 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, in particular in areas with high savings potential	Specialist division	2012	At the planning stage
Implementing the Facility Management System FM2 (use of basic data for input/output statement)	Specialist division	2011	Implemented
Promoting of the consumption of Viennese drinking water during meals and reducing the use of plastic bottles	EPT	2012	At the planning stage
<b>Increasing environmental awareness through training</b>			
Revising the information brochure "Unser Engagement im Umweltschutz" (our commitment to environmental protection)	EPT	2011	Implemented
Making an excursion to oekostrom AG's Parndorf wind farm	EPT	2011	Implemented
Relaunching the EcoControl database to increase user acceptance and support internal audits	EPT	2011	Implemented
Car-Free Day: Encouraging employees to make increased use of public transport	EPT	2012	In preparation
Day of the sun: Providing information on alternative energy options	EPT	2012	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	EPT	2011	Implemented
Holding a second lecture series "Mut zur Nachhaltigkeit" (stand up for sustainability)	EPT	2012	At the planning stage
Participating in the "Green Day" at the ECB and meeting with the environmental officers of other NCBs	EPT	2011	Implemented
<b>Reducing emissions</b>			
Developing a travel concept, reviewing carriers used for business travel	EPT	2012	In progress
Holding an e-car demonstration and providing a test driving opportunity for staff	EPT	2011	Implemented
Ensuring environmental audits of suppliers, in particular of subsidiaries: at Münze Österreich AG	EPT	2012	In preparation
	EPT	2011	Implemented
<b>Developing a green IT concept</b>			
Making life cycle reviews of the energy and resource consumption of the OeNB's IT facilities (servers, computers, printers, etc.)	Specialist division, EPT	2012	In preparation
Attending an information event on green IT and life cycle management at Oesterreichische Kontrollbank	EPT	2011	Implemented
<b>Waste, cleaning</b>			
Aluminum beverage cans: providing recycling containers and launching an initiative to minimize purchases	Specialist division, EPT	2011	Will not be implemented because volumes involved are very small
Conducting an environmental audit of the waste disposal contractor	Waste management officer	2011	Implemented

Source: OeNB.

<sup>1</sup> Environmental Protection Team.

## Direct and Indirect Equity Interests

Table 9 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 direct and indirect equity 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 9

### Direct and Indirect Equity Investments of the OeNB as on December 31, 2011

Share in %	Company	Capital issued
100	Münze Österreich Aktiengesellschaft	EUR 6,000,000.00
100	Schoeller Münzhandel GmbH, Vienna (Austria)	EUR 1,017,420.00
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	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, (Austria)	EUR 400,000.00
(33.24) 100	ÖLG Holding GmbH, Vienna (Austria)	EUR 5,000,000.00
(22.60) 68	Österreichische Lotterien GmbH, Vienna (Austria)	EUR 110,000,000.00
(27.92) 84	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 75,000,000.00
(33.24) 99.99	Immobiliaria Polaris S.A., Santiago (Chile)	CLP 10,885,549,841.00
(33.20) 99.9	Casinos Gran Los Angeles S.A., Los Angeles (Chile)	CLP 1,951,299,759.00
(33.20) 99.9	Hotel Buenas Noches Los Angeles S.A., Los Angeles (Chile)	CLP 917,537,939.00
(33.20) 99.9	Casinos Gran Ovale S.A., Ovale (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 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 16,562,000.00
(33.24) 100	Casinos 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
(24.54) 73.83	Azzurro Gaming S.p.A., Milan (Italy)	EUR 5,000,000.00
(33.24) 100	CAI Online AG, Zug (Switzerland)	CHF 500,000.00
(33.23) 99.99	Intergame Holding AG, 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	Safir Real a.s., Prague (Czech Republic)	CZK 100,000,000.00
(33.24) 100	Smaragd Real a.s., Prague (Czech Republic)	CZK 100,000,000.00
(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 18,377,745.00
(33.24) 100	CAI Ungarn Kft., Budapest (Hungary)	HUF 3,000,000.00
(24.93) 75	Pannon-Partner Kft., Budapest (Hungary)	HUF 330,000,000.00
(24.93) 100	Casinos Sopron Kft., Sopron (Hungary)	HUF 300,000,000.00
(33.24) 100	Casinos Austria International Limited, Brisbane (Australia)	AUD 25,578,056.00
(33.24) 100	Casinos Canberra Limited, Canberra (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	Great Blue Heron Gaming Inc., Port Perry (Canada)	CAD 1,725,002.00
(23.93) 72	Great Blue Heron Gaming Comp., Port Perry (Canada)	CAD 0.00
(23.93) 100	Great Blue Heron Supply Inc., Port Perry (Canada)	CAD 1.00
25.75	Argor-Heraeus SA, Mendrisio (Switzerland)	CHF 6,369,000.00
(25.75) 100	Argor-Heraeus Deutschland GmbH	EUR 25,000.00
(25.75) 100	Argor-Heraeus Italia S.p.A.	EUR 520,000.00

Table 9 continued

Share in %	Company	Capital issued
100	Oesterreichische Banknoten- und Sicherheitsdruck GmbH	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.	EUR 36,336.31
25	Studiengesellschaft für Zusammenarbeit im Zahlungsverkehr (STUZZA) G.m.b.H.	EUR 100,000.00
100	IG Immobilien Invest GmbH	EUR 40,000.00
100	Austrian House SA, Brussels (Belgium)	EUR 5,841,610.91
100	City Center Amstetten GmbH	EUR 72,000.00
100	EKZ Tulln Errichtungs GmbH	EUR 36,000.00
100	HW Hohe Warte Projektentwicklungs- und ErrichtungsgmbH	EUR 35,000.00
100	IG Belgium SA, Brussels (Belgium)	EUR 19,360,309.87
100	IG Döbling Herrenhaus-Bauträger GmbH	EUR 40,000.00
100	IG Hungary Irodaközpont Kft., Budapest (Hungary)	EUR 11,852.00
100	IG Immobilien Beteiligungs GmbH	EUR 40,000.00
100	IG Immobilien M97 GmbH	EUR 120,000.00
100	IG Immobilien Management GmbH	EUR 40,000.00
100	IG Immobilien Mariahilfer Straße 99 GmbH	EUR 72,000.00
100	IG Immobilien O20-H22 GmbH	EUR 110,000.00
25	MARINA CITY Entwicklungs GmbH	EUR 120,000.00
25	MARINA TOWER Holding GmbH	EUR 35,000.00
(25) 100	MARINA TOWER Entwicklungs GmbH	EUR 36,336.42
100	IG Netherlands N1 and N2 GV, Hoofddorp (Netherlands)	EUR 91,000.00
40	U2 Stadtentwicklung GmbH	EUR 100,000.00
100	BLM Betriebs-Liegenschafts-Management GmbH	EUR 40,000.00
100	BLM-IG Bauträger GmbH	EUR 35,000.00
100	Otto-Wagner-Platz Holding GmbH	EUR 35,000.00
100	OWP5 Betriebs-Liegenschafts-Management GmbH	EUR 35,000.00
55	Anzengrübnergasse Errichtungs- und Verwertungs GmbH	EUR 35,000.00
100	HV Hotelverwaltung GmbH	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, 2011. 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 114 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 2011

# Balance Sheet as at December 31, 2011

## Assets

	December 31, 2011 EUR	December 31, 2010 EUR
<b>1 Gold and gold receivables</b>	10,954,337,454.91	9,500,984,325.08
<b>2 Claims on non-euro area residents denominated in foreign currency</b>	8,446,134,387.66	7,147,181,526.36
2.1 Receivables from the IMF	3,026,738,704.39	2,565,869,545.47
2.2 Balances with banks, security investments, external loans and other external assets	5,419,395,683.27	4,581,311,980.89
<b>3 Claims on euro area residents denominated in foreign currency</b>	4,543,687,674.23	85,232,100.26
<b>4 Claims on non-euro area residents denominated in euro</b>	2,039,895,808.40	2,685,388,020.60
4.1 Balances with banks, security investments and loans	2,039,895,808.40	2,685,388,020.60
4.2 Claims arising from the credit facility under ERM II	–	–
<b>5 Lending to euro area credit institutions related to monetary policy operations denominated in euro</b>	10,612,000,000.00	8,182,000,000.00
5.1 Main refinancing operations	3,428,000,000.00	4,209,000,000.00
5.2 Longer-term refinancing operations	7,184,000,000.00	3,488,000,000.00
5.3 Fine-tuning reverse operations	–	485,000,000.00
5.4 Structural reverse operations	–	–
5.5 Marginal lending facility	–	–
5.6 Credits related to margin calls	–	–
<b>6 Other claims on euro area credit institutions denominated in euro</b>	241,009.58	130,401.68
<b>7 Securities of euro area residents denominated in euro</b>	18,753,482,500.40	16,402,575,451.87
7.1 Securities held for monetary policy purposes	7,563,923,071.51	3,824,829,285.49
7.2 Other securities	11,189,559,428.89	12,577,746,166.38
<b>8 General government debt denominated in euro</b>	416,163,623.37	420,210,892.83
<b>9 Intra-Eurosystem claims</b>	34,094,521,013.05	26,182,352,341.38
9.1 Participating interest in the ECB	176,577,921.04	144,216,254.37
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 <sup>1</sup>	x	x
9.4 Net claims related to the allocation of euro banknotes within the Eurosystem	32,799,397,215.00	24,919,590,210.00
9.5 Other claims within the Eurosystem (net)	–	–
<b>10 Items in course of settlement</b>	25,527,618.38	73,339,279.86
<b>11 Other assets</b>	9,462,500,381.24	9,087,050,911.43
11.1 Coins of euro area	139,350,192.68	123,046,277.19
11.2 Tangible and intangible fixed assets	149,124,682.35	145,711,556.04
11.3 Other financial assets	7,433,982,593.92	7,124,127,740.87
11.4 Off balance sheet instruments' revaluation differences	–	464,005.41
11.5 Accruals and prepaid expenses	677,420,915.98	636,028,696.57
11.6 Sundry	1,062,621,996.31	1,057,672,635.35
	<b>99,348,491,471.22</b>	<b>79,766,445,251.35</b>

