



OESTERREICHISCHE NATIONALBANK

EUROSYSTEM

# ANNUAL REPORT 2013

including the Intellectual Capital Report and the Environmental Statement  
SUSTAINABILITY REPORT 2013



# 2013

Stability and Security.

# The OeNB's Legal Mandate

## **Federal Act on the Oesterreichische Nationalbank**

(1984 Nationalbank Act)

Federal Law Gazette No. 50/1984 as amended by

Federal Law Gazette Part I No. 184/2013

### **Article 2**

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

(2) The Oesterreichische Nationalbank shall, in accordance with the provisions of the TFEU [i.e. the Treaty on the Functioning of the European Union], the ESCB/ECB Statute [i.e. the Statute of the European System of Central Banks and of the European Central Bank], the directly applicable European Union (EU) legislation adopted thereunder, and this federal act, be obliged to work towards the achievement of the objectives and fulfillment of the tasks of the ESCB.

Within the framework of EU law [...], the Oesterreichische Nationalbank shall use all the means at its disposal to maintain the objective of price stability. To the extent that this does not interfere with the objective of price stability, the needs of the national economy with regard to economic growth and employment trends shall be taken into account and the general economic policies in the European Union shall be supported.

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

### **Article 44b**

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

### **Article 44c**

Without prejudice to Article 44b, the Oesterreichische Nationalbank contributes to maintaining financial stability, minimizing systemic disruption and reducing systemic and procyclical risk [...].

# The OeNB's Mission Statement

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

## MISSION

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

## VALUES

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



## From the OeNB's Mission Statement

The OeNB is the independent central bank of the Republic of Austria and contributes essentially to securing price stability and financial stability.

We are committed to the European project and actively support the European integration process.

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Editorial close: April 24, 2014

## Foreword by the President



*The year 2013 held several challenges for the OeNB. With the economic recovery progressing more slowly than expected, the OeNB continued to do everything in its might to help overcome the crisis by providing its expertise for the implementation of economic policy reforms. Creating the banking union and especially the Single Supervisory Mechanism (SSM) calls for technical and organizational preparations of immense proportions. Some Austrian banks' serious problems engaged the supervisors at the OeNB and the Austrian Financial Market Authority (FMA) as well as other institutions throughout the year. Developments at the OeNB, too, called for bold management decisions. With a new Governing Board incoming in July 2013, the OeNB saw a refocusing of both its business areas and its organizational structure.*

*On the operating side, the OeNB again recorded a solid result in 2013, but, at EUR 662 million, the operating profit was down one-third on the 2012 result before the allocation of EUR 300 million to risk provisions.*

*The OeNB needs to cut costs sustainably to withstand the mounting pressure on profitability that results from persistently low interest rates and their impact on reserves managed by the OeNB. In 2014 and 2015, an external consultant will review the OeNB's organizational structure and will help identify synergies. The review is expected to provide guidance for the OeNB as a modern, performance-oriented, efficient and profitable enterprise that is well equipped to serve Austria and the Eurosystem by fulfilling its mandate to maintain price stability and safeguard financial stability.*

*The Austrian Court of Audit reviewed the OeNB's pension provisions and recommended adjustments especially for staff that had joined the OeNB up to the year 1998. The OeNB responded quickly by adopting an internal pension reform. In the same vein, the Austrian government has drafted a law with which it intends to change the employment and pension regulations of both currently employed and retired OeNB staff members. The Vice President and I as well as the members of the Governing Board consider it important that the envisaged changes to the OeNB pension provisions comply with Austrian constitutional law and the principles on which it is based as well as with the principles of legitimate expectations and proportionality.*

*In 2013, the OeNB also implemented additional compliance rules to safeguard the enterprise, its staff and subsidiaries. The OeNB's Public Corporate Governance Code entered into force on January 1, 2014.*

*I would like to express my gratitude to the members of the Governing Board as well as to the OeNB staff for their outstanding work in 2013, which they delivered in the face of a difficult economic environment and substantial challenges within the organization.*

*Vienna, May 2014*

A handwritten signature in black ink, which appears to read 'C. Raidl'. The signature is fluid and cursive.

*Claus J. Raidl, President*

## Foreword by the Governor

*Economic growth remained very subdued in 2013, reflecting the fact that the crisis has not yet been fully overcome. However, the economic recovery in the euro area – and even more so in Austria – shows signs of accelerating in 2014 and 2015. Euro area inflation is expected to stay significantly below 2% during this period, but over the medium term, it is likely to align itself with the ECB’s price stability objective of keeping inflation below, but close to, 2%. The overall improvement is traceable not only to the economic, fiscal and financial market policy measures taken at the national and European level, but in particular also to the flexible and active monetary policy pursued by the Eurosystem. Creating conditions that foster stronger growth, reduce the high unemployment in Europe and keep inflation close to the price stability objective remains a challenge. Other important action points are fiscal consolidation and the stabilization of financial markets. Problems in some Eastern European countries might, however, pose a risk to the Austrian financial sector, which is heavily invested in the region. Against this background, the OeNB’s macroeconomic and financial market analyses are an essential tool for detecting worrying developments early to be able to take appropriate countermeasures.*

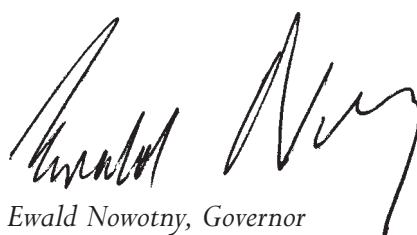
*The European Union has made great strides in building the banking union, having laid the foundation for the Single Supervisory Mechanism (SSM) and for the supervision of 128 systemically important banks in the EU, including six banks in Austria, which will fall into the ECB’s remit. In light of these developments, the OeNB has overhauled its organizational setup to ensure active and efficient participation in the SSM. The Austrian banking sector is faced with the difficult task of improving profitability further, and problems at a few troubled banks*

*need to be resolved. The OeNB, together with the Austrian Financial Market Authority (FMA), is responsible for conducting on-site banking inspections and off-site banking analyses. This behind-the-scenes work requires considerable effort that the public is rarely aware of. Both institutions have proposed a number of amendments to banking supervision laws to improve cost effectiveness and efficiency.*

*The Single Euro Payments Area (SEPA) is becoming a reality in early August 2014, when all euro credit transfers and direct debits within the euro area will use the International Bank Account Number (IBAN). The OeNB’s service for processing cross-border retail payments in euro, Clearing Service International, was implemented in 2013. In May 2013, the newly issued EUR 5 banknote marked the launch of the improved second, “Europa” series of euro banknotes; the new EUR 10 banknote will be introduced in September 2014. Both the OeNB’s redesigned website and stepped-up financial literacy drive bear testimony to the OeNB’s commitment to providing businesses and the public with easily accessible, useful information.*

*I would like to thank the President and Vice President, my colleagues on the Governing Board and all employees for serving the OeNB with their expertise and their outstanding commitment to help the OeNB fulfill its core tasks as a key independent economic policymaker, think tank as well as competence center.*

Vienna, May 2014



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, and acquiring and selling equity interests and real property.

Also, the General Council must approve appointments of members of supervisory boards and executive bodies of companies in which the OeNB is a shareholder. Appointments of the second executive tier of the OeNB itself must likewise be approved by the 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 Legal Gazette I No. 50/2011), the General Council of the OeNB will, in the future, consist of (only) the President, the Vice President and eight other members. A transitional arrangement laid down in this amendment provides for the original number of General Council members (14) to be reduced to 10 in two steps – that is, to 12 members by December 31, 2013, and to 10 members by December 31, 2015. Only Austrian citizens may be members of the General Council. They are appointed by the federal government for a term of five years and may be reappointed. All the provisions pertaining to the General Council are set out in Articles 20 through 30 of the Nationalbank Act.



The General Council of the OeNB comprised the following members on April 24, 2014:



**Claus J. Raidl**  
President

*Term of office:*  
September 1, 2013, to  
August 31, 2018



**Max Kothbauer**  
Vice President

*Term of office:*  
September 1, 2013, to  
August 31, 2018



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

*Term of office:*  
September 8, 2013, to  
September 7, 2018



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

*Term of office:*  
May 26, 2009, to GM<sup>1</sup> 2014



**Gottfried Haber**  
Research Unit for Economic Policy  
and Public Finance and Center for  
Management in Healthcare,  
Danube University Krems

*Term of office:*  
May 23, 2013, to May 22, 2018



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

*Term of office:*  
May 23, 2013, to May 22, 2018



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

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



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

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



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

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



**Gabriele Payr**  
Consultant for Wiener  
Stadtwerke Holding AG

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



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

*Term of office:*  
May 27, 2010, to GM<sup>1</sup> 2015



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

*Term of office:*  
September 1, 2013, to  
August 31, 2018

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



**Robert Kocmich**  
Central Staff  
Council Chair



**Birgit Sauerzopf**  
Central Staff  
Council Deputy Chair



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

*Term of office:*  
From July 1, 2012



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

*Term of office:*  
From April 1, 2011

<sup>1</sup> General Meeting of the OeNB, scheduled to take place in May of the respective year.

### **Personnel Changes of the General Council (between January 1, 2013, and April 24, 2014)**

Werner Muhm was reelected to the General Council by the federal government on February 12, 2013, with effect from March 1, 2013.

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

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

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

Ferdinand Mramor, deputy staff representative to the General Council (Article 22 paragraph 5 Nationalbank Act), resigned from his post as Central Staff Council Deputy Chair with effect from March 1, 2014. On February 2, 2014, the Central Staff Council elected Birgit Sauerzopf Central Staff Council Deputy Chair and appointed her deputy

staff representative to the General Council.

### **Governing Board**

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

The Governing Board is composed of the Governor, the Vice Governor and two other members, all of whom are appointed by the Federal President of Austria acting on a proposal from the federal government. According to the 2011 amendment to the Nationalbank Act, each new appointment is made for a term of six years. Persons holding office may be reappointed. The Governor of the OeNB is a member of both the Governing Council and the General Council of the ECB. When taking decisions on monetary policy and on other tasks of the ECB and the Eurosystem, the Governor and the Vice Governor are not bound by the decisions of the OeNB's Governing Board or those of the OeNB's General Council, nor are they subject to any other instructions.

On December 31, 2013, the Governing Board of the OeNB comprised the following members:



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

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

### **Appointments and Reappointments to the Governing Board in 2013**

In line with Article 33 paragraph 2 Nationalbank Act, the Federal President of Austria, Heinz Fischer, reappointed Ewald Nowotny as Governor for a term of six years (from September 1, 2013, to August 31, 2019) on January 16, 2013, and, also for a term of six years each, appointed Andreas Ittner as Vice Governor (from July 11, 2013, to July 10, 2019) as well as Peter Mooslechner (from May 1, 2013, to April 30, 2019)

and Kurt Pribil (from July 11, 2013, to July 10, 2019) as members of the Governing Board.

Vice Governor Wolfgang Duchatzek, whose term of office would have ended on July 10, 2013, resigned from the Governing Board on June 25, 2013, with immediate effect.

Executive Director Peter Zöllner, whose term of office would have ended on July 14, 2013, resigned from the Governing Board with effect from April 30, 2013.