<sup>1</sup> Only an ECB balance sheet item.

## Liabilities

	December 31, 2011 EUR	December 31, 2010 EUR
<b>1 Banknotes in circulation</b>	22,686,672,840.00	21,492,172,690.00
<b>2 Liabilities to euro area credit institutions related to monetary policy operations denominated in euro</b>	20,801,389,918.57	11,699,088,739.55
2.1 Current accounts (covering the minimum reserve system)	9,041,853,311.07	6,765,823,739.55
2.2 Deposit facility	10,609,536,607.50	4,878,265,000.00
2.3 Fixed-term deposits	1,150,000,000.00	55,000,000.00
2.4 Fine-tuning reverse operations	–	–
2.5 Deposits related to margin calls	–	–
<b>3 Other liabilities to euro area credit institutions denominated in euro</b>	–	–
<b>4 Debt certificates issued<sup>1</sup></b>	×	×
<b>5 Liabilities to other euro area residents denominated in euro</b>	43,702,559.00	68,985,378.87
5.1 General government	8,051,149.04	68,059,773.02
5.2 Other liabilities	35,651,409.96	925,605.85
<b>6 Liabilities to non-euro area residents denominated in euro</b>	5,910,845.66	5,233,551.11
<b>7 Liabilities to euro area residents denominated in foreign currency</b>	66,474.08	77,075.21
<b>8 Liabilities to non-euro area residents denominated in foreign currency</b>	–	–
8.1 Deposits, balances and other liabilities	–	–
8.2 Liabilities arising from the credit facility under ERM II	–	–
<b>9 Counterpart of Special Drawing Rights allocated by the IMF</b>	2,060,483,652.92	2,009,262,394.16
<b>10 Intra-Eurosystem liabilities</b>	34,613,591,668.86	27,496,473,298.67
10.1 Liabilities equivalent to the transfer of foreign reserves <sup>1</sup>	×	×
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)	34,613,591,668.86	27,496,473,298.67
<b>11 Items in course of settlement</b>	1,438,908.34	1,405,749.77
<b>12 Other liabilities</b>	501,140,167.72	417,492,422.39
12.1 Off balance sheet instruments' revaluation differences	148,920,473.85	39,335.88
12.2 Accruals and income collected in advance	36,950,594.59	28,209,767.30
12.3 Sundry	315,269,099.28	389,243,319.21
<b>13 Provisions</b>	4,064,719,038.90	3,697,957,813.72
<b>14 Revaluation accounts</b>	10,365,678,000.89	8,690,216,953.54
<b>15 Capital and reserves</b>	4,185,000,596.42	4,166,250,053.83
15.1 Capital	12,000,000.00	12,000,000.00
15.2 Reserves	4,173,000,596.42	4,154,250,053.83
<b>16 Profit for the year</b>	18,696,799.86	21,829,130.53
	<b>99,348,491,471.22</b>	<b>79,766,445,251.35</b>

<sup>1</sup> Only an ECB balance sheet item.

## Profit and Loss Account for the Year 2011

	Year ending December 31, 2011 EUR	Year ending December 31, 2010 EUR
1.1 Interest income	1,496,213,405.37	1,219,511,155.02
1.2 Interest expense	-653,953,585.95	-500,914,148.30
<b>1 Net interest income</b>	<b>842,259,819.42</b>	<b>718,597,006.72</b>
2.1 Realized gains/losses arising from financial operations	82,698,135.77	97,222,709.52
2.2 Writedowns on financial assets and positions	-24,961,022.30	-73,348,314.03
2.3 Transfer to/from provisions for foreign exchange, interest rate, credit and gold price risks	-400,000,000.00	-300,000,000.00
<b>2 Net result of financial operations, writedowns and risk provisions</b>	<b>-342,262,886.53</b>	<b>-276,125,604.51</b>
3.1 Fees and commissions income	4,635,882.40	5,192,244.95
3.2 Fees and commissions expense	-3,856,429.55	-4,287,978.51
<b>3 Net income from fees and commissions</b>	<b>779,452.85</b>	<b>904,266.44</b>
4 Income from equity shares and participating interests	58,161,151.71	74,652,953.05
5 Net result of pooling of monetary income	-4,414,826.74	22,833,435.73
6 Other income	21,083,863.32	22,795,313.44
<b>Total net income</b>	<b>575,606,574.03</b>	<b>563,657,370.87</b>
7 Staff costs	-125,432,476.38	-119,512,248.77
8 Expenses for retirement	-89,535,084.78	-38,129,106.64
9 Administrative expenses	-79,236,192.13	-77,718,312.30
10 Depreciation of tangible and intangible fixed assets	-11,659,123.97	-11,738,581.65
11 Banknote production services	-11,596,734.00	-14,850,978.00
12 Other expenses	-8,856,297.92	-10,653,069.79
<b>Total expenses</b>	<b>-326,315,909.18</b>	<b>-272,602,297.15</b>
	<b>249,290,664.85</b>	<b>291,055,073.72</b>
13 Corporate income tax	-62,322,666.21	-72,763,768.43
	186,967,998.64	218,291,305.29
14 Central government's share of profit	-168,271,198.78	-196,462,174.76
<b>15 Profit for the year</b>	<b>18,696,799.86</b>	<b>21,829,130.53</b>



## Notes to the Financial Statements 2011

### 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)<sup>1</sup> to prepare its balance sheet and its profit and loss account in conformity with the provisions established by the Governing Council of the ECB under Article 26.4 of the Statute of the European System of Central Banks and of the European Central Bank (Statute of the ESCB and of the ECB). These rules are laid down in the recast accounting guideline adopted by the Governing Council of the ECB on November 11, 2010.<sup>2</sup> The OeNB's financial statements for the year 2011 were prepared fully in line with the provisions set forth in this guideline. Cases not covered by the accounting guideline are covered by the generally accepted accounting principles referred to in Article 67 paragraph 2 second sentence and in Article 67 paragraph 3 Nationalbank Act as regards the applicability of the provisions of the third volume of the Unternehmensgesetzbuch (Commercial Code). 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 2011 were prepared in the format laid down by the Governing Council of the ECB.

#### 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 Community law and generally accepted international accounting standards. In particular, the following accounting principles 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 that are not.<sup>3</sup> The arbitrage pricing principle is used to value gold interest rate swaps and for-

<sup>1</sup> The Nationalbank Act was last amended with effect from August 1, 2011.

<sup>2</sup> 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 21, 2011, ECB/2011/27).

<sup>3</sup> 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.

ward 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 those equity instruments (equity shares or equity funds) denominated in foreign currency that are to be disclosed under *other financial assets*.

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. The pricing of assets with low liquidity or illiquid assets may also be based on approaches other than established market information systems, as agreed between the master funds, the custodian banks and the fund managers at regular intervals.

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 calculated on a straight-line basis from

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

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, 2011

	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	–	–	+1,453.353
Foreign currency Holdings for own account	23.017	8.626	0	+123.409
Securities				
Holdings for own account	75.167	34.299	22.827	+82.405
Own funds	28.037	0.598	2.134	+20.617
Participating interests	–	–	–	+41.199
Off balance sheet instruments	–	–	–	–0.464
<b>Total</b>	<b>126.221</b>	<b>43.523</b>	<b>24.961</b>	<b>+1,720.519</b>

### 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 changeover 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 Slovenia (2007). The respective adjustment periods will 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 on the basis of the Statute of the ESCB 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**

Financial risk covers a range of collateral-related risks, basically market, credit and liquidity risk. Reserve asset and risk management principles are laid down in a rule book adopted by the OeNB's Governing Board. Reserve assets are invested by the OeNB's Treasury Department on the basis of a risk budget that reflects the 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 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 monitors credit risk arising from securities used for monetary policy purposes; OeNB risk reporting accounts for this risk on a pro rata basis. Because of discrepancies between the calculation methods, in particular compared to the methods to calculate pro rata ECB and Eurosystem credit risk, provision for credit risk is made under other risks specific to central banks.

### 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 assigns issuing limits, with security and liquidity considerations taking precedence over yield.

### Risks Specific to Central Banks

Apart from the risks described above, NCBs are also subject to other specific risks arising

from fulfillment of their mandate. The OeNB is aware of these risks, takes measures to reduce them and also makes provisions for risks within the framework of the single monetary policy regarding its share in the ECB's capital.

### 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 reported to management at periodic intervals.

Table 3 shows financial risk and related financial provisions at year-end 2010 and 2011.

Funds earmarked for appropriation by the Anniversary Fund for the Promotion of Scientific Research and Teaching totaling EUR 1,531.5 million may be used to cover any loss for the year.

Table 3

#### Financial Risk and Financial Provisions on December 31

Financial risk	2011		2010		Financial provisions
	EUR million		EUR million		
Treasury Department risk budget	5,952	5,455	3,305	2,851	Revaluation accounts <sup>1</sup>
			723	1,080	Reserve for nondomestic and price risks
			1,924	1,524	Risk provisions
Other financial risks and risks specific to central banks <sup>2</sup>	1,277	957	1,250	893	Reserve for nondomestic and price risks
			27	64	Provisions in respect of monetary Eurosystem policy operations
<b>Total</b>	<b>7,229</b>	<b>6,412</b>	<b>7,229</b>	<b>6,412</b>	
Risk arising from real estate holdings	25	25	Covered by related hidden reserves		

<sup>1</sup> Revaluation accounts are included in financial provisions subject to the prohibition of netting.

<sup>2</sup> Includes credit risk, pro rata Eurosystem risk and other risk.

## 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 an integral part of the IT security processes.

## Related-Party Transactions

Article 237 item 8b Commercial Code stipulates that financial statements must include information about material transactions with related parties that were not concluded under normal market conditions. The OeNB has in place an adequate reporting framework and a separate internal control system for such instances.

Any business the OeNB transacted with related parties in 2011 was at market conditions.

The Republic of Austria has been the holder of 100% of the OeNB's shares since July 2010. Pursuant to Article 69 paragraph 3 National-bank 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.

## Capital Movements

Table 4

Changes in 2011	December	Increase	Decrease	December
	31, 2010			31, 2011
	EUR million	EUR million	EUR million	EUR million
<b>I Capital</b>				
Capital (stock)	12.000	–	–	12.000
Profit-smoothing reserve	14.461	+11.629	–	26.090
	<b>26.461</b>	<b>+11.629</b>	–	<b>38.090</b>
<b>II Provisions for business risks</b>				
Reserve for nondomestic and price risks	1,973.263	–	–	1,973.263
	<b>1,973.263</b>	–	–	<b>1,973.263</b>
<b>III Capital including reserves and provisions (I + II)</b>	<b>1,999.724</b>	<b>+11.629</b>	–	<b>2,011.353</b>
<b>IV Supplementary capital (earmarked)</b>				
OeNB Anniversary Fund for the Promotion of Scientific Research and Teaching <sup>1</sup>				
OeNB Anniversary Fund (initial funding)	31.500	–	–	31.500
OeNB Anniversary Fund National Foundation endowment	1,500.000	–	–	1,500.000
Earmarked capital funded with net interest income from ERP loans <sup>2</sup>	635.026	+7.122	–	642.148
	2,166.526	+7.122	–	2,173.648
<b>Total capital (III + IV)</b>	<b>4,166.250</b>	<b>+18.751</b>	–	<b>4,185.001</b>

<sup>1</sup> Funds earmarked for appropriation by the Anniversary Fund for the Promotion of Scientific Research and Teaching totaling EUR 1,531.5 million may be used to cover any loss for the year.

<sup>2</sup> Earmarked ERP capital funded with net interest income from ERP loans, which is earmarked exclusively for ERP loans, must not be used to cover any loss for the year.

## Development of the OeNB's Currency Positions in the Financial Year 2011

Table 5

Net currency position (including gold)	December 31, 2011	December 31, 2010	Change	
	EUR million	EUR million	EUR million	%
Gold and gold receivables	10,954.337	9,500.984	+1,453.353	+15.3
Claims on non-euro area residents denominated in foreign currency	8,446.134	7,147.182	+1,298.952	+18.2
Claims on euro area residents denominated in foreign currency	4,543.688	85.232	+4,458.456	n.a.
Other assets	127.841	126.605	+1.236	+1.0
less:				
Liabilities to euro area residents denominated in foreign currency	0.066	0.077	-0.011	-14.3
Counterpart of Special Drawing Rights allocated by the IMF	2,060.484	2,009.262	+51.222	+2.5
Other liabilities	3.188	1.276	+1.912	+149.8
Revaluation accounts <sup>1</sup>	94.077	46.401	+47.676	+102.7
	<b>21,914.185</b>	<b>14,802.987</b>	<b>+7,111.198</b>	<b>+48.0</b>
Transactions that are not disclosed in the balance sheet (net)	-4,638.332	7.682	-4,646.014	n.a.
<b>Total</b>	<b>17,275.853</b>	<b>14,810.669</b>	<b>+2,465.184</b>	<b>+16.6</b>

<sup>1</sup> Resulting from the change in net unrealized exchange rate gains on foreign currency-denominated securities as on December 31, 2010, and December 31, 2011, respectively.

## Notes to the Balance Sheet

### Assets

#### 1 Gold and Gold Receivables

Closing balance	EUR million	
December 31, 2011	10,954.337	
December 31, 2010	9,500.984	
Change	+1,453.353	(+15.3 %)

This item comprises the OeNB's holdings of physical and nonphysical gold, which amounted to 9,002,104.964 fine ounces or 279,996.80 kg of fine gold on December 31, 2011. At a market value of EUR 1,216.864 per fine ounce (i.e. EUR 39,123.08 per kg of fine gold), the OeNB's gold holdings were worth EUR 10,954.337 million on the balance sheet date.

The annual change reflects valuation gains as of December 31, 2011.

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

Closing balance	EUR million	
December 31, 2011	8,446.134	
December 31, 2010	7,147.182	
Change	+1,298.952	(+18.2%)

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

*Receivables from the IMF* rose by EUR 274.721 million in 2011 on account of an ad hoc increase in Austria's IMF quota whereas they shrank by EUR 36.960 million 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 20.917 million).

The IMF remunerates participations in the Fund at a rate of remuneration that is updated weekly. In 2011, this rate hovered between 0.11% and 0.59% per annum, mirroring the prevailing SDR rate.

*SDR holdings*<sup>4</sup> were recognized in the balance sheet at SDR 1,689.7 million at December 31, 2011. The reduction in 2011 of holdings by EUR 17.071 million on balance resulted from the sale of SDRs equivalent to –EUR 68.680 million in connection with the ad hoc quota increase. The remuneration of the participation in the IMF, interest credited and revaluation differences totaled +EUR 51.609 million.

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

The OeNB's claims arising from the increase of credit lines under the *New Arrange-*

*ments to Borrow* (NAB) with a view to increasing the IMF's resources are shown under *other claims against the IMF*. Federal law as promulgated in Federal Law Gazette I No. 114/2010<sup>5</sup> 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. When the reformed and expanded NAB entered into force on March 11, 2011, the bilateral agreement concluded earlier between the OeNB and the IMF was abrogated and the loans already granted (totaling SDR 223 million) were incorporated into the NAB total of SDR 3,579 million. The *transactions not disclosed in the balance sheet* included a contingent liability to the IMF of EUR 3,995 million under the NAB as on December 31, 2011.

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

Table 6

	December 31, 2011	December 31, 2010	Change	
	EUR million	EUR million	EUR million	%
Total claims (Austrian quota) equivalent to SDR 2,113.9 million on December 31, 2011, and of SDR 1,872.3 million on December 31, 2010 <sup>1</sup>	2,508.565	2,166.626	+341.939	+15.8
less:				
<i>Balances at the disposal of the IMF</i>	1,779.170	1,695.909	+83.261	+4.9
Receivables from the IMF	729.395	470.717	+258.678	+55.0
SDR holdings	2,005.178	2,022.249	–17.071	–0.8
Other claims against the IMF	292.166	72.904	+219.262	+300.8
<b>Total</b>	<b>3,026.739</b>	<b>2,565.870</b>	<b>+460.869</b>	<b>+18.0</b>

<sup>1</sup> 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, 2011	December 31, 2010	Change	
	EUR million	EUR million	EUR million	%
Balances with banks	1,593.424	1,039.675	+553.749	+53.3
Securities	3,825.972	3,541.637	+284.335	+8.0
<b>Total</b>	<b>5,419.396</b>	<b>4,581.312</b>	<b>+838.084</b>	<b>+18.3</b>

<sup>4</sup> 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.