# Organization of the OeNB

## President

Claus J. Raidl

## Vice President

Max Kothbauer

## Governing Board

### Central Bank Policy

Ewald Nowotny, Governor

### Compliance Office

Eva Graf, Head

### Communications, Organization and Human Resources Department

Markus Arpa, Director

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

### Personnel Division

Hannes Brodtrager, Head

### Organization Division<sup>1</sup>

Anna Cordt, Head

### Press Office

Christian Gutleiderer, Head

### Communications and Publications Division

Maximilian Hiermann, Head

### Money Museum

Günther Thonabauer, Head

### Economic Analysis and Research Department

Doris Ritzberger-Grünwald, Director

### Economic Analysis Division

Ernest Gnan, Head

### Economic Studies Division

Martin Summer, Head

### Foreign Research Division

Helene Schuberth, Head

### Financial Stability, Banking Supervision and Statistics

Andreas Ittner, Vice Governor

### Internal Audit Division

Axel Aspetsberger, Head

### Department for the Supervision of Significant Institutions

Karin Hrdlicka, Director

### Off-Site Supervision Division – Significant Institutions

Gabriela De Raaij, Head

### On-Site Supervision Division – Significant Institutions

Martin Hammer, Head

### Supervision Policy, Regulation and Strategy Division

Markus Schwaiger, Head

### Department for Financial Stability and the Supervision of Less Significant Institutions

Philip Reading, Director

### Off-Site Supervision Division – Less Significant Institutions

Georg Hubmer, Head

### On-Site Supervision Division – Less Significant Institutions

Roland Pipelka, Head

### Financial Stability and Macroeprudential Supervision Division

Michael Würz, Head

### Statistics Department

Johannes Turner, Director

### Statistical Information Systems and Data Management Division

Eva-Maria Springauf, Head

### External Statistics, Financial Accounts and Monetary and Financial Statistics Division

Michael Pfeiffer, Head

### Supervisory Statistics, Models and Credit Quality Assessment Division

Gerhard Kaltenbeck, Head

## Accounting, Payment Systems and IT

Kurt Pribil, Executive Director

### Accounting and Cash Audit Department

Friedrich Karrer, Director

#### Financial Statements and Treasury Risk Monitoring Division

Elisabeth Trost, Head

#### Accounting and Cash Audit Division

Josef Steininger, Head

### Payment Systems and Equity Interests Department

Stefan Augustin, Director

#### Cash and Payment Systems Management Division

Doris Schneeberger, Head

#### Equity Interest Management Division

Christa Mölzer-Hellsberg, 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

### IT Department

Christoph Martinek, Director

#### IT Compliance Office

Alexander Tampermeier, Deputy Head

#### IT Operations Division

Peter Deixelberger, Head

#### IT Development Division

Dieter Gally, Head

## Financial Markets, International Relations and Internal Services

Peter Mooslechner, Executive Director

### European Affairs and International Financial Organizations Division

Franz Nauschnigg, Head

#### Brussels Representative Office

Carmencita Nader-Uher, Chief Representative

#### Legal Division

Matthias Schroth, Head

### Treasury Department

Franz Partsch, Director

#### Treasury – Back Office

Felix Pollak, Head

#### Treasury – Strategy Division

Robert Reinwald, Head

#### Treasury – Front Office

Peter Sixt, Head

#### New York Representative Office

Gerald Fiala, Chief Representative

### Internal Services and Planning Department

Gerhard Hohäuser, Director

#### Procurement and Technical Services Division

Thomas Reindl, Head

#### Security Division

Gerhard Valenta, Head

#### Documentation Management and Communications Services

Bernhard Urban, Head

#### Planning and Controlling Division

Rudolf Butta, Head

<sup>1</sup> Environmental Officer: Martin Much  
as on April 24, 2014

# The Year 2013 at a Glance

## Monetary Policy Measures Stabilize Financial Markets and Boost Confidence

The euro area economy picked up markedly at the end of 2013, with real GDP growth coming to 0.3% quarter on quarter in the fourth quarter of the reporting year. The recovery of global economic activity had a stimulating effect on exports, the declining inflation rate supported consumers' purchasing power, and businesses began to invest again. Rising confidence had a positive impact on financial markets as well. The yield spreads on ten-year government bonds of countries under stress continued to narrow, reaching values that made it possible for Ireland and Spain to smoothly exit from their respective EU/IMF assistance programs. Austria and the countries in Central, Eastern and Southeastern Europe (CESEE) are on a path of moderate recovery and have been able to maintain their growth edge on the euro area. Monetary policy – in particular nonstandard measures, the provision of ample and longer-term liquidity, two

key interest rate cuts in 2013 and the introduction of forward guidance – has played a key role in euro area recovery. These measures helped keep market rates at historically low levels. Regional differences in financing conditions within the euro area, balance sheet strains and weak bank lending as well as the fact that inflation remains below the medium-term target continue to be challenges for monetary policymaking.

## Substantial Progress in Enhancing Prudential Policies to Safeguard Financial Stability

Although tensions in the international financial markets eased, the economic environment continued to pose a challenge to Austrian financial intermediaries in 2013, as reflected, inter alia, in a decline in Austrian banks' return on assets (ROA), which turned negative for the first time in 2013. While Austrian banks' CESEE activities remain profitable, the lion's share of profit comes from fewer and fewer countries. Austrian banks' capitalization has been improving continuously. Further strengthening appears to be necessary, however. In 2013, the Austrian financial sector was assessed by the International Monetary Fund (IMF) in a regular evaluation exercise (Financial Sector Assess-

Chart 1

### Real GDP

Quarterly change in %



Source: Eurostat.

Chart 2

### HICP Inflation

Annual change in %



Source: Eurostat.

ment Program – FSAP). The IMF made recommendations related to banking supervision, the establishment of a macroprudential board and the creation of a unified deposit guarantee scheme. At the European level, essential progress was made in the establishment of a banking union. Preparations for the implementation of the Single Supervisory Mechanism (SSM) are in full swing. The so-called asset quality review (AQR) plays a key role in this context as it will enhance the transparency of bank exposures. Moreover, agreement has been reached on the fundamental concept of the Single Resolution Mechanism (SRM) and of the harmonized deposit guarantee scheme. The implementation of Basel III and – at system level – the establishment of the Financial Market Stability Board for macroprudential supervision have particularly strengthened the scope of supervision in Austria.

### OeNB Records Operating Profit of EUR 298 Million

In 2013, the OeNB's operating profit before writedowns and transfers went down by one-third to EUR 662 million against the previous year. Following the transfer of EUR 300 million to risk provisions, writedowns on foreign currency assets and securities totaling EUR 73 million and transfers from provisions in respect of monetary policy operations of the Eurosystem of EUR 9 million, the OeNB posted an operating profit of EUR 298 million in 2013, EUR 75 million of which were paid as corporate income tax and EUR 181 million of which were transferred to the central government as the latter's 90% share of profit under the Federal Act on the Oesterreichische

Nationalbank. The profit for the year 2013 came to EUR 20 million. Net interest income amounted to EUR 834 million and net realized gains arising from financial operations were EUR 107 million. Staff costs and expenses for retirement amounted to EUR 136 million and EUR 114 million, respectively, and administrative expenses came to EUR 82 million. The OeNB's net currency position decreased to EUR 13.4 billion. The EUR 4.7 billion drop against December 31, 2012, is primarily attributable to unrealized valuation losses on gold as at December 31, 2013, which did not enter the profit and loss account. Gold and gold receivables account for EUR 7.8 billion of the net currency position.

Table 1

#### Selected OeNB Indicators

	2012	2013
<i>EUR million</i>		
<b>Performance indicators as at December 31</b>		
Net currency position	18,142	13,430
Banknotes in circulation	23,298	24,497
Total assets	109,369	97,485
Operating profit before writedowns and transfers	988	662
Writedowns on financial assets and positions; transfers to risk provisions; transfers from provisions in respect of monetary policy operations of the Eurosystem	-610	-364
Operating profit	377	298
Corporate income tax	94	75
Central government's share of profit	255	181
Profit for the year	28	20
<i>Absolute figures</i>		
<b>Full-time equivalent staff in core business areas (intellectual capital indicators)</b>		
University graduates (%)	1,071.7	1,089.1
Hotline queries	51.9	54.1
Newsletter subscriptions	31,863	27,235
Cash training courses	18,910	18,904
	397	303
<b>Environmental performance indicators</b>		
Heat consumption (kWh/m <sup>2</sup> )	67	63
Electricity consumption (MWh/employee)	7.3	7.5

Source: OeNB.





# The OeNB Safeguards Price Stability and Financial Stability



## From the OeNB's Mission Statement

Together with the European Central Bank (ECB) and the other euro area central banks, we safeguard the stability of the euro and thus support sound economic development.

## Monetary Policy Measures Stabilize Financial Markets and Boost Confidence

### Actual and Expected Market Interest Rates Kept Stable at Historically Low Levels

In 2013, financial market tensions continued to ease off thanks to reform efforts undertaken by European Union countries and unconventional monetary policy measures implemented by the Eurosystem in the past years. These nonstandard measures included two longer-term refinancing operations (LTROs) with a maturity of three years, which the Eurosystem conducted in late 2011 and early 2012 so as to fully meet banks' demand for central bank liquidity.<sup>1</sup> Moreover, the Governing Council of the ECB had announced, in the summer of 2012, its readiness to conduct Outright Monetary Transactions (OMTs), i.e. to purchase euro area government bonds in secondary markets, to keep prices from taking off amid

speculations about a possible collapse of the euro area.

Refinancing conditions on the interbank markets improved markedly in 2013. As the sovereign debt crisis abated, the perceived credit and country risks also went down, causing cross-border interbank trade to rise again. Against this background, the banking system's need for liquidity buffers decreased, and many banks opted for the early repayment of the three-year LTROs (possible from January 30 and February 27, 2013, respectively). By end-February 2013, some 21% (EUR 212 billion) of the total liquidity injected through the two LTROs (EUR 1,019 billion) had been repaid, and one year later, in late February 2014, this share had already climbed to 45% (EUR 460 billion). Nevertheless, significant amounts of excess liquidity persisted throughout most of 2013. As a result, the overnight interest rate EONIA did not follow the main refinancing rate, but remained anchored to the deposit rate, i.e. close to the lower bound of the interest rate corridor. Toward the end of the year 2013, the EONIA and its volatility increased slightly owing to seasonal factors and the marked reduction in excess liquidity.

Despite the improved financial market situation, continued balance sheet adjustments, high unemployment and fiscal consolidation dampened economic activity in the euro area. The gradual recovery predicted for early 2013 failed to materialize and sentiment indicators deteriorated. At the same

**Financial markets continue to benefit from nonstandard monetary policy measures implemented over the past years**

#### Outright Monetary Transactions (OMTs)

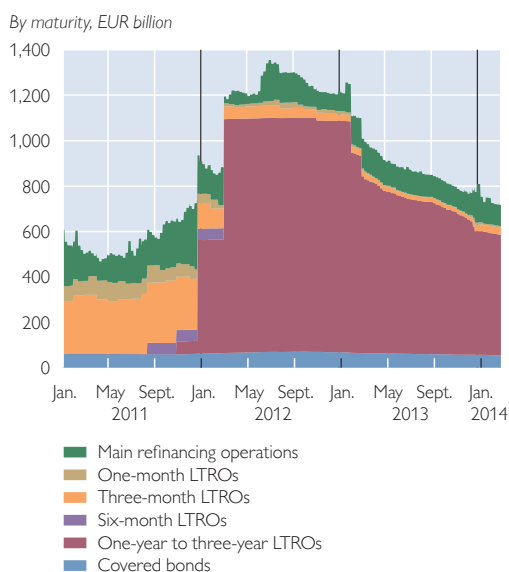
OMTs allow the Eurosystem to buy or sell an unlimited amount of government bonds of euro area countries in the secondary market provided that the relevant countries strictly comply with the underlying conditions. The objective of such transactions is to counteract unjustified government bond yield spreads that obstruct the transmission of monetary policy signals.

#### Excess liquidity

The amount of central bank liquidity held by banks in excess of the aggregate needs of the banking system, which are determined by reserve requirements and autonomous factors such as banknotes in circulation.

Chart 3

### Liquidity Provision in the Euro Area

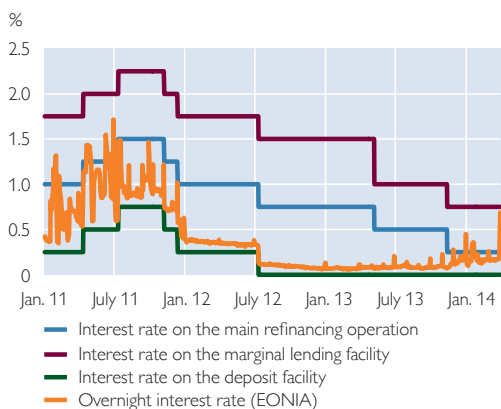


Source: ECB.

<sup>1</sup> The three-year LTROs were conducted as fixed rate tender procedures with full allotment, which means that banks' demand was met in full. However, central bank liquidity is only provided against adequate collateral.