<sup>5</sup> Published on December 30, 2010.



Table 8

	December 31, 2011	December 31, 2010	Change	%
	EUR million	EUR million	EUR million	
Balances with banks	4,046.742	0.027	+4,046.715	n.a.
Securities	496.946	85.205	+411.741	n.a.
<b>Total</b>	<b>4,543.688</b>	<b>85.232</b>	<b>+4,458.456</b>	<b>n.a.</b>

Table 9

	December 31, 2011	December 31, 2010	Change	%
	EUR million	EUR million	EUR million	
Securities	711.998	765.700	-53.702	-7.0
Marketable securities classified as held-to-maturity	1,312.060	1,906.719	-594.659	-31.2
Other investments	15.838	12.969	+2.869	+22.1
<b>Total</b>	<b>2,039.896</b>	<b>2,685.388</b>	<b>-645.492</b>	<b>-24.0</b>

Table 10

	December 31, 2011	December 31, 2010	Change	%
	EUR million	EUR million	EUR million	
5.1 Main refinancing operations	3,428.000	4,209.000	-781.000	-18.6
5.2 Longer-term refinancing operations	7,184.000	3,488.000	+3,696.000	+106.0
5.3 Fine-tuning reverse operations	-	485.000	-485.000	-100.0
<b>Total</b>	<b>10,612.000</b>	<b>8,182.000</b>	<b>+2,430.000</b>	<b>+29.7</b>

### 3 Claims on Euro Area Residents Denominated in Foreign Currency

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

*Balances with banks* as shown on December 31, 2011, resulted from claims that arose from USD 5,236 million (EUR 4,047 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. No EUR/USD swaps were outstanding on December 31, 2010.

### 4 Claims on Non-Euro Area Residents Denominated in Euro

Table 9 shows the development of *claims on non-euro area residents denominated in euro* on December 31, 2010, and December 31, 2011.

Changes in marketable securities classified as held-to-maturity resulted from purchases of

securities and portfolio shifts in existing portfolios.

### 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 2011 were

carried out as fixed rate tender procedures with full allotment until December 31, 2011.<sup>6</sup> The interest rate on main refinancing operations came to 1.0% per annum on December 31, 2011.

## 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, six months and one year were continued in 2011. In addition, the Governing Council of the ECB decided to conduct two LTROs with a maturity of 36 months and the option of early repayment of some or all of the monies after one year.<sup>7</sup>

All LTROs conducted in 2011 were fixed rate tender procedures with full allotment.

The two 12-month LRTOs with a combined total of EUR 2.3 billion and maturities of one and three months, respectively, that began in 2010 expired automatically in 2011.

## 5.3 Fine-Tuning Reverse Operations

In 2011 no such operations were carried out. The 13-day fine-tuning operation begun in 2010 with a total of EUR 485 million expired automatically in 2011.

## 6 Other Claims on Euro Area Credit Institutions Denominated in Euro

Closing balance	EUR million	
December 31, 2011	0.241	
December 31, 2010	0.130	
Change	+0.111	(+85.4 %)

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, 2010, and December 31, 2011.

### 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)<sup>8</sup> and public debt securities acquired under the Securities Markets Programme (SMP)<sup>9</sup>. 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

Table 11

	December 31, 2011	December 31, 2010	Change	%
	EUR million	EUR million	EUR million	
7.1 Securities held for monetary policy purposes	7,563.923	3,824.829	+3,739.094	+97.8
7.2 Other securities	11,189.560	12,577.746	-1,388.186	-11.0
<i>of which</i>				
Marketable securities other than held-to-maturity	5,927.645	6,906.736	-979.091	-14.2
Marketable securities classified as held-to-maturity	5,261.915	5,671.010	-409.095	-7.2
<b>Total</b>	<b>18,753.483</b>	<b>16,402.575</b>	<b>+2,350.908</b>	<b>+14.3</b>

<sup>6</sup> Decision of the Governing Council of the ECB of March 4, 2010 (as amended on October 6, 2011).

<sup>7</sup> Decision of the Governing Council of the ECB of December 8, 2011.

<sup>8</sup> Decision of the ECB of 2 July 2009 (ECB/2009/16) and of 3 November 2011 (ECB/2011/17).

<sup>9</sup> Decision of the ECB of 14 May 2010 (ECB/2010/5).

scheduled at the end of June 2010. Total Eurosystem NCB holdings of CBPP2 securities amount to EUR 40 billion, of which the OeNB holds some EUR 1.1 billion. The CBPP2 is scheduled to be fully implemented by the end of October 2012.

Total Eurosystem NCB holdings of SMP securities amount to EUR 211.9 billion, of which the OeNB holds some EUR 5.9 billion. These securities are valued at amortized cost, subject to uniform Eurosystem impairment standards.

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, 2011, the Governing Council of the ECB decided that all future cash flows on these securities are expected to be received. Therefore, there was no impairment on SMP securities on December 31, 2011.

Moreover, 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, 2011. Any risks from holdings of CBPP1 and CBPP2 securities, if they were to materialize, are not shared by the Eurosystem NCBs.

## 7.2 Other Securities

The change resulted chiefly from transactions.

## 8 General Government Debt Denominated in Euro

Closing balance	EUR million	
December 31, 2011	416.164	
December 31, 2010	420.211	
Change	-4.047	(-1.0%)

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 2011.

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 1,147.0 million on December 31, 2011.

## 9 Intra-Eurosystem Claims

Closing balance	EUR million	
December 31, 2011	34,094.521	
December 31, 2010	26,182.352	
Change	+7,912.169	(+30.2%)

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, 2010, to December 31, 2011.

Table 12

	EUR million
Government remuneration for silver commemorative coins returned to Münze Österreich AG	+6.039
Proceeds from metal recovery	-4.272
Redemptions made out of the central government's profit share in 2010	-5.814
<b>Insgesamt</b>	<b>-4.047</b>

Table 13

	December 31, 2011	December 31, 2010	Change	
	EUR million	EUR million	EUR million	%
9.1 Participating interest in the ECB	176.578	144.216	+32.362	+22.4
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	32,799.397	24,919.590	+7,879.807	+31.6
<b>Total</b>	<b>34,094.521</b>	<b>26,182.352</b>	<b>+7,912.169</b>	<b>+30.2</b>

Table 14

	December 31, 2011	December 31, 2010	Change	
	EUR million	EUR million	EUR million	%
11.1 Coins of euro area	139.350	123.046	+16.304	+13.3
11.2 Tangible and intangible fixed assets	149.125	145.711	+3.414	+2.3
11.3 Other financial assets	7,433.982	7,124.128	+309.854	+4.3
11.4 Off balance sheet instruments' revaluation differences	–	0.464	–0.464	–100.0
11.5 Accruals and prepaid expenses	677.421	636.029	+41.392	+6.5
11.6 Sundry	1,062.622	1,057.673	+4.949	+0.5
<b>Total</b>	<b>9,462.500</b>	<b>9,087.051</b>	<b>+375.449</b>	<b>+4.1</b>

### 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 fell to 2.7750% on December 31, 2011 (December 31, 2010: 2.7821%), as Eesti Pank entered the Eurosystem on January 1, 2011.

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<sup>10</sup> from EUR 5,760,652,402.58<sup>11</sup> to EUR 10,760,652,402.58 with effect from December 29, 2010. The NCBs of the euro area countries have to pay up their increased capital in three equal annual installments. The second installment was paid on December 28, 2011; the last installment will be paid at the end of 2012. The increase by EUR 32.362 million reflects the payment of the second installment. The remaining installment of EUR 32.362 million is recognized under *transactions not disclosed in the balance sheet*.

### 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.<sup>12</sup> See the *Notes on Transactions Not Disclosed in the Balance Sheet* for information about additional capital contributions transferred to the ECB.

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

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

### 10 Items in Course of Settlement

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

<sup>10</sup> Council Regulation (EC) No 1009/2000 of 8 May 2000 (OJ L 115/1, 16.5.2000).

<sup>11</sup> After increase by Decision of the ECB of 18 December 2006 (ECB/2006/26) in conjunction with Article 49.3 of the Statute of the ESCB and of the ECB.

<sup>12</sup> The claims equivalent to the transfer of foreign reserves are remunerated at the latest available marginal rate for the Eurosystem's main refinancing operations, adjusted by 15%.

## 11 Other Assets

Table 14 shows the development of *other assets*.

### 11.1 Coins of Euro Area

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

### 11.2 Tangible and Intangible Fixed Assets

*Tangible and intangible fixed assets* comprise OeNB *premises and equipment* (including computers, related hardware and software, and motor vehicles), *assets under construction* and *tangible real assets*.

Table 15 shows the development of *premises*.

Table 15	
	EUR million
Cost incurred until December 31, 2010 <sup>1</sup>	116.688
Purchases in 2011	0.350
Sales (cost incurred) in 2011 <sup>2</sup>	0.227
Accumulated depreciation	47.088
Book value on December 31, 2011	69.723
Book value on December 31, 2010	74.001
Annual depreciation in 2011	4.419

<sup>1</sup> 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).

<sup>2</sup> The balance between the book value of the sales and the underlying historical costs less accumulated depreciation is EUR 0.209 million.

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

Table 16	
	EUR million
Cost incurred until December 31, 2010	–
Purchases in 2011	2.977
Sales (cost incurred) in 2011	–
Book value on December 31, 2011	2.977
Book value on December 31, 2010	–

*Assets under construction* represent the cost of software under development for Eurosystem operations.

Table 17 shows the development of *equipment*.

Table 17	
	EUR million
Cost incurred until December 31, 2010	80.692
Purchases in 2011	12.737
Sales (cost incurred) in 2011 <sup>1</sup>	7.331
Accumulated depreciation	57.879
Book value on December 31, 2011	28.219
Book value on December 31, 2010	23.278
Annual depreciation in 2011	7.013

<sup>1</sup> The balance between the book value of the sales and the underlying historical costs less accumulated depreciation is EUR 0.784 million.

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

Table 18	
	EUR million
Cost incurred until December 31, 2010	50.033
Purchases in 2011	0.001
Sales (cost incurred) in 2011	–
Accumulated depreciation	1.828
Accumulated appreciation	9.269
Book value on December 31, 2011	48.206
Book value on December 31, 2010	48.433
Annual depreciation in 2011	0.228

*Tangible real assets* comprise the coins of the OeNB's Money Museum and the OeNB's collection of historical string instruments. On December 31, 2011, 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.

### 11.3 Other Financial Assets

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

Of the OeNB's securities portfolio, EUR 1,537.284 million represent investments of pension reserve assets, another EUR 1,539.754 million reflect investments of the *OeNB Anniversary Fund for the Promotion of Scientific Research and Teaching* (of which EUR 1,506.923 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 in-

Table 19

	December 31, 2011	December 31, 2010	Change	
	EUR million	EUR million	EUR million	%
Securities	6,074.906	5,948.928	+125.978	+2.1
Participating interests	1,041.359	1,002.556	+38.803	+3.9
Other investments	341.806	244.578	+97.228	+39.8
Items in course of settlement	-24.089	-71.934	+47.845	+66.5
<b>Total</b>	<b>7,433.982</b>	<b>7,124.128</b>	<b>+309.854</b>	<b>+4.3</b>

vested EUR 2,997.868 million.<sup>13</sup> Revaluations of the portfolios resulted in unrealized price gains of EUR 65.072 million and unrealized price losses totaling EUR 2.134 million.

Of the *participating interests*, EUR 729.589 million formed part of the own funds portfolio and EUR 311.770 million part of the investment portfolio relating to investments of the pension reserve.

Table 20 shows the development of *participating interests*.

	EUR million
Net asset value on December 31, 2010	1,002.556
Purchases in 2011	–
Sales in 2011 (at book value)	2.407
Annual depreciation in 2011	–
Revaluation in 2011	41.210
Net asset value on December 31, 2011	1,041.359

Sales in 2011 resulted above all from the sale of the remaining shares in AUSTRIA CARD-Plastikkarten und Ausweissysteme Gesellschaft m.b.H.

*Other investments* include investments of the pension reserve (EUR 56.553 million), investments to promote the National Foundation (EUR 6.545 million), investments of the initial OeNB Anniversary Fund (i.e. exclusive of the National Foundation endowment; EUR 23.495 million) and the own funds portfolio (EUR 255.213 million) and consisted mainly of overnight and short-term funds.

#### 11.4 Off Balance Sheet Instruments' Revaluation Differences

Closing balance	EUR million	
December 31, 2011	–	
December 31, 2010	0.464	
Change	-0.464	(-100.0%)

The amount shown on December 31, 2010, corresponded to valuation gains on gold interest rate swaps that expired during 2011.

#### 11.6 Sundry

Table 21 shows the development of *sundry assets*.

Pursuant to Article 3 paragraph 2 ERP Fund Act, the OeNB's 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 642.147 million on December 31, 2011). The ERP loan portfolio managed by the OeNB thus totaled EUR 984.102 million on December 31, 2011 (including accruals of EUR 0.912 million). The provisions governing the extension of loans from this portfolio are laid down in Article 83 Nationalbank Act.

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

*Other claims* on December 31, 2011, mainly comprised advances, accounts receivable and claims arising from day-to-day business.

<sup>13</sup> 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, 2011	December 31, 2010	Change	
	EUR million	EUR million	EUR million	%
Claims arising from ERP loans to companies	647.461	604.951	+42.510	+7.0
Money market investment with the Oesterreichische Kontrollbank (OeKB) for ERP lending	335.729	372.030	-36.301	-9.8
<b>ERP loan portfolio managed by the OeNB</b>	<b>983.190</b>	<b>976.981</b>	<b>+6.209</b>	<b>+0.6</b>
Settlement account with the tax authorities	13.234	9.666	+3.568	+36.9
Schilling coins	7.291	7.477	-0.186	-2.5
Shareholder loans	39.310	41.500	-2.190	-5.3
Advances on salaries	6.659	6.980	-0.321	-4.6
Other claims	12.938	15.069	-2.131	-14.1
<b>Total</b>	<b>1,062.622</b>	<b>1,057.673</b>	<b>+4.949</b>	<b>+0.5</b>

Table 22

Banknotes in Circulation	December 31, 2011	December 31, 2010	Change
	EUR million	EUR million	EUR million
Total value of euro banknotes actually put in circulation by the OeNB	-10,112.724	-3,427.417	-6,685.307
Adjusted for:			
Liability resulting from the share of euro banknotes in circulation allocated to the ECB's balance sheet <sup>1</sup>	-1,972.773	-1,868.938	-103.835
Claim resulting from the allocation of euro banknotes within the Eurosystem (Capital Share Mechanism – CSM)	+34,772.170	+26,788.528	+7,983.642
Net claims related to the allocation of euro banknotes within the Eurosystem	+32,799.397	+24,919.590	+7,879.807
<b>Banknotes in circulation<sup>2</sup></b>	<b>22,686.673</b>	<b>21,492.173</b>	<b>+1,194.500</b>

<sup>1</sup> 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.

<sup>2</sup> This corresponds to 2.553% of the total amount of euro banknotes in circulation within the euro area (December 31, 2010: 2.5595%).

## Liabilities

### 1 Banknotes in Circulation

Closing balance	EUR million
December 31, 2011	22,686.673
December 31, 2010	21,492.173
Change	+1,194.500 (+5.6%)

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 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 million	EUR million	%
2007	16,614	+1,486	+9.8
2008	18,458	+1,844	+11.1
2009	19,323	+865	+4.7
2010	20,341	+1,018	+5.3
2011	21,270	+929	+4.6

Table 24

	December 31, 2011	December 31, 2010	Change	%
	EUR million	EUR million	EUR million	
2.1 Current accounts (covering the minimum reserve system)	9,041.853	6,765.824	+2,276.029	+33.6
2.2 Deposit facility	10,609.537	4,878.265	+5,731.272	+117.5
2.3 Fixed-term deposits	1,150.000	55.000	+1,095.000	n.a.
<b>Total</b>	<b>20,801.390</b>	<b>11,699.089</b>	<b>+9,102.301</b>	<b>+77.8</b>

## 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 Euro-system's main refinancing operations.

### 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 2011, the volume of such transactions averaged EUR 2,777.821 million.

### 2.3 Fixed-Term Deposits

In 2011, fixed-term deposits of between EUR 27.913 million and EUR 5,745.657 million were made at interest rates of between 0.35% per annum and 1.45% per annum.

## 9 Counterpart of Special Drawing Rights Allocated by the IMF

Closing balance	EUR million
December 31, 2011	2,060.484
December 31, 2010	2,009.262
Change	+51.222 (+2.5%)

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

## 10 Intra-Eurosystem Liabilities

Closing balance	EUR million
December 31, 2011	34,613.592
December 31, 2010	27,496.473
Change	+7,117.119 (+25.9%)

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. 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.