Chart 4

### ECB Key Interest Rates and EONIA



Source: ECB, Thomson Reuters.

Two interest rate cuts and forward guidance by the ECB keep money market rates at historically low levels

Large amounts of excess central bank liquidity absorbed since early 2013

time, inflation as measured by the Harmonized Index of Consumer Prices (HICP) fell from 2.0% in January 2013 to 1.2% in April 2013. To maintain price stability in this environment and to promote economic recovery, the Governing Council of the ECB decided to cut its key interest rates in May 2013, lowering the main refinancing rate by 25 basis points to 0.5% and the interest rate on the marginal lending facility by 50 basis points to 1.0%. The interest rate on the deposit facility was kept unchanged at 0%.

In its credit operations, the Eurosystem accepts a broad range of securities as collateral. In 2013, it implemented a set of measures to adjust the eligibility criteria for collateral (see box 1).

While the macroeconomic outlook for the euro area remained weak in the first half of 2013, the prospects for the U.S.A. increasingly improved. In spring, the U.S. Federal Reserve System (Fed) announced that it might slow the pace of asset purchases later in the year in the event of continued economic recovery. This led to a change in expectations on the international financial mar-

kets regarding the future monetary policy stance, which also caused interest rate increases in the euro area.

This meant that market expectations concerning the future evolution of the key ECB interest rates no longer matched the assessment of the Governing Council of the ECB. To steer expectations into a direction more firmly aligned with its conditional policy orientation, the Governing Council decided to use the instrument of forward guidance in July 2013, announcing that it expected the key ECB interest rates to remain at present or lower levels for an extended period of time. Following its initial announcement, the forward guidance provided in July was confirmed in its original formulation throughout the second half of the year, as well as in early 2014.

In the second quarter of 2013, the euro area economy came out of recession thanks to increased export demand and confidence. Still, inflation continued to decrease because of falling energy prices and only a small rise in food prices, but also owing to declining core inflation. As inflation forecasts were repeatedly revised downward, it became clear that price developments would remain subdued over the medium term. Moreover, the volume of bank loans to nonfinancial corporations contracted throughout 2013. This prompted a further interest rate cut by the Governing Council of the ECB in November 2013. The rates on the main refinancing operations and on the marginal lending facility were each lowered by 25 basis points to 0.25% and 0.75%, respectively, while the interest rate on the deposit facility was again kept steady at 0%.

The two ECB interest rate cuts and the general improvement of the financial market situation caused retail interest on loans to fall in the course of 2013.

#### Forward guidance

Communication by a central bank regarding its assessment of the future path of key interest rates. In 2013, this instrument, which is intended to reduce uncertainty about future money market developments, was used e.g. by the Fed, the Bank of England (BoE) and the ECB. The ECB announced that it expected low interest rate levels for an extended period of time, while the Fed and the BoE indicated that their expectation of continuously low policy rates was tied to certain macroeconomic thresholds.

### Chronology of Selected Nonstandard Monetary Policy Measures Taken by the Eurosystem in 2013 and 2014

**March 2013:** The ECB announces that, as of March 1, 2015, the Eurosystem will no longer accept as collateral uncovered government-guaranteed bank bonds that have been issued by the counterparty itself or an entity closely linked to that counterparty.

**May 2013:** The ECB announces that it will continue conducting its main refinancing operations (MROs) as well as the one- and three-month refinancing operations as fixed rate tender procedures with full allotment for as long as necessary, and at least until mid-2014. The rates in these one- and three-month operations will be fixed at the average rate of the MROs over the life of the respective LTRO.

**September 2013:** The ECB announces the prolongation of its swap facility agreement with the Bank of England until September 30, 2014. Under this facility, the Bank of England, if necessary, can provide the Eurosystem (in particular the Central Bank of Ireland) with up to GBP 10 billion in exchange for euro.

**October 2013:** The Eurosystem regularly reviews the eligibility criteria for assets that can be used as collateral in its monetary policy operations to ensure that it is sufficiently protected against risks and maintains a consistent collateral framework. Following up on the review of its risk control framework, the ECB relaxes its eligibility criteria and reduces its haircuts for asset-backed securities (ABSs) which comply with loan-level reporting requirements. Adjustments are also made to the eligibility criteria and haircuts applied to pools of credit claims and certain types of additional credit claims (ACCs) eligible under the temporary Eurosystem collateral framework and used by some NCBs.

The ECB and the People's Bank of China establish a bilateral currency swap agreement for a period of three years. At a maximum size of CNY 350 billion and EUR 45 billion, this backstop liquidity facility is to safeguard euro area banks' supply with Chinese yuan.

The existing temporary bilateral liquidity swap arrangements between the ECB, the Bank of Canada, the Bank of England, the Bank of Japan, the Federal Reserve and the Swiss National Bank are converted into standing arrangements. This will enable the Eurosystem to continue to provide euro to the participating central banks when required and to provide its counterparties with U.S. dollars, Japanese yen, pounds sterling, Swiss francs and Canadian dollars if need be. The Eurosystem will also continue to regularly conduct U.S. dollar liquidity-providing operations with maturities of approximately one week or roughly three months (fixed rate tender procedures with full allotment) until further notice.

**November 2013:** Covered bank bonds that are pledged as collateral by the issuer or by closely related entities ("retained covered bonds") are associated with additional risks if the relevant counterparty defaults. In fact, the implicit guarantee of the issuer is lost and only the underlying cover pool guarantees for the value of the asset. Therefore, a valuation markdown is introduced for retained covered bonds: 8% for retained covered bonds in credit quality steps 1 and 2 and 12% for those in credit quality step 3.

To further ensure that solvent banks do not face liquidity constraints in the future, especially once the two three-year LTROs mature in early 2015, the Eurosystem decides to continue conducting its main refinancing operations as well as the one- and three-month refinancing operations as fixed rate tender procedures with full allotment for as long as necessary, and at least until mid-2015. The rates in these one- and three-month operations will be fixed at the average rate of the MROs over the life of the respective LTRO.

**January 2014:** As tensions on the U.S. dollar market have eased considerably for euro area banks, the ECB will discontinue three-month U.S. dollar liquidity-providing operations at the end of April 2014. One-week U.S. dollar liquidity-providing operations will continue to be conducted at least until July 31, 2014.

### **Tapering**

In the context of monetary policy, this term has come to denote the gradual reduction of bond purchases conducted by the U.S. Federal Reserve System as part of its quantitative easing policy. The possibility of such a reduction was first announced in May 2013 and has been gradually put into practice since January 2014.

**Financial market fragmentation still prevents an even transmission of monetary policy**

**Public spending cuts weigh on U.S. economy**

Still, sizeable differences across the euro area remained as the decreases in key interest rates were not fully passed through to the real economy in all countries. Hence, fragmented credit markets continue to pose a real challenge for the implementation of the Eurosystem's single monetary policy. The establishment of the banking union and the prior assessment of banks' capital and financing situation are supposed to build confidence and thus help reduce fragmentation and promote more homogeneous financing conditions in the euro area again.

As the pace of real economy recovery remained moderate and the prospect of weak price pressures extended into the medium term, the Governing Council of the ECB reiterated in early 2014 that the ECB's monetary policy stance would remain accommodative for as long as necessary.

### **Global Economic Growth Sluggish**

In 2013, global growth continued to decelerate slightly. Industrialized and emerging countries alike recorded economic growth figures somewhat below those posted in the previous year. Among the industrialized nations, particularly the U.S.A. lost steam. Though domestic demand picked up driven by the steadily ameliorating situation on the U.S. housing and labor markets, public spending cuts dampened GDP growth. Cyclical dynamics will improve again from 2014, however, as fiscal consolidation is slowing down.

Reacting to the increase in consumer demand and falling unemployment figures in the U.S.A., the Federal Reserve System announced in May 2013 that it considered "tapering" its asset purchase program conducted in the context of its quantitative easing policy

(then: USD 85 billion per month) in the near future. In December 2013, the Fed officially decided to reduce the pace of its asset purchases in measured steps from January 2014 onward, which should result in the phase-out of the program by end-2014. The mere announcement of the Fed's intent to taper the program caused strong reactions on the global financial markets and capital outflows from many emerging economies.

In Japan, economic growth accelerated in 2013, favored by expansive monetary and fiscal policy measures implemented by the Japanese government as part of its new growth strategy. This strategy not only aims to lead Japan out of deflation but also to sustainably raise potential growth with the help of structural reforms. Rising inflation rates observed from mid-2013 indicate a first success. With some 1.5% at the turn of the year 2013/14, inflation again reached values last recorded in the year 2008.

Global GDP growth is expected to gain momentum in 2014 and 2015. According to forecasts, the economic dynamics in emerging economies and developing countries should remain largely unchanged, though the short-term growth prospects of some emerging economies have deteriorated due to the more difficult financing conditions caused by the Fed's tapering. Turkey saw significant capital outflows in 2013 as well as a marked depreciation of the Turkish lira brought on by political unrest within the country, among other factors. In early 2014, the Turkish central bank significantly raised its key interest rates, which marked a turning point in its monetary policy course, which up until then had been geared at boosting domestic demand. In China, GDP growth has been continuously declining since 2010, reaching 7.7% in

2013 (2010: around 10%), and it is not expected to pick up in the coming years. The subdued cyclical dynamics are, on the one hand, attributable to structural factors (low population and productivity growth) and, on the other, to rebalancing efforts within the country.

The geopolitical tensions in Eastern Europe observed from early 2014 could strongly affect Russia's and Ukraine's economic prospects but might also lead to a deterioration of the cyclical outlook for the euro area and Central, Eastern and Southeastern Europe (CESEE). Ripple effects of the Crimean crisis have manifested themselves in a marked depreciation of the Russian ruble, despite interventions by Russia's central bank, and significant price losses on the Moscow Exchange.

### Euro Area Economy Is Gaining Momentum Again

Following six consecutive quarters of contraction, economic output in the

euro area finally began to expand again in the second quarter of 2013 and gained further momentum in the course of the year. Although domestic demand began to recover gradually, its contribution to GDP growth was still negative in the first half of 2013. Simultaneous cutbacks in spending by households, enterprises and governments – referred to as “balance sheet recession” – as well as funding constraints dampened domestic demand. Private consumption mainly suffered because of a further decline in employment. Private investment did not make a positive contribution to economic growth either.

**Balance sheet recession**  
Situation in which not only governments and households but also companies cut back in spending in an attempt to gradually make up for previously incurred valuation losses that resulted in writedowns on the asset side of their balance sheets.

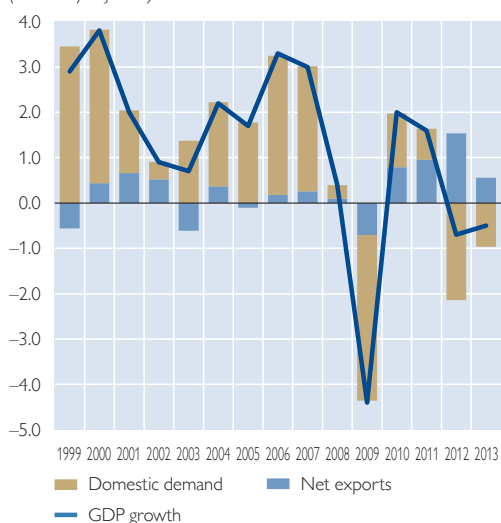
In the course of the year, disposable income recovered, however, thanks to falling commodity prices, which in turn boosted private consumption. Moreover, toward the end of 2013, the effects of fiscal consolidation and debt reduction in the private sector gradually eased off. Owing to a negative carryover effect from the previous year, however, GDP growth remained negative in 2013 at -0.4%, only slightly improving against 2012 (-0.7%). A positive growth con-

**Domestic demand slowly recovering**

Chart 5

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

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

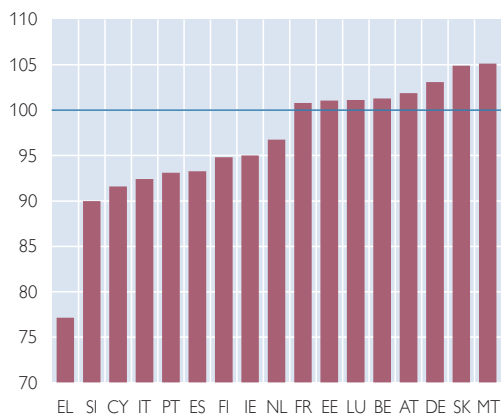


Source: Eurostat.

Chart 6

#### Economic Output in 2013 Compared with 2008 Levels

Index: 2008 = 100



Source: European Commission (AMECO database).

**Inflation falls below 1%**

**Labor market gradually stabilizes**

tribution came from net exports. The upswing observed since mid-2013 will continue in 2014, resulting in positive annual growth, which will be increasingly driven by domestic demand.

At the country level, economic development in the euro area remained heterogeneous. Macroeconomic imbalances that had built up prior to the financial crisis are being addressed at different speeds. Despite some progress the economic output of countries with large consolidation needs still remains clearly below the precrisis levels of 2008.

Employment developments reflected the usually lagged response of the labor market to cyclical upswings. In the early stages of a recovery, rising demand for labor is initially met through additional hours worked by those already employed before new people are hired. In the fourth quarter of 2013, employment growth entered slightly positive territory again. Also the unemployment rate (according to the Eurostat definition) has been indicating a stabilization on the labor market, falling below its mid-2013 high of 12.1% in the last quarter of 2013. How-

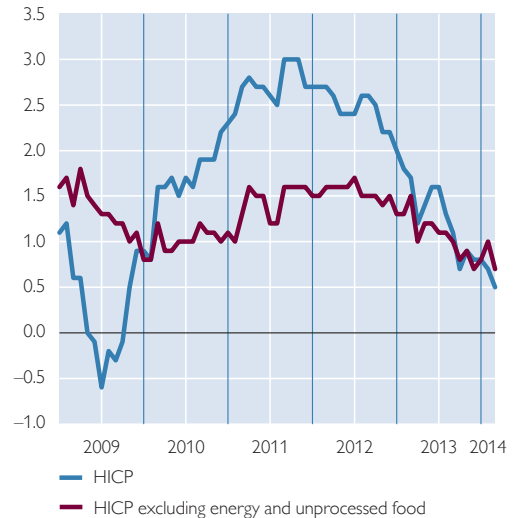
ever, the situation is still very different from country to country – unemployment rates in Greece and Spain are above 25%.

Following two years of elevated HICP headline inflation in the euro area, it came down to 2.0% in January 2013 and has been steadily declining since then. Annual average inflation came to 1.4% in 2013. This development was mainly attributable to decreasing price pressures for energy and unprocessed food. But also the relatively weak economic environment dampened price developments, causing core inflation (HICP excluding energy and food) to fall below 1% toward the year-end. According to the ECB staff macroeconomic projections for the euro area, HICP headline inflation will amount to 1% in 2014 and gradually edge up again in the following years to 1.3% in 2015 and 1.5% in 2016. While, compared to 2012 and 2011, market participants have somewhat lowered their short-term expectations concerning inflation rates, long-term inflation

Chart 8

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

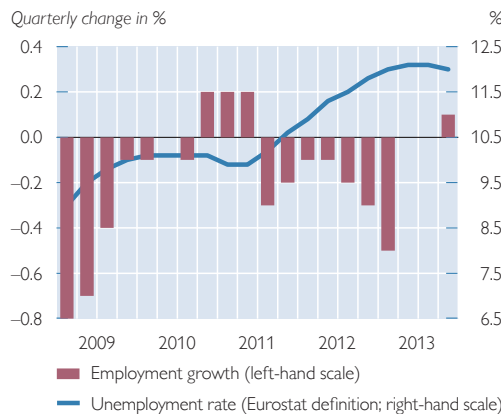
Monthly year-on-year change in %



Source: Eurostat.

Chart 7

**Employment Growth and Unemployment in the Euro Area**



Source: ECB.



expectations (5-year horizon) remain firmly anchored at a level that is consistent with the ECB's target value for the HICP of below, but close to 2%.

### Debt Crisis: First Countries Exit Bailout Programs

Thanks to remarkable fiscal consolidation efforts in some Member States the general government deficit of the euro area was reduced despite the weak economy, coming down from 3.7% of GDP in 2012 to 3.1% of GDP in 2013. The implemented measures were, however, not sufficient to stabilize the debt ratio, which rose from 92.7% to 95.5% on average. The development of public finances is still very heterogeneous across the individual euro area countries. While Germany's budgetary position was balanced in 2013, the EU/IMF program countries reported budget deficits between 5.5% (Cyprus) and 13.1% (Greece). Gradual fiscal rebalancing significantly contributed to bringing the government bond yields of countries under stress to a lower level at end-2013 than recorded a year before. The considerable convergence on

euro area bond markets evident in the course of 2013 was additionally strengthened by increases in German, Austrian and French bond yields.

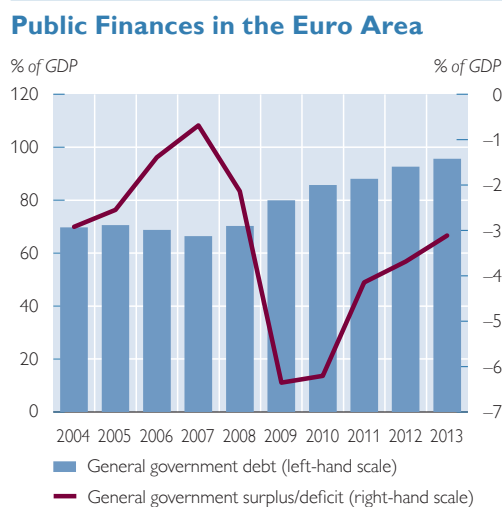
In 2013, Greece for the first time achieved a primary surplus and thus did even better than required by its adjustment program. Significant progress was also made in terms of competitiveness. To achieve sustainable economic and employment growth, more reforms are needed in the area of goods and services markets, but also in the institutional sector. In Portugal, the speed of fiscal consolidation was reduced in mid-2013 to allow automatic stabilizers to take effect. The pace of structural reforms is mostly in line with the objectives laid down in Portugal's economic adjustment program. The country's fallen bond yields (below 5% since February 2014) point to a successful exit from the program, which has been scheduled for May 2014.

Ireland's EU/IMF program was implemented according to plan and was brought to a successful conclusion in

**Euro area deficit shrinks further thanks to consolidation measures**

**Ireland and Spain exit EU/IMF programs**

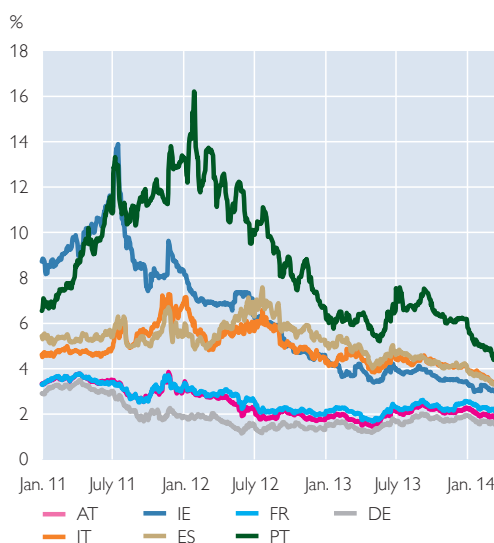
Chart 9



Source: Eurostat, 2013; European Commission's winter 2014 economic forecast.

Chart 10

### Ten-Year Government Bond Yields of Selected Countries



Source: Thomson Reuters.

### EU calls for growth measures

December 2013. Though faced with a weak economic environment, the country managed to further improve its fiscal position. To ensure the sustainability of Ireland's regained market access, more reforms are necessary, in particular in the banking sector. The Spanish financial sector bailout program, which significantly contributed to structural improvements in the banking sector, was also wrapped up successfully.

### Rescue package for Cyprus

Following a request for EU assistance by Cyprus in the summer of 2012, an EU/IMF program with a financial package of EUR 10 billion was formally agreed in April 2013 against the background of negative spillover effects from Greece and related undercapitalization in the banking sector. Cyprus is undergoing a deep recession, which makes the necessary fiscal consolidation all the more difficult. However, there have already been first signs of progress in structural reforms and in the restructuring of the Cypriot financial sector.

### Furthering European Integration: Current Issues

On November 13, 2013, the European Commission presented its Annual Growth Survey for 2014, which spells out the key measures for growth and employment on which Member States are to base their fiscal and reform programs. The most important recommendations concern growth-friendly fiscal consolidation, promoting growth and competitiveness, tackling unemployment and the social consequences of the crisis as well as modernizing public administration. At the same time, the Commission published its third Alert Mechanism Report relating to the macroeconomic imbalance procedure. In this document, the European Commission requests 16 EU Member States to carry out analyses and measures to reduce imbalances.

Negotiations on an agreement establishing a European instrument for the promotion of structural reforms in euro area countries yielded no final results in 2013. The idea is for the Member States, the European Council and the European Commission to mutually agree on contractual arrangements about growth- and job-enhancing reforms, which could include solidarity mechanisms. Such partnerships should strengthen the coordination of economic policy beyond the scope of the European Semester. Based on decisions by the European Council of December 19 and 20, 2013, the President of the European Council and the President of the European Commission will present a progress report in October 2014 regarding the conclusion of such an arrangement.

The European Stability Mechanism (ESM), which was established in 2012 to finance loans and other forms of assistance to distressed euro area countries, is scheduled to assume new responsibilities as the banking union takes shape. In June 2013, the Eurogroup agreed to allow the ESM to also directly recapitalize banks once the foundation for the banking union has been put in place. In December 2013, it was agreed that it should also be possible, during a transition period, to use ESM funds for winding down banks until the agreed Single Resolution Fund is sufficiently capitalized through contributions raised from the banking sector. The exact modalities and conditions for this extended use of ESM funds are currently being discussed.

### Economies in Central, Eastern and Southeastern Europe Gather Steam

Following subdued development in early 2013, the economies of CESEE EU Member States gained increasing

### CESEE countries benefit from euro area recovery

### Assistance Provided under Crisis Facilities

The tables below provide an overview of the funds committed and disbursed under the European Financial Stabilisation Mechanism (EFSM), the European Stability Mechanism (ESM) and the European Financial Stability Facility (EFSF) with a view to stabilizing the euro area.

#### Funding of Euro Area Financial Assistance by Funding Source

As at February 28, 2014

Funding source	Total volume	Committed	Remaining volume
	EUR billion		
EFSM	60.0	48.5	11.5
ESM <sup>1</sup>	426.7	50.3	376.3

<sup>1</sup> The maximum lending volume of the ESM depends on the paid-in capital provided by the euro area Member States in five instalments. Under Article 41 of the ESM Treaty, the paid-in amount must not fall below a ratio of 15% of outstanding amounts of ESM issuances. The first two instalments were paid in in the second half of 2012. The third and fourth instalments were paid on April 30, 2013, and October 31, 2013, respectively. The payment of the fifth and final instalment has been scheduled for April 2014. It will bring the maximum lending capacity to EUR 500 billion.

As of July 2013, the EFSF may no longer engage in new financing programs or enter into new loan facility agreements. It will, however, remain active in financing the ongoing programs.

	Total volume		Volume accessed	
	Loans	Guarantees	Loans	Guarantees
	EUR billion			
EFSF <sup>2</sup>	440.0	726.0	188.3	350.1
Austrian share		21.6		10.4 <sup>3</sup>

<sup>2</sup> Bonds issued by the EFSF are guaranteed by the EU Member States up to a cumulative amount of approximately EUR 779.8 billion. For these bonds to be assigned AAA ratings, Member States must provide overguarantees of up to 165%, which reduced the maximum lending capacity of the EFSF to EUR 440 billion.

<sup>3</sup> Capital and interest including overguarantees.

The ESM was inaugurated on October 8, 2012.

	Capital stock	Paid-in capital (or to be paid in)	Callable capital	Lending capacity
	EUR billion			
ESM	700.0	80.0	620.0	500.0
Austrian share	19.5	2.2	17.3	–

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

momentum in the second half of the year. Confidence and economic indicators benefited from the stabilization of the economic situation in the euro area and the associated improvement of external demand. Moreover, several central banks in CESEE seized the opportunity to implement a more accommodative monetary policy (e.g. in Poland, Hungary and Romania) as price pressures decreased. Against this back-

ground, economic output increased significantly – also fueled by the budding recovery of domestic demand.