Table 25

	December 31, 2011	December 31, 2010	Change	
	EUR million	EUR million	EUR million	%
12.1 Off balance sheet instruments' revaluation differences	148.920	0.039	+148.881	n.a.
12.2 Accruals and income collected in advance	36.951	28.210	+8.741	+31.0
12.3 Sundry	315.269	389.243	-73.974	-19.0
<b>Total</b>	<b>501.140</b>	<b>417.492</b>	<b>+83.648</b>	<b>+20.0</b>

Table 26

	December 31, 2011	December 31, 2010	Change	
	EUR million	EUR million	EUR million	%
The central government's share of profit	168.271	196.462	-28.191	-14.3
Liability from schilling banknotes in circulation with an exchange deadline	116.370	118.132	-1.762	-1.5
Earmarked funds of the OeNB Anniversary Fund				
OeNB Anniversary Fund (initial funding)	23.093	20.226	+2.867	+14.2
OeNB Anniversary Fund National Foundation endowment	3.281	48.375	-45.094	-93.2
Settlement account with the tax authorities	1.271	2.807	-1.536	-54.7
Other	2.983	3.241	-0.258	-8.0
<b>Total</b>	<b>315.269</b>	<b>389.243</b>	<b>-73.974</b>	<b>-19.0</b>

## 11 Items in Course of Settlement

This claim results from 2011 net float items settled the next year.

## 12 Other Liabilities

Table 25 shows the development of *other liabilities*.

### 12.1 Off Balance Sheet Instruments' Revaluation Differences

*Off balance sheet instruments' revaluation differences* subsumes the 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 corresponding schilling banknotes as outstanding

on December 31, 2011. 2011 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 2010 were apportioned to the *OeNB's Anniversary Fund for the Promotion of Scientific Research and Teaching*. Adjusted for the return on investment for 2011 and repayments made, the initial OeNB Anniversary Fund thus received funds of EUR 30.690 million. Of these funds, EUR 7.597 million were paid out in 2011; EUR 15.422 million of the remaining undisbursed funds of EUR 23.093 million on December 31, 2011, have been pledged. In 2011, the General Council voted to allocate an additional EUR 9.492 million to fund 106 projects. This means that since funds were first pledged as financial assistance in 1966, a total EUR 735.766 million has been paid out.

The amounts appropriated each year for the National Foundation (EUR 3 million for 2011) are transferred the day after the General Meeting.

Table 27

	December 31, 2010	Transfer from	Transfer to	December 31, 2011
	EUR million	EUR million	EUR million	EUR million
<b>Pension reserve</b>	1,844.359	-25.528	+26.967	1,845.798
<b>Personnel provisions</b>				
Severance payments	58.047	-4.320	+6.952	60.679
Anniversary bonuses	11.712	-1.994	+1.217	10.935
Residual leave entitlements	10.735	-0.307	+0.302	10.730
Other	6.315	-0.202	+1.621	7.734
Statutory or contractual social charges	0.165	-0.165	+0.118	0.118
Salary cost revisions in 2010 and 2011	0.441	-0.441	+0.429	0.429
<b>Provisions</b>				
Financial risk (risk provisions)	1,523.927	-	+400.000	1,923.927
In respect of monetary policy operations of the Eurosystem	63.836	-36.387	-	27.449
Schilling banknotes without an exchange deadline	175.377	-3.711	-	171.666
Accounts payable	1.412	-1.049	+2.101	2.464
Accounts payable to subsidiaries	1.202	-1.202	+2.207	2.207
Other	-0.430	-0.319	+0.472	0.583
<b>Total</b>	<b>3,697.958</b>	<b>-75.625</b>	<b>+442.386</b>	<b>4,064.719</b>

### 13 Provisions

Under its initial retirement plan, the OeNB assumed 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 pension, the OeNB took out a contract effective May 1, 1999, which also applies retroactively to employees taken on in the 12 months from May 1, 1998. With the OeNB's direct liability to pay retirement benefits now limited to staff recruited before May 1, 1998, the pension reserve set up to secure this liability has become a closed system. Retirement benefit payments came to EUR 110.464 million (+2.9%) in 2011, EUR 25.528 million of which were covered by investment relating to the pension re-

serve. These payments include the remuneration of 14 retired board members or their dependents totaling EUR 4.064 million (2010: 14 persons at EUR 4.005 million).

The pension reserve is shown at its actuarial present value, based on a discount rate<sup>14</sup> of 3.25% per annum (unchanged from 2010) and on the most recent mortality tables<sup>15</sup>. The pension scheme liability for current employees was stated pro rata in the 2011 financial statements, and that for retired employees was stated at the net present value. Pension reserve assets amounted to EUR 2,033.354 million on December 31, 2011; 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, 2011.

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 2010.

<sup>14</sup> 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.

<sup>15</sup> AVÖ 2008-P – Rechnungsgrundlagen für die Pensionsversicherung – Pagler & Pagler (actuarial basis for pension insurance published by the Austrian actuaries association AVÖ).

To strengthen the OeNB's risk-bearing capacity, EUR 400 million were transferred to risk provisions to cover financial risks (*risk provisions*) in the 2011 financial statements.

Given that under Article 32.4 of the Statute of the ESCB and of the ECB, NCBs incur costs in connection with any losses arising from monetary policy operations in proportion to their paid-up shares in the capital of the ECB, *provisions in respect of monetary 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 165.9 million. In the 2009 and 2010 financial statements, these provisions had been adjusted; a further adjustment to a total of EUR 949 million was made in the 2011 financial statements. The respective share of the OeNB was also adjusted, bringing *provisions in respect of monetary policy operations of the Eurosystem* to EUR 27 million in the OeNB's annual accounts (–EUR 36 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 De-

cember 31, 2011. 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 National-bank 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 2010, which were made according to the General Meeting's decision of May 26, 2011.

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

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

Table 28

	December 31, 2011	December 31, 2010	Change	%
	EUR million	EUR million	EUR million	
<b>Revaluation accounts</b>				
Gold	8,736.507	7,283.154	+1,453.353	+20.0
Foreign currency	665.288	541.880	+123.408	+22.8
Securities	291.703	231.343	+60.360	+26.1
Participating interests	400.147	358.937	+41.210	+11.5
Off balance sheet instruments	0	0.464	–0.464	–100.0
Coins of the OeNB's Money Museum	9.269	9.269	–	–
<b>Total</b>	<b>10,102.914</b>	<b>8,425.047</b>	<b>+1,677.867</b>	<b>+19.9</b>
<b>Unrealized valuation gains from January 1, 1999 (initial valuation)</b>				
Participating interests	262.764	265.170	–2.406	–0.9
<b>Total</b>	<b>10,365.678</b>	<b>8,690.217</b>	<b>+1,675.461</b>	<b>+19.3</b>

Table 29

	December 31, 2011	December 31, 2010	Change	
	EUR million	EUR million	EUR million	%
Profit-smoothing reserve	26.090	14.461	+11.629	+80.4
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	642.148	635.026	+7.122	+1.1
<b>Total</b>	<b>4,173.001</b>	<b>4,154.250</b>	<b>+18.751</b>	<b>+0.5</b>

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, 2010 and on December 31, 2011 (table 30).

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

Table 30

	December 31, 2011	December 31, 2010
	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	4,176.273	4,005.538
Contingent liabilities to the IMF under the New Arrangements to Borrow (NAB)	3,955.319	472.138
Contingent liabilities to the IMF under bilateral agreements	–	2,106.612
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	38.111	37.163
Forward purchases (euro and foreign currency-denominated swaps)	4,509.774	7.682
Forward sales (euro and foreign currency-denominated swaps)	4,658.694	7.700
Liabilities from foreign currency investments effected in the OeNB's name for third account	9.792	10.477
Repayment obligation arising from the interest share on pension contributions paid by OeNB staff members; this obligation becomes effective on termination of employment contracts	10.558	9.493
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	64.723
Contingent liabilities arising from bank guarantees given	111.000	111.000
Contingent assets arising from bank guarantees received	0.299	6.164
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	33.740

## Notes to the Profit and Loss Account

Table 31

	2011	2010	Change <sup>1</sup>	
	EUR million	EUR million	EUR million	%
1 Net interest income	842.260	718.597	+123.663	+17.2
2 Net result of financial operations, writedowns and risk provisions	-342.263	-276.125	+66.138	+24.0
3 Net income from fees and commissions	0.779	0.904	-0.125	-13.8
4 Income from equity shares and participating interests	58.161	74.653	-16.492	-22.1
5 Net result of pooling of monetary income	-4.415	22.833	-27.248	-119.3
6 Other income	21.084	22.795	-1.711	-7.5
<b>Total net income</b>	<b>575.606</b>	<b>563.657</b>	<b>+11.949</b>	<b>+2.1</b>
7 Staff costs	-125.432	-119.512	+5.920	+5.0
8 Expenses for retirement	-89.535	-38.129	+51.406	+134.8
9 Administrative expenses	-79.236	-77.718	+1.518	+2.0
10 Depreciation of tangible and intangible fixed assets	-11.659	-11.739	-0.080	-0.7
11 Banknote production services	-11.597	-14.851	-3.254	-21.9
12 Other expenses	-8.856	-10.653	-1.797	-16.9
<b>Total expenses</b>	<b>-326.315</b>	<b>-272.602</b>	<b>+53.713</b>	<b>+19.7</b>
<b>Operating profit</b>	<b>249.291</b>	<b>291.055</b>	<b>-41.764</b>	<b>-14.3</b>
13 Corporate income tax	-62.323	-72.764	-10.441	-14.3
	186.968	218.291	-31.323	-14.3
14 Transfers to the pension reserve and central government's share of profit	-168.271	-196.462	-28.191	-14.3
<b>15 Profit for the year</b>	<b>18.697</b>	<b>21.829</b>	<b>-3.132</b>	<b>-14.3</b>

<sup>1</sup> Absolute increase (+) or decrease (-) in the respective item.