This cyclical upswing, however, has not reached the labor markets of the region yet. Unemployment only decreased marginally in 2013, employment growth remained weak and long-term unemployment intensified. Bank lending has not yet shown a marked recovery either. Despite restructuring ef-

forts, the share of nonperforming loans in total outstanding loans expanded further in a number of countries.

In 2013, average GDP growth in CESEE came to a little more than 1%, only slightly above the value recorded for 2012. Economic developments remained very heterogeneous across countries. While Lithuania, Latvia and Romania, for instance, posted comparatively strong growth, Croatia, the Czech Republic and Slovenia did not manage to pull out of recession in 2013. Amid continued heterogeneity in CESEE, average GDP growth in the region should accelerate to somewhat above 2% in 2014. This means that growth in CESEE EU Member States will, on balance, continue to outpace the euro area economy by more than 1 percentage point. Though this growth differential is much smaller than prior to the crisis, it shows that CESEE economies are continuing their economic catching-up process. The most recent geopolitical tensions have, however, increased the risks for growth in this region.

Despite the turbulences of recent years, European integration has made steady strides. On July 1, 2013, Croatia

joined the EU as its 28<sup>th</sup> Member State. The decision to take up accession negotiations and the entry into force of a Stabilisation and Association Agreement with Serbia moreover indicated progress toward the possible integration of the countries of the Western Balkans into the EU. At the beginning of the year 2014, Latvia introduced the euro as the 18<sup>th</sup> EU Member State. Lithuania requested euro area membership in January 2014. Given a positive convergence assessment, the number of euro area countries could thus grow to 19 on January 1, 2015.

### Austrian Economy Pulled out of Stagnation in mid-2013 – Forecasts Predict Moderate Recovery for 2014

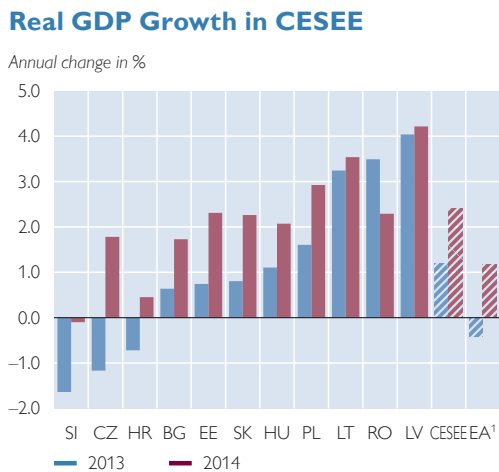
Against the background of euro area recession, the Austrian economy developed relatively robustly in 2012 and 2013. Although GDP growth in these years was very subdued, it was at least positive. In the first half of 2013, private consumption was dampened by falling net wages (in real terms) and weak consumer confidence. Despite excellent financing conditions, gross fixed capital formation contracted due to poor sales prospects. Moreover, companies reduced stocks, which stifled growth additionally. Although exports expanded at a lackluster pace, net exports nevertheless propped up GDP growth because imports stagnated.

In the second half of 2013, Austria's economy overcame stagnation and began to recover moderately, with all expenditure components of GDP – private consumption, gross fixed capital formation, government spending and net exports – improving. Falling inflation rates increased households' purchasing power, gross fixed capital formation picked up thanks to the improved overall economic outlook and,

Integration process makes further progress

Austria's GDP grows at 0.4% in 2013

Chart 11

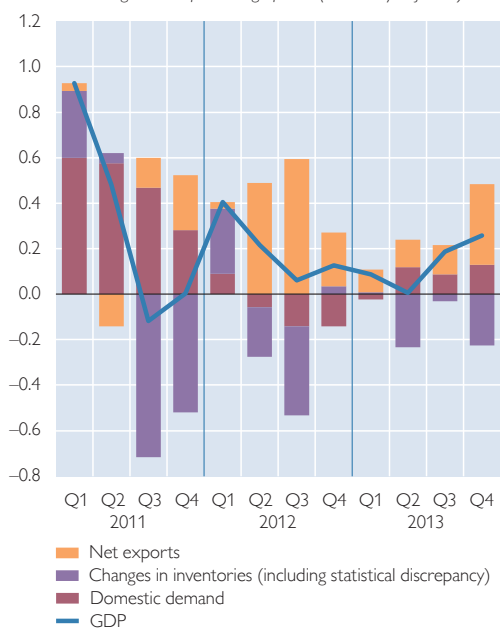


Source: Eurostat, European Commission's winter 2014 economic forecast.  
<sup>1</sup> EA: Euro area.

Chart 12

### GDP Growth and Contributions of Demand Components to Growth in Austria

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



Source: Eurostat.

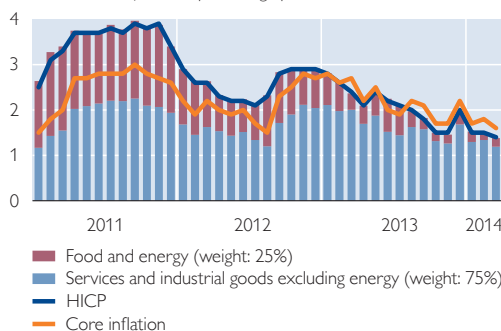
what is more, destocking came to an end in the second half of 2013. This resulted in positive, if small, GDP growth of 0.4% for the year 2013 as a whole. The growth edge over the euro area amounted to 0.8 percentage points in 2013.

The labor market situation was ambivalent in the reporting year. Though the number of persons in payroll employment increased by 17,500 in 2013 despite the lackluster economic situation, the number of unemployed persons at the same time rose by 26,600. The unemployment rate according to Eurostat climbed from 4.4% in 2012 to 4.8% in 2013, which is attributable to growth in labor supply – in particular, the supply of foreign labor. According to the OeNB’s economic outlook of

Chart 13

### HICP Inflation and Contributions by Subcomponents in Austria

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



Source: Eurostat.

December 2013, the rate of unemployment will come to 5.0% in both 2014 and 2015.

While price pressures had still been strong in 2012, they came down markedly in 2013. The increase in the HICP contracted from 2.6% in 2012 to 2.1% in 2013. This decline was primarily attributable to falling energy prices and the slowing rate of price increases in the services sector. Core inflation (excluding energy and food) stood at 2.2% in 2013. According to an OeNB survey of May 2013<sup>2</sup>, a low level of inflation is very important to the Austrian population. The large majority (68%) of the approximately 2,000 respondents would favor an annual inflation rate of only 0% to 2%. Another 13% found that annual price increases between 2% and 3% are still to be seen as acceptable. About 45% of respondents were able to estimate the correct range (namely 2% to 3%) at the time of the survey, when inflation hovered slightly above 2%. By contrast, only one-third of the respondents were familiar with the Eurosystem’s exact definition of price stability (average inflation in the euro area of

**Both employment and unemployment grow**

<sup>2</sup> Fluch, M., F. Fritzer and F. Rumler. 2013. *Inflation and Price Perception in Austria: Survey Results (executive summary available in English)*. In: *Statistiken – Daten & Analysen Q4/13*. OeNB. 67–85.

**OeNB develops a  
fundamental residential  
property price indicator**

below, but close to 2% over the medium term). Asked about the negative effects of increased inflation, the interviewed Austrians primarily cited the loss of purchasing power, disadvantages of low-income groups as well as a devaluation of savings. Two-thirds of respondents were not able to gauge the effects of deflation – mainly because they had never personally experienced it.

The strong increase in prices on the housing market in Austria, and in particular in Vienna, has raised concerns about an emerging real estate price bubble. Price bubbles may pose a serious threat to the stability of a financial system. To allow for a timely detection of potentially undesirable developments on the real estate market, the OeNB has developed a fundamental residential property price indicator<sup>3</sup>, which will be published regularly. According to the indicator, residential property prices in Vienna have increasingly been overvalued: In the fourth quarter of 2013, housing prices stood 21% above the real estate price justified by fundamentals. For Austria as a whole, by contrast, the indicator points to an undervaluation (–8%).

**Austria's current  
account records robust  
surplus**

In 2013, Austria recorded a current account surplus of nearly EUR 8.5 billion or 2.7% of GDP (2012: EUR 7.3 billion). This shows a continuation of the trend toward growing current account surpluses that has mainly been driven by the robust trade in services. Austria's trade balance has been positive since 2002, which has made it possible to reduce and eventually reverse the formerly sizeable net external liabilities and to achieve a small net surplus.

Cross-border trade in services showed a positive development in 2013, having been less affected by the global

economic slump of the past years than trade in goods. Austria's services exports grew by 4% to some EUR 49 billion, whereas imports only increased by 2% to slightly below EUR 34 billion. The service trade surplus thus reached a historical high of approximately EUR 15 billion in 2013. This was mainly attributable to the exceptionally good result of travel and tourism, which also posted a record net balance of EUR 7.4 billion: 24.8 million arrivals by visitors from abroad in Austria represented a new all-time high, and the number of overnight stays by foreign visitors recorded in 2013 (96.8 million) had only been surpassed in 1991 and 1992 after the fall of the Iron Curtain. The other service industries also recorded successful cross-border results again, generating net international income that surpassed that of the travel and tourism sector for the sixth year in a row.

The positive development of the current account balance in 2013 was also favored by a markedly reduced deficit of trade in goods: As exports slightly expanded (+1%) and imports declined (–1%), the trade in goods deficit was virtually cut in half to EUR 3.8 billion (2012: EUR 7.2 billion).

The balance on income deteriorated significantly in 2013 and reached negative territory. While 2012 had still yielded a surplus of EUR 2.5 billion, a shortfall of EUR 0.8 billion is expected for 2013. According to first estimates, Austria's outward FDI generated much lower returns in 2013 than in the extremely successful year of 2012 – owing to the difficult economic situation, particularly in Eastern Europe.

Austria's cross-border capital flows continued to fall considerably short of

<sup>3</sup> Schneider, M. 2013. *Are Recent Increases of Residential Property Prices in Vienna and Austria Justified by Fundamentals?* In: *Monetary Policy & the Economy Q4/13*. OeNB. 29–46.

the dynamics evident prior to the financial crisis. Compared to 2012, however, they picked up slightly in some areas. Austria's net investments abroad were at least positive in 2013 (EUR 4.4 billion), while in 2012, there had been net outflows of capital (EUR –0.4 billion). In 2013, foreign investors only withdrew capital in the total amount of EUR 1.1 billion from Austria – much less than had been the case in 2012 (EUR –7.8 billion).

The acceleration of growth observed in the second half of 2013 should continue into the first half of 2014. According to the OeNB's December 2013 economic outlook, growth will pick up further to 1.6% and 1.9% in 2014 and 2015, respectively, driven by the global economic recovery and, increasingly, by domestic demand components. Private consumption is being favored by healthy employment growth and a moderate rise in real wages, and investment activity by improved sales prospects and previously deferred replacement investments. Austrian exporters will benefit from strengthened economic activity in the euro area, while imports will start augmenting again thanks to increased domestic demand. The current account surplus is expected to grow to 3½% of GDP by 2015. Despite the improved economic outlook, no significant price pressures are on the horizon. HICP inflation is forecast to amount to 2.0% in 2014.

The general government balance improved markedly, reaching –1.5% of GDP in 2013 after –2.6% in 2012. The deficit thus remained well below the threshold of 3% of GDP for the third year in a row. The pronounced improvement against 2012 was mainly attributable to larger contributions of one-time effects. These came to +0.2% of GDP in 2013 (composed, on the one hand, of revenue generated from the

auction of mobile licenses in the amount of +0.6% of GDP and income from the tax agreement with Switzerland equaling +0.2% of GDP and, on the other hand, of capital transfers to banks amounting to –0.6% of GDP), while, in 2012, one-time effects had made a negative net contribution of –0.8% of GDP (mostly owing to the bank support package). As the negative contribution caused by the economic situation was more than offset by consolidation measures (e.g. wage freezes, adjustment of pension benefits that fell short of the inflation rate) and bracket creep, the budget balance improved in structural terms.

However, in order to achieve the structural deficit level required by the European Commission by 2015 (–0.45% of GDP), sustainable measures beyond those already adopted will be necessary so as to cut the structural deficit by another ¾% of GDP. Austria's debt ratio stabilized at 74.5% of GDP in 2013 (2012: 74.4%).

Following amendments in the legal framework of the EU, the Government Debt Committee, which had been in place in Austria since 1970, was transformed into the Fiscal Advisory Council in early November 2013. This newly established independent body is composed of 15 financial and fiscal experts that are not bound by instructions from third parties. They have been entrusted with monitoring compliance with the multi-dimensional fiscal rules (deficit, expenditure and debt rules) in Austria. Specifically, the responsibilities of the Fiscal Advisory Council include regularly providing assessments and forecasts of fiscal conditions, monitoring compliance with EU fiscal rules, analyzing sovereign debt and its sustainability as well as issuing written recommendations on the budgetary planning of regional and local governments. The office of the Fiscal Advisory Council is

**2014: Growth accelerates amid low inflation**

**Fiscal Advisory Council monitors compliance with fiscal rules**

**Budget balance improves markedly despite weak economy**

located in the OeNB, and OeNB representatives participate in the meetings of the Fiscal Advisory Council in an advisory capacity.

### **Austria's Economic Policy as Reviewed by International Organizations**

**Austria's economic policy is assessed as solid**

In the reporting year, Austria's economic policy was once more subject to routine reviews by international organizations. In fall 2013, the IMF concluded its examination of Austria's economic developments and policies, which was accompanied by a Financial Sector Assessment Program (FSAP). This separate analysis of the financial sector is routinely conducted every five years. As usual, discussions with OeNB experts were a central aspect of the IMF delegation's visits. The IMF's policy recommendations include making efforts to finance the announced new stimulus measures within the existing budgetary envelope and implementing measures designed to foster potential growth. The IMF's recommendations under the FSAP are described in greater detail in box 3. In its country report of July 2013, the OECD praised the economic and social achievements of the Austrian economic

system. Challenges identified by the OECD include population aging, urban sprawl, globalization as well as risks to financial sector stability.

### **IMF Strengthened through Additional Crisis Funds**

In late 2011, the EU heads of state or government decided to reinforce the IMF as a global safety net for crisis events by providing substantial additional funding. The EU committed itself to extending bilateral loans to the IMF of up to EUR 200 billion (Austrian share: EUR 6.13 billion). The international community outside the EU – excluding the U.S.A. – agreed to provide an additional EUR 150 billion. The Austrian federal act necessary for this increase in funds entered into force on June 20, 2013. Given its comfortable liquidity situation, the IMF has so far not needed to draw on the funds available under these bilateral agreements.

With effect from July 11, 2013, the President of the Republic of Austria nominated the OeNB's Vice Governor Andreas Ittner as alternate governor for Austria at the IMF. This nomination was confirmed by the IMF on October 18, 2013.







## From the OeNB's Mission Statement

We invest and manage the national monetary and gold reserves professionally in accordance with our stability mandate and furnish banks with central bank liquidity as needed.

## Reserve Management Realizes Steady Returns despite Historically Low Interest Rates

### Tensions in Euro Area Financial Markets Ease Considerably

In an environment of continuously low key interest rates and nonstandard monetary policy measures, financial market uncertainty decreased in the course of 2013 while market participants' confidence rose. This development was reflected in particular in increasing stock market indices, some of which reached new peaks. Posting annual growth rates of 23.6% and 22.8%, respectively, the U.S. Dow Jones Industrial Average index and the German Stock Index (DAX) climbed to record highs.

As of the second quarter of 2013, debates about a gradual reduction ("tapering") of the U.S. Federal Reserve System's bond purchases temporarily caused stronger market fluctuations, which spilled over to emerging markets. Consequently, the MSCI Emerging Markets Index recorded a 5% decrease for the year 2013 as a whole. In the third quarter in particular, some emerging markets whose fundamentals are weak (e.g. Argentina, India, South Africa and Turkey) posted capital out-

flows and strong declines in their respective exchange rates. Capital outflows continued, in part, into early 2014 and could not be stopped entirely despite massive interventions and interest rate increases.

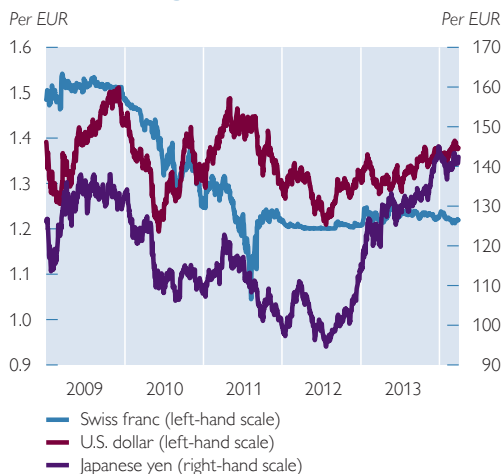
After fluctuating fairly strongly in the first half of 2013, the euro appreciated against the U.S. dollar in the second half. In 2013 as a whole, the euro gained 4% against the U.S. dollar, before weakening slightly in early 2014. This recent drop against the U.S. currency can be explained by the positive economic outlook in the United States and also by the beginning of the Fed's tapering of bond purchases. As of mid-2013, the pound sterling also strengthened against the U.S. dollar and the euro, as the British economy started to pick up steam. The Japanese yen lost more than 20% against both the U.S. dollar and the euro in 2013. This drop was largely attributable to the Bank of Japan's expansive monetary policy stance and to subsiding global risks.

After gold prices had been rising for a decade, October 2012 saw the begin-

Emerging market currencies increasingly prone to fluctuate

Chart 14

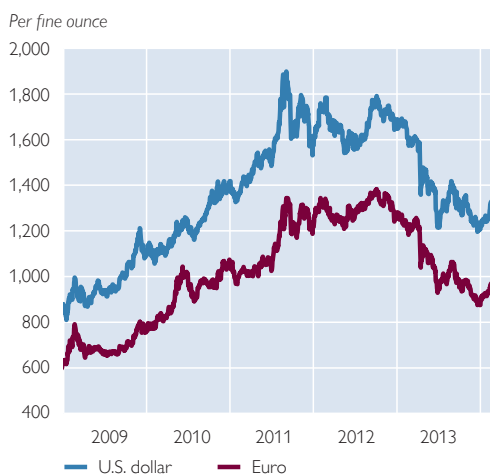
### Euro Exchange Rate Developments



Source: Thomson Reuters.

Chart 15

### Gold Price Developments



Source: Thomson Reuters.

ning of a pronounced price correction. Since then, the price of gold has declined by 33%, with 28% of that decline having occurred in the course of 2013. Reduced economic risks and lower inflation expectations as well as growing stability in the euro area contributed to this decrease. At the beginning of 2014, gold recovered slightly.

### Reserve Management Rests on Well-Tried Strategies

Within the framework of the ESCB and in close cooperation with the ECB and the other Eurosystem central banks, the OeNB continues to ensure that banks have access to liquidity and thereby contributes to stabilizing economic developments. By purchasing Special Drawing Rights (SDRs) and providing funds, the OeNB supported the IMF in assisting countries under stress and in safeguarding international stability. Security, liquidity and returns remain the major principles guiding the OeNB's reserve management function. The investment of reserves assets by the OeNB is governed by international best practice and is subject to a

Highest security standards in place for gold storage

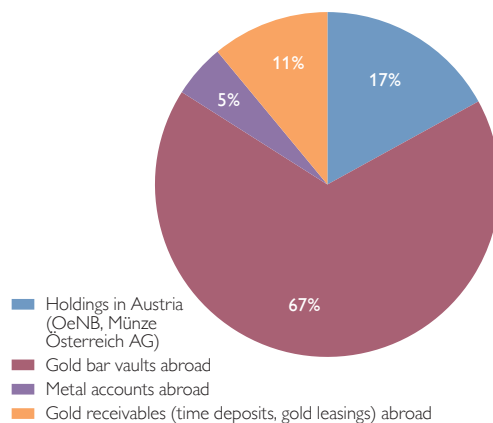
comprehensive risk management system. Moreover, it relies on a well-balanced allocation of foreign reserve assets that contributes to keeping returns stable.

### Gold Strategy and Importance of Gold for Central Banks

Gold has traditionally played an important role in the international monetary system. Foreign reserve assets and gold holdings are key elements of a central bank's strategy for crisis prevention and management and have, indeed, repeatedly proved to build confidence in difficult times. In its Guidelines for Foreign Exchange Reserve Management, the IMF stresses the pivotal role of gold as a reserve asset. In the same vein, the Central Bank Gold Agreement, first concluded in 1999 and extended to 2014, reaffirms that gold remains an important element of global monetary reserves. According to the IMF, global public sector gold holdings amount to around 32,000 tons, with the United States owning the largest official gold reserves (8,134 tons), followed by Germany (3,389 tons) and the IMF (2,814 tons).

Chart 16

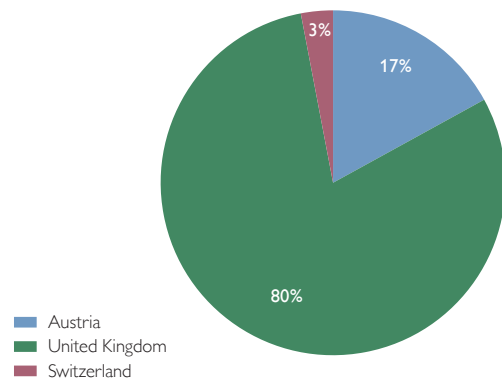
#### The OeNB's Total Gold Holdings



Source: OeNB; as at December 31, 2013.

Chart 17

#### The OeNB's Gold Holdings by Storage and Delivery Location



Source: OeNB; as at December 31, 2013.

Austria's gold reserves, which are held by the OeNB, amount to 280 tons. This figure has remained unchanged since 2007. As the owner of Austria's physical gold holdings, the OeNB maintains and manages these assets with utmost care. Apart from maintaining physical gold holdings, central banks also carry out gold leasing transactions depending on the market situation. In a gold leasing transaction, book-entry gold is invested against the receipt of interest at maturity.

In line with the OeNB's current gold storage policy, 17% of its gold holdings are at present kept in Austria, 80% in the United Kingdom and 3% in

Switzerland. Holding gold reserves at international gold trading centers has the essential advantage of allowing the OeNB to swiftly exchange larger amounts of gold for common reserve currencies should the need arise. The OeNB strives to minimize storage costs in keeping with its strategy on crisis prevention and management. It uses highly reliable storage sites, which not only meet the most stringent security standards but also keep the bulk of international gold holdings under lock and key and conduct a vast share of international transactions involving physical gold.

#### **Precious metal account**

In addition to its gold bar holdings and gold leasing transactions, the OeNB also holds minor investments in precious metal accounts, which are covered by physical gold. Payoffs are made either by book-entry transfers or by effective delivery of physical gold bars.



## From the OeNB's Mission Statement

In cooperation with the ECB and the Austrian Financial Market Authority (FMA),  
we ensure the stability of banks and financial markets.

We welcome change and embrace forward thinking.

## Substantial Progress in Enhancing Prudential Policies to Safeguard Financial Stability

### Austrian Financial Institutions Operate in a Challenging Environment

International monetary policy measures and policy efforts at the European level helped ease pressures in financial markets in 2013. Nevertheless, banks still faced an environment of sluggish economic growth, weak profitability, higher risk provisions, low interest rates and enhanced regulatory requirements. This is also evident in Austrian banks' earnings situation.

At  $-0.04\%$  in 2013, Austrian banks' after-tax return on assets (ROA) was negative for the first time in years. On the one hand, operating income was subdued on account of the low interest rate environment in 2013. On the other hand, profitability was dampened by goodwill write-offs of subsidiaries in Central, Eastern and Southeastern Europe (CESEE) and losses of a bank that is currently undergoing restructuring. In 2012, by contrast, one-off effects stemming from the repurchase of supplementary and hybrid capital had exerted a positive influence on the financial result. Domestic profitability remained weak in 2013 and kept banks

dependent on profits from business abroad. Activities in CESEE continued to be a key driver of income despite increasing differences in returns across the region.