Table 32

	2011	2010	Change	
	EUR million	EUR million	EUR million	%
Net interest income from				
foreign currency investments	140.182	103.965	+36.217	+34.8
euro investments	446.860	437.181	+9.679	+2.2
monetary policy operations	325.915	250.710	+75.205	+30.0
intra-Eurosystem balances arising from the allocation of euro banknotes within the Eurosystem	365.053	207.735	+157.318	+75.7
the transfer of foreign reserve assets to the ECB	12.043	9.640	+2.403	+24.9
minimum reserves	-77.428	-62.932	+14.496	+23.0
TARGET2 transactions	-405.743	-266.403	+139.340	+52.3
Other	35.378	38.701	-3.323	-8.6
<b>Total</b>	<b>842.260</b>	<b>718.597</b>	<b>+123.663</b>	<b>+17.2</b>

## 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 33

	2011	2010	Change	
	EUR million	EUR million	EUR million	%
Foreign currency transactions	14.391	23.528	-9.137	-38.8
Securities transactions	68.307	73.695	-5.388	-7.3
<b>Total</b>	<b>82.698</b>	<b>97.223</b>	<b>-14.525</b>	<b>-14.9</b>

Table 34

	2011	2010	Change	
	EUR million	EUR million	EUR million	%
Securities	-24.961	-73.348	-48.387	-66.0
<b>Total</b>	<b>-24.961</b>	<b>-73.348</b>	<b>-48.387</b>	<b>-66.0</b>

Table 35

	2011	2010	Change	
	EUR million	EUR million	EUR million	%
BIS	2.797	6.969	-4.172	-59.9
Münze Österreich AG	20.000	18.000	+2.000	+11.1
Oesterreichische Banknoten- und Sicherheitsdruck GmbH (OeBS)	2.500	7.900	-5.400	-68.4
AUSTRIA CARD-Plastikkarten und Ausweissysteme Gesellschaft m.b.H.	-	0.945	-0.945	-100.0
Geldservice Austria Logistik für Wertgestionierung und Transportkoordination G.m.b.H. (GSA)	0.071	0.052	+0.019	+36.5
Sale of remaining shares of AUSTRIA CARD-Plastikkarten und Ausweissysteme Gesellschaft m.b.H.	9.947	-	+9.947	x
Redistribution of ECB seigniorage income	18.093	-	+18.093	x
Distribution of ECB profit	4.753	40.787	-36.034	-88.3
<b>Total</b>	<b>58.161</b>	<b>74.653</b>	<b>-16.492</b>	<b>-22.1</b>

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 400 million (+EUR 100 million compared to 2010) on the item *transfer to/from provisions for foreign exchange, interest rate, credit and gold price risks* (profit and loss account item 2.3).

#### 4 Income from Equity Shares and Participating Interests

The Governing Council of the ECB decided that of the amount of the ECB's 2011 income of EUR 856 million on euro banknotes in circulation (seigniorage income) and the ECB's income of EUR 1,003 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*. EUR 652 million of the remaining seigniorage income has been redistributed to the NCBs, with the OeNB receiving EUR 18 million of this amount.

#### 5 Net Result of Pooling of Monetary Income

This item represents the OeNB's net claims due to the difference between monetary income to be pooled and redistributed as well as *transfers to/from provisions in respect of monetary policy operations of the Eurosystem*.

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<sup>16</sup> 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. Table 36 shows the net result for the OeNB arising from the calculation of monetary income in the Eurosystem.

Table 36

	<b>2011</b>
	<i>EUR million</i>
Net monetary income to be pooled	-477.227
Net redistribution of monetary income	435.288
<b>Net expenditure from the redistribution of monetary income in the review year</b>	<b>-41.939</b>
Net expenditure from the revision of monetary income of the previous years	1.137
Transfers from provisions in respect of monetary policy operations of the Eurosystem	36.387
<b>Total</b>	<b>-4.415</b>

## 7 Staff Costs

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

In 2011, new Conditions of Service (Dienstbestimmungen V or DB V) were adopted. They apply to all staff members who join the OeNB after June 30, 2011. The new Conditions of Service have established a market-based salary structure that recognizes performance criteria more strongly and that has made it possible to gear salaries more closely to qualifications, experience and the job profile.

Salaries rose by EUR 1.568 million (+1.6%) net to EUR 101.663 million against the previous year. The OeNB's outlays were reduced by recoveries of salaries totaling EUR 6.589 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 2010. Table 37 shows a breakdown of these items:

Table 37

	<b>Emoluments</b>
	<i>EUR million</i>
Governor Ewald Nowotny	0.2856
Vice Governor Wolfgang Duchatzek	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

<sup>16</sup> Decision of the ECB of 2 July 2009 (ECB/2009/16) and of 3 November 2011 (ECB/2011/17).

Table 38

	December 31 <sup>1</sup>			Annual average <sup>1</sup>		
	2011	2010	Change	2011	2010	Change
Staff employed in core business areas <sup>2</sup>	985.7	986.2	-0.5	984.5	984.3	+0.2
Total	1,146.0	1,145.4	+0.6	1,147.0	1,144.7	+2.3

<sup>1</sup> Including part-time employees on a pro rata basis.

<sup>2</sup> Excluding employees on secondment or leave (such as maternity and parental leave).

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 were not increased in 2010 or 2011. 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 2011. The emoluments of the OeNB's President and Vice President amounted to EUR 0.114 million in 2011 (2010: EUR 0.114 million).

Table 38 shows the development of staff in full-time equivalents (FTEs).

*Statutory or contractual social charges* totaling EUR 16.597 million (+EUR 0.551 million) contain social security contributions of EUR 8.982 million (+EUR 0.388 million), contributions of EUR 4.474 million (+ EUR 0.104 million) to the Family Burden Equalization Fund and municipal tax payments of EUR 3.017 million (+EUR 0.051 million).

### 8 Expenses for Retirement

This item includes pension plan contributions of EUR 4.599 million (2010: EUR 4.164 million) and EUR 84.936 million representing part of the retirement benefit payments

(2010: EUR 33.965 million). These payments include the remuneration of retired board members or their dependents totaling EUR 4.064 million.

### 9 Administrative Expenses

Administrative expenses include rent, operating expenses, maintenance and repair costs of EUR 26.921 million (-EUR 1.884 million) as well as banknote processing expenses of EUR 9.974 million (+EUR 0.505 million). The headline figure also includes EUR 2.916 million (+EUR 1.676 million) that were refunded by third parties. Administrative expenses for auditing the financial statements came to EUR 0.167 million (2010: EUR 0.216 million), those for certification services to EUR 0.051 million (2010: EUR 0.109 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 Joint Vienna Institute (JVI) at EUR 2.498 million (2010: EUR 2.349 million).

### 14 Central Government's Share of Profit

Table 39 shows *transfers to the pension reserve and the central government's share of profit*.

Table 39

	2011	2010	Change	%
	EUR million	EUR million	EUR million	
Central government's share of profit of 90% under Article 69 paragraph 3 Nationalbank Act	168.271	196.462	-28.191	-14.3
	<b>168.271</b>	<b>196.462</b>	<b>-28.191</b>	<b>-14.3</b>



**Governing Board (Direktorium)**

Governor Ewald Nowotny  
 Vice-Governor Wolfgang Duchatzek  
 Executive Director Peter Zöllner  
 Executive Director Andreas Ittner

**General Council (Generalrat)**

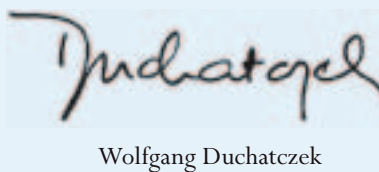
President Claus J. Raidl  
 Vice President Max Kothbauer  
 August Astl  
 Markus Beyrer  
 Bernhard Felderer  
 Elisabeth Gürtler-Mauthner  
 Erich Hampel  
 Alfred Hannes Heinzl (until May 26, 2011)  
 Anna Maria Hochhauser  
 Johann Marihart  
 Werner Muhm  
 Gabriele Payr  
 Walter Rothensteiner  
 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: Martina Gerharter (until November 2, 2011), Robert Kocmich and Ferdinand Mramor (from November 2, 2011).

Vienna, March 19, 2012



Ewald Nowotny



Wolfgang Duchatzek



Peter Zöllner



Andreas Ittner

## **Bestätigungsvermerk**

### **Bericht zum Jahresabschluss**

Wir haben den beigefügten Jahresabschluss der Oesterreichische Nationalbank, Wien, für das Geschäftsjahr vom 1. Jänner 2011 bis zum 31. Dezember 2011 unter Einbeziehung der Buchführung geprüft. Dieser Jahresabschluss umfasst die Bilanz zum 31. Dezember 2011, die Gewinn- und Verlustrechnung für das am 31. Dezember 2011 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 21. Dezember 2011 (ECB/2011/27) 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

Ernst & Young  
Wirtschaftsprüfungsgesellschaft m.b.H.

*Facsimile*  
TPA Horwath Wirtschaftsprüfung GmbH

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

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

#### Prüfungsurteil

Unsere Prüfung hat zu keinen Einwendungen geführt. Auf Grund der bei der Prüfung gewonnenen Erkenntnisse entspricht der Jahresabschluss nach unserer Beurteilung den gesetzlichen Vorschriften und vermittelt ein möglichst getreues Bild der Vermögens- und Finanzlage der Gesellschaft zum 31. Dezember 2011 sowie der Ertragslage der Gesellschaft für das Geschäftsjahr vom 1. Jänner bis 31. Dezember 2011 in Übereinstimmung mit den österreichischen Grundsätzen ordnungsmäßiger Buchführung.

Ernst & Young  
Wirtschaftsprüfungsgesellschaft m.b.H.

*Facsimile*  
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, 19. März 2012

Ernst & Young  
Wirtschaftsprüfungsgesellschaft m.b.H.

TPA Horwath  
Wirtschaftsprüfung GmbH

\_\_\_\_\_  
Dr. Elisabeth Glaser e.h.  
Wirtschaftsprüferin

\_\_\_\_\_  
Mag. Friedrich Hief e.h.  
Wirtschaftsprüfer

\_\_\_\_\_  
Mag. Robert Bruckmüller e.h.  
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.

OeNB translation of the external auditors' report for information purposes. The Financial Statements including the audit opinion of Ernst & Young Wirtschaftsprüfungsgesellschaft 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 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, 2011, to December 31, 2011, including the OeNB's accounts. These financial statements comprise the balance sheet as of December 31, 2011, the profit and loss account for the fiscal year ended December 31, 2011, 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 21 December 2011 (ECB/2011/27). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility and Description of the Type and Scope of the Statutory Audit

Our responsibility is to express an audit opinion on these financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Audit Opinion**

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as of December 31, 2011, and of its financial performance for the fiscal year from January 1, 2011, to December 31, 2011, 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 auditor's report also has to contain a statement as to whether the Annual Report is consistent with the financial statements.

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

Vienna, March 19, 2012

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 Commercial Code.

## Profit for the Year and Proposed Profit Appropriation

With the statutory allocations of the OeNB's profit including the central government's share of EUR 168.271 million 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 2011 of EUR 18,696,799.86. On March 28, 2012, the Governing Board endorsed the following profit appropriation proposal to the General Council:

	<i>EUR</i>
to pay a 10% dividend on the OeNB's capital stock of EUR 12 million	1,200,000.00
to allocate to the OeNB Anniversary Fund for the Promotion of Scientific Research and Teaching for promotion by the OeNB	9,000,000.00
to transfer to the profit-smoothing reserve	8,496,799.86
	<b>18,696,799.86</b>

## Report of the General Council on the Annual Report and the Financial Statements for 2011

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 2011 were given an unqualified auditor's opinion after examination by the auditors elected at the General Meeting of May 26, 2011, 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 26, 2012, the General Council approved the Annual Report of the Governing Board and the Financial Statements for the business year 2011. The General Council submits the Annual Report and moves that the General Meeting approve the Financial Statements of the Oesterreichische Nationalbank for the year 2011 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 2011 (as mentioned above).





# Notes

## Abbreviations

AMR	Alert Mechanism Report	GSA	Geldservice Austria Logistik für Wertgestionierung und Transportkoordination G.m.b.H.
BIS	Bank for International Settlements	G-SIB	global systemically important bank
CAC	collective action clause	HICP	Harmonised Index of Consumer Prices
CBPP	covered bond purchase programme	IHS	Institute for Advanced Studies
CE	continuing education	IIF	Institute of International Finance
CEEI	Conference on European Economic Integration	IMF	International Monetary Fund
CESEE	Central, Eastern and Southeastern Europe	IPA	Instrument for Pre-Accession Assistance
CHF	Swiss franc	JPY	Japanese yen
CIS	Commonwealth of Independent States	JVI	Joint Vienna Institute
CPD	continuing professional development	KRI	key risk indicator
CS.A	Clearing Service Austria	LIBOR	London Interbank Offered Rate
CSD	central securities depository	LTRO	longer-term refinancing operation
CSM	Capital Share Mechanism	MIP	Macroeconomic Imbalance Procedure
EBA	European Banking Authority	MÜNZE	Münze Österreich Aktiengesellschaft
EC	European Community	NAB	New Arrangement to Borrow
ECB	European Central Bank	NCB	national central bank
Ecofin	Economic and Financial Affairs Council	OeBS	Oesterreichische Banknoten- und Sicherheitsdruck GmbH
EDP	excessive deficit procedure	OECD	Organisation for Economic Co-operation and Development
EFSF	European Financial Stability Facility	OeNB	Oesterreichische Nationalbank
EFSM	European Financial Stabilisation Mechanism	OTC	over the counter
EMAS	Eco-Management and Audit Scheme	PLL	Precautionary and Liquidity Line
EMU	Economic and Monetary Union	POS	point of sale
EONIA	Euro OverNight Index Average	QIS	quantitative impact study
EPT	Environmental Protection Team	RFI	Rapid Financing Instrument
ERM II	Exchange Rate Mechanism II	S.W.I.F.T.	Society for Worldwide Interbank Financial Telecommunication
ERP	European Recovery Program	SDR	Special Drawing Right
ESCB	European System of Central Banks	SEPA	Single Euro Payments Area
ESM	European Stability Mechanism	SLF	Short-Term Liquidity Facility
ESRB	European Systemic Risk Board	SMP	Securities Markets Programme
ESS	Eurosystem Strategic Stock	SPOC	single point of contact
ETF	exchange-traded fund	T2S	TARGET2-Securities
EU	European Union	TARGET	Trans-European Automated Real-time Gross settlement Express Transfer system
EUR	euro	TFEU	Treaty on the Functioning of the European Union
EURIBOR	Euro Interbank Offered Rate	USD	U.S. dollar
FMA	Austrian Financial Market Authority		
FSB	Financial Stability Board		
GDP	gross domestic product		
GRI	Global Reporting Initiative		

## 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](http://www.oenb.at) for further details.

### **Geschäftsbericht (Nachhaltigkeitsbericht) Annual Report (Sustainability Report)**

German  
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.

### **Geldpolitik & Wirtschaft Monetary Policy & the Economy**

German  
English

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

### **Finanzmarktstabilitätsbericht Financial Stability Report**

German  
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. Some 200 tables provide information about macroeconomic, financial and monetary indicators. On the OeNB's website, these tables are also available in English. 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](http://www.oenb.at/research-update)) and informs readers about selected findings, research topics and activities of the OeNB's Economic Analysis and Research Department.

### **Proceedings of OeNB Workshops**

German, English

These proceedings contain papers presented at OeNB workshops at which national and international experts discuss monetary and economic policy issues.

### **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 Economic 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](http://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 monetary policy of the Eurosystem and reviews economic developments and developments in financial markets, including payment systems. Furthermore, it details the OeNB's national and international responsibilities and role as well as the broad range of services the OeNB offers. The OeNB's Financial Statements and the Notes to the Financial Statements are an integral part of the Annual Report. Since 2006, the OeNB's Annual Report, *Intellectual Capital Report* and *Environmental Statement* have been combined to form the OeNB's *Sustainability Report*.

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