The rapid expansion of credit in some countries in the run-up to the crisis, in tandem with a rather subdued recovery in general, continued to weigh on Austrian banks' profitability, especially due to a deterioration in credit quality. The ratio of nonperforming loans (NPLs) in CESEE (subsidiaries) came to about 15% in 2013, the NPL ratio in the domestic market stood at around 5%.

Bank capitalization in Austria has improved continuously over the past years. At end-2013, the average tier 1 ratio was 11.9%, up by 0.9 percentage points compared to 2012. Two banks have fully paid back government participation capital since mid-2013. Despite improvements in capitalization, Austrian banks' capital ratios are still below average compared with those of international peers. A further strengthening of the capital base is necessary, given Austrian banks' risk profile (e.g. exposure to CESEE, outstanding volume of foreign currency loans), the generally challenging environment, higher market expectations as regards capitalization as well as the diminishing role sovereign support is to play in ratings due to new regulatory measures. In addition, stable banks with a sound capital base are more attractive for investors, which in turn has a positive impact on banks' access to refinancing. Healthy banks with higher capitalization play a key role in providing a sustainable flow of credit to the real economy.

It should also be noted, however, that thanks to their business model, Austrian banks are leveraged substan-

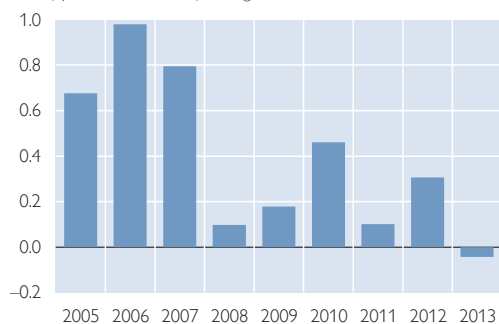
**Profitability of Austrian banks under particular pressure in 2013**

**Higher capitalization remains priority**

Chart 18

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

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



Source: OeNB.

**Business in CESEE profitable but increasing regional differences in returns**

**Sovereign support**

Austrian banks' ratings benefit from Austria's excellent sovereign creditworthiness. In their analyses, rating agencies take into account the financial strength of banks' home countries and factor in the likelihood of public support measures for credit institutions that have run into difficulties. For this reason, country ratings and the ratings of financial institutions are closely connected. A number of regulatory measures, for instance the Bank Recovery and Resolution Directive (BRRD), contribute to breaking the link between banks and sovereigns, thereby reducing the impact of sovereign support on bank ratings.

tially less than comparable foreign banks. In fact, domestic banks' leverage ratio (equity capital as a percentage of total assets) stood at 6.5% at the end of 2013, compared with about 4% for their European peers. This is due to the relatively high share of loans with higher risk weights in Austrian banks' balance sheets.

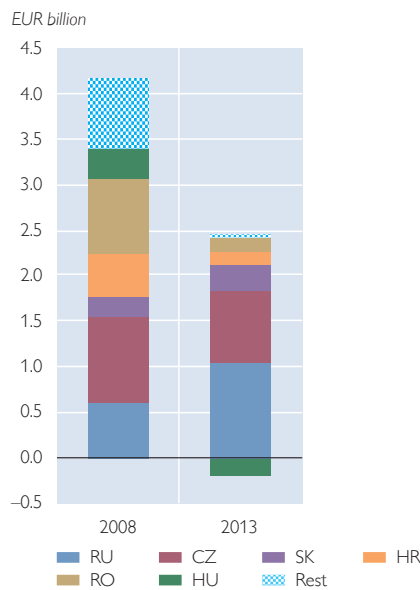
Overall, Austrian banks continued to earn profits in CESEE. However, these profits come with higher risks. Since the onset of the financial and economic crisis in 2008, the profitability and credit quality of CESEE subsidiaries followed increasingly divergent paths owing to a heterogeneous economic, macrofinancial and regulatory environment. Before the crisis, Austrian banks' subsidiaries in all CESEE countries posted positive returns, but in the

meantime, only a few countries – including Russia, Turkey<sup>1</sup> and the Czech Republic – have come to account for the lion's share of profits. Especially in Russia and Turkey, high profitability has been driven by strong credit growth – albeit hand in hand with heightened risks.

Against this background, banks need to increasingly focus their business strategies on ensuring sustainability and risk-bearing capacity. The refinancing of credit in CESEE also plays a crucial role. Austrian banks' subsidiaries have improved their loan-to-deposit ratio from 117% in 2008 to 96% in 2013, mainly on the back of strong domestic deposit growth. Intra-group liquidity transfers were also on the decline. All these developments are in line with the sustainability package drawn up by the supervisory authorities – the OeNB and the FMA – in 2011. All in all, Austrian banks' liquidity situation continued to improve in 2013.

Chart 19

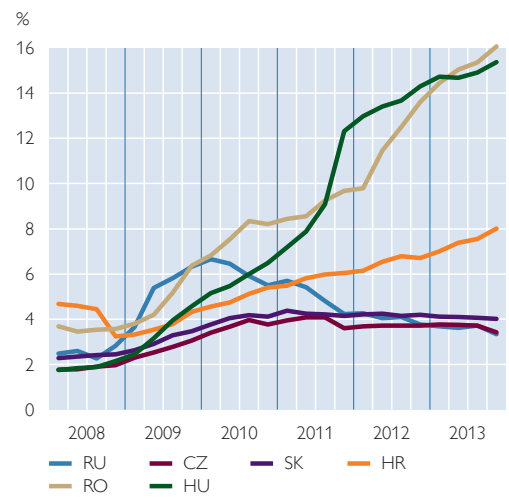
**Net Profit of Austrian Banks' CESEE Subsidiaries**



Source: OeNB.

Chart 20

**Loan Loss Provision Ratios of Austrian Banks' CESEE Subsidiaries**



Source: OeNB.

<sup>1</sup> The Turkish joint venture of an Austrian bank is not yet covered by Austrian supervisory reporting requirements. According to the bank's annual report, its share in earnings before taxes came to EUR 758 million in 2013.



Loans to households and nonfinancial corporations expanded by 0.8% and 0.5%, respectively, in 2013; this development continued into early 2014. Lending to households was mostly driven by mortgage loans. By contrast, outstanding loans to nonbank financial intermediaries and the general government contracted.

The stock of foreign currency loans to domestic borrowers has decreased on an exchange rate-adjusted basis by 39% in Austria since fall 2008. This decline indicates that supervisory measures – including, most recently, the revised version of the FMA Minimum Standards for granting and managing foreign currency loans published in early 2013 – have the intended effect. The amount of outstanding foreign currency loans of Austrian banks to domestic nonbanks was around EUR 40 billion in February 2014; this corresponded to a 12% share of loans denominated in foreign currency (predominantly in Swiss francs) in total loans. Households took out the bulk of foreign currency loans (EUR 28 billion), whereas nonbank financial intermediaries and the public sector ac-

counted for a comparatively small share of slightly more than EUR 2 billion each. Austrian banks' CESEE subsidiaries reported EUR 73 billion in outstanding foreign currency loans – most of which are denominated in euro – in 2013. Compared with the previous year, foreign currency lending both to nonfinancial corporations and to households decreased in 2013.

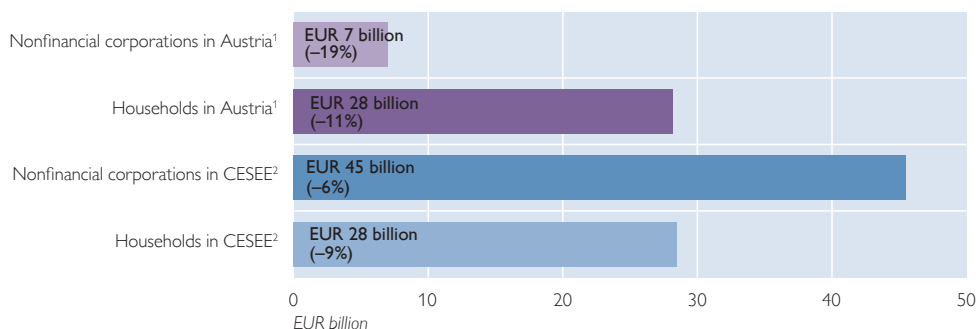
The current low interest rate environment poses a challenge especially to insurance companies – in particular in connection with guaranteed-return life insurance products – but also to pension funds and money market funds. In 2013, the FMA introduced a requirement for insurance companies to hold additional interest provisions with the aim of maintaining insurers' ability to meet their obligations under guaranteed-return life insurance contracts when interest rates remain low for prolonged periods. Both the FMA and the OeNB continuously monitor the risks associated with a low interest rate environment. Solvency II – the risk-based capital adequacy framework for insurance companies – is to enter into force from 2016.

Foreign currency loans down but still pose risks

Low interest rate environment creates long-term challenges to insurers

Chart 21

### Outstanding Foreign Currency Loans of Austrian Banks



Source: OeNB.

Note: Exchange rate-adjusted growth rates (year on year).

<sup>1</sup> February 2014.

<sup>2</sup> December 2013.

### Key IMF Recommendations from the 2013 Financial Sector Assessment Program (FSAP)

The IMF undertook its regular assessment of the Austrian financial sector under the FSAP in the first half of 2013. The IMF's overall evaluation was largely balanced, highlighting the known strengths and weaknesses of the Austrian financial system. The IMF delegation identified room for improvement in some areas, in particular in the legal framework for banking supervision and financial stability, and issued a set of recommendations.

To reinforce the financial stability perspective in the supervisory process, a macroprudential body with a clear mandate and decision-making framework should be established swiftly and should be chaired by the OeNB. This recommendation has already been fulfilled to some extent, with the Financial Market Stability Board (FMSB), which had been established following a recommendation by the European Systemic Risk Board (ESRB), taking up work in 2014.

In banking supervision, the IMF advocated above all strengthening governance at the FMA and reinforcing the FMA's supervisory tools and powers, in particular the capacity to recover and resolve banks. In addition, a legal framework for the resolution of banks based on international best practices and consistent with the relevant EU directives should be put in place; the FMA should be designated as Austria's bank resolution authority.

The IMF also suggested introducing a unified ex ante-funded public deposit guarantee scheme on the basis of the EU directive and internationally accepted standards. To prepare the establishment of such a scheme, a high-level working group comprising representatives of the Federal Ministry of Finance, the FMA, the OeNB and deposit guarantee schemes is to be set up as soon as possible.

The OeNB welcomes the thorough assessment of the Austrian financial sector under the FSAP and advocates giving priority to the implementation of those IMF recommendations that the OeNB, the FMA and the Ministry of Finance all consider to be of key importance.

### Banking Union – A Crucial Complement to Economic and Monetary Union

Substantial progress in establishing the SSM

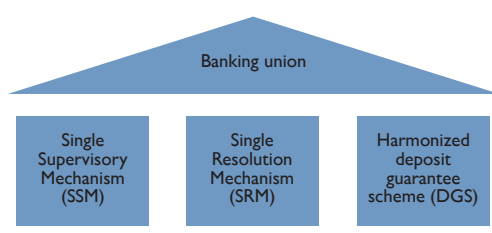
The establishment of the Single Supervisory Mechanism (SSM) – a key component of banking union – made good and important progress in 2013. The regulation entrusting the ECB with the supervision of credit institutions in the euro area entered into force on November 3, 2013, and is to be implemented

by November 2014. The SSM aims at providing for the consistent application of high supervisory standards and a level playing field in banking supervision, at breaking the link between banks and sovereigns and at reducing financial fragmentation in the euro area. Austria considers it important and desirable that as many non-euro area EU Member States as possible participate in the SSM on an equal footing, given domestic banks' cross-border activities.

Under the SSM, supervision is to take place in a differentiated manner: 1) Significant banks are supervised directly by the ECB, which cooperates with the national supervisory authorities; 2) less significant banks continue to be under the supervision of the national competent authorities, with the ECB having the right to decide to

Chart 22

#### The Three Pillars of Banking Union



take supervisory responsibility for a less significant credit institution. Owing to the decentralized approach of the SSM, the OeNB and the FMA retain far-reaching supervisory responsibilities and even take on new responsibilities through their representation in the Supervisory Board established at the ECB. Since the launch of SSM preparations, the ECB has been cooperating closely with the national supervisory authorities and central banks, in particular in developing an SSM supervisory model, devising a plan for setting up joint supervisory teams, defining a reporting framework and planning recruitment.

The transfer of supervisory responsibilities to the ECB has also made it necessary to adapt accountability procedures. To this end, in October 2013, the ECB and the European Parliament concluded an Interinstitutional Agreement that defines the practical modalities of the exercise of accountability within the SSM. The ECB will maintain a regular exchange of views with the competent committee of the European Parliament, hold confidential meetings and provide the aforementioned committee with summary proceedings of Supervisory Board meetings. Furthermore, the European Parliament is involved in the appointment of the Supervisory Board chair.

The EU Council appointed Danièle Nouy on December 16, 2013, as the first chair of the Supervisory Board, which held its first meeting on January 30, 2014, and already took a number of decisions on operational aspects of SSM implementation. Prior to assuming full responsibility for supervision under the SSM in November 2014, the ECB, in cooperation with the

national supervisory authorities, is performing a comprehensive assessment of the banks that will be under its direct supervision. The objective of the exercise, which started in November 2013, is to enhance transparency and to build confidence in banks. The results will be published before the SSM becomes operational in November 2014 and may entail in some cases the requirement to take corrective action.

The comprehensive assessment consists of three interlinked components: a risk assessment, an asset quality review (AQR) and a stress test building on the former two elements. The AQR is at the heart of the entire exercise and focuses on those bank assets that are considered particularly risky or opaque. In a first step of the comprehensive assessment, potentially risky portfolios were selected and reviewed by checking individual samples; quality assurance measures were then carried out to ensure reliable, consistent results that are comparable across countries. On-site examinations are conducted with the help of external auditors. The European Banking Authority (EBA) provided for a uniform definition of parameters (e.g. nonperforming loans),<sup>2</sup> which are also of crucial importance in the exercise.

The comprehensive assessment covers all the banks that are to be directly supervised by the ECB, i.e. 128 banks in the euro area, which together account for about 85% of bank assets. In Austria, six banking groups are subject to the comprehensive assessment: BAWAG P.S.K. Bank für Arbeit und Wirtschaft und Österreichische Post-

**Asset quality review forms central part of comprehensive assessment**

**Banking union enhances accountability**

**Nonperforming loans according to the EBA's definition**

Nonperforming loans (NPLs) are material exposures that are more than 90 days past due. Exposures whose repayment in full (without realization of collateral) is deemed unlikely are also classified as nonperforming.

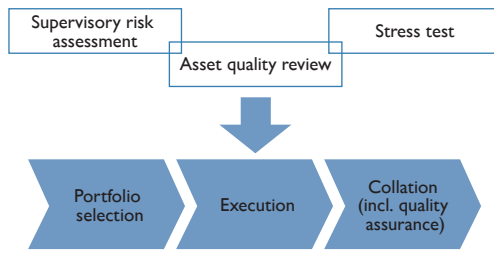
**Asset quality review (AQR)**

The objective of the AQR is to enhance the transparency of bank exposures by reviewing the quality of banks' assets with a special focus on the adequacy of asset and collateral valuation and related provisions.

<sup>2</sup> See also the following studies published in the OeNB's *Focus on European Economic Integration: Nonperforming Loans in Western Europe – A Selective Comparison of Countries and National Definitions (issue Q1/2013)* and *Nonperforming Loans in CESEE – An Even Deeper Definitional Comparison (issue Q3/2013)*.

Chart 23

### The Three Elements of the Comprehensive Assessment



sparkasse AG, Erste Group Bank AG, Raiffeisenlandesbank Oberösterreich AG, Raiffeisenlandesbank Niederösterreich-Wien AG, Raiffeisen Zentralbank Österreich AG and Österreichische Volksbanken-Aktiengesellschaft. UniCredit Bank Austria AG is included in the exercise through its Italian parent UniCredit AG.

The establishment of the SSM made it necessary for the OeNB to reorganize its Financial Stability and Banking Inspections Department; it was split into two parts: the Department for the Supervision of Significant Institutions and the Department for Financial Stability and the Supervision of Less Significant Institutions. The key objectives of the reorganization, which was concluded in early 2014, were to create clearly defined interfaces between the OeNB and the ECB and the FMA and to exploit synergies as efficiently as possible. The new setup reflects the European and the national dimensions of supervision and allows a clear separation of tasks and responsibilities.

In July 2013, the European Commission presented a proposal for a regulation on a Single Resolution Mechanism (SRM) for credit institutions, which is the second pillar of banking union. On March 20, 2014, the European Parliament, the European Com-

mission and the EU Council reached a provisional compromise on the draft in their trilogue negotiations.

The SRM regulation covers the banks in those countries that participate in the SSM. It builds on three key elements: a single rulebook on bank resolution, a single resolution board (SRB) and a single resolution fund (SRF). The SRM aims at providing a level playing field by removing diverging bank resolution rules and practices.

The Brussels-based SRB will be composed of an executive director, a deputy executive director, four other members as well as representatives of the national resolution authorities of all participating countries. The European Commission and the ECB will have observer status. Other observers may be invited if the need arises.

The SRB will exercise its tasks in either a plenary or a smaller executive format. One of the key tasks of the SRB and national resolution authorities is the preparation and review of resolution plans.

In future, the resolution of banks should not unduly burden taxpayers and the real economy. Therefore, banks' shareholders and stakeholders, specific creditors and credit institutions are to increasingly bear the costs of resolution. The single resolution fund will be financed by contributions from banks. The target capital to be built up is EUR 55 billion. Initially, the fund will consist of national compartments, which will be gradually merged over a transition period of eight years; after the first year, already 40% of the fund will be "mutualized." The single resolution fund will be fully operational after the transition period.

The ECB is crucially involved in taking decisions on the resolution of banks; in most cases, it will also propose the resolution of a bank. If there is

#### Joint supervisory team

A joint supervisory team (JST) is composed of ECB supervisors and supervisors of the national supervisory authorities of the countries participating in the SSM. Its responsibilities include the planning and execution of the annual supervisory program for its assigned institution and the enactment and implementation monitoring of decisions made by the Supervisory Board and the Governing Council of the ECB. A JST can also propose topics for on-site examinations.

**New European supervisory architecture requires adjustment of OeNB structures**

**Single Resolution Mechanism forms a crucial complement to SSM**

the (imminent) risk of a bank failing, if no private sector solution is feasible and if resolution is in the public interest, the SRB will adopt the resolution scheme, which also determines the resolution tools to be applied.

The provisions on preparations for resolution planning, collection of information and cooperation with national resolution authorities are to be in force from January 1, 2015. The provisions on resolution planning, early intervention, resolution action and tools (including bail-in) are scheduled to be applicable from January 1, 2016.

### Improvements to Regulatory Framework Allows Greater Room for Maneuver

In response to the financial and economic crisis, the Basel Committee on Banking Supervision launched a reform of the rules and standards of Basel II to improve banks' resilience. In particular, the new framework – known as Basel III – provides for stepped-up capital requirements, higher liquidity standards and changes in the calculation of risk-weighted assets. The implementation of Basel III into European and Austrian law was concluded in 2013. In April 2013, the European Parliament adopted the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD). The CRR has been directly applicable since January 1, 2014, while the CRD was transposed into Austrian law by an amendment to the Austrian Banking Act, which has been in force since January 1, 2014. Banks will be required to gradually meet the higher quantitative and qualitative capital and liquidity standards by 2023.

Further progress was made in 2013 in the efforts to prevent future banking crises. At the European level, a proposal for a Bank Recovery and Resolu-

tion Directive (BRRD) was put forward. The directive was adopted in April 2014 and is scheduled to be transposed into national law by early 2015. It is applicable in all EU countries (and therefore covers all countries participating in the SSM), as opposed to the SRM, which will be applicable only in those countries that participate in the SSM. The BRRD defines a framework for restructuring and winding down banks in the EU and for allocating the associated costs. It is envisaged that in future every bank will have to submit a recovery plan detailing the measures that should be taken in the event of a significant deterioration in its financial situation. If the implementation of the recovery plan is not successful, it will be possible to wind down the bank in an orderly manner. It is the aim of the directive to keep to a minimum negative effects on the economy as well as costs for taxpayers.

The BRRD also introduces new tools to achieve its objectives, for instance a bail-in option and bridge institutions. The bail-in tool sets out rules that define the extent to which shareholders and creditors have to bear the losses of a failing institution. A bridge institution is a vehicle to continue the operation of a bank's systemically important services. This is a key characteristic making the new resolution regime under the BRRD different from traditional insolvency proceedings: Instead of having to liquidate an ailing bank in its entirety, it will be possible to maintain the operation of at least those parts of an institution that are of systemic importance to an economy. As banks should be prepared for situations in which resolution might become necessary, the national resolution authority – which has yet to be established in Austria – will be required to draw up

**Basel III implemented at European and Austrian levels**

**New framework for bank recovery and resolution**

**Macprudential oversight puts focus on systemic risks**

resolution plans in cooperation with the banks.

Austria took steps toward implementing a more forward-looking early-intervention approach to supervision by adopting the Banking Intervention and Restructuring Act in 2013. This act differs from the BRRD in that it requires banks to draw up both recovery and resolution plans themselves and implement these plans in their risk management functions. All Austrian banks with total assets of more than EUR 30 billion will prepare recovery and resolution plans in 2014.

**Agreement on deposit guarantee scheme**

Political agreement was reached at the European level on December 17, 2013, on the directive on deposit guarantee schemes. The harmonized coverage level will be EUR 100,000 per depositor and per bank. The deadline for repayment of covered deposits is to be reduced to seven working days. The funding regime will be based on a three-level approach. Within a ten-year period, banks will provide risk-weighted contributions up to a target level of 0.8% of guaranteed deposits. If banks' ex ante contributions prove to be insufficient, banks may be required to provide an additional annual amount of up to 0.5% of guaranteed deposits. Finally, as a last resort, deposit guaran-

tee schemes will have access to alternative financing arrangements that must be provided by the Member States.

One of the key lessons learned from the financial crisis is that the supervision of individual credit institutions must be supplemented by macroprudential oversight, which provides for a systemic perspective. The costs of financial crises can be huge for an economy. The Basel Committee on Banking Supervision has found out that banking crises occur on average every 20 to 25 years and that their costs amount to 20% to 100% of a country's economic output.<sup>3</sup> Macroprudential oversight deals with the risks in the financial system that cannot be captured by the supervision of individual institutions. For instance, systemic risks may emerge in boom times even if banks meet regulatory requirements. If macroprudential monitoring and analysis show that systemic risks have become relevant, appropriate measures to mitigate these risks should be taken.

At the European level, it is the task of the European Systemic Risk Board (ESRB) to identify and quantify systemic risks and to issue risk warnings and recommendations if necessary. In 2013, the ESRB continued its activities to strengthen macroprudential over-

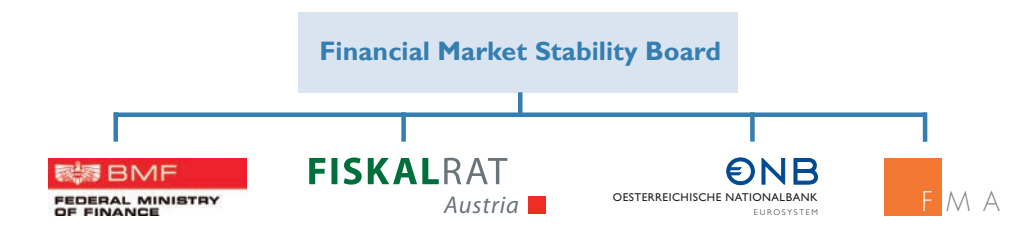
Chart 24

**Overview of Selected Regulatory Initiatives and Supervisory Institutions**

			EU-28	SSM countries	Austria
Regulatory initiatives	Capital Requirements Directive	CRD IV	x	x	x
	Capital Requirements Regulation	CRR	x	x	x
	Bank Recovery and Resolution Directive	BRRD	x	x	x
	Deposit Guarantee Schemes Directive	DGS	x	x	x
	Single Resolution Mechanism	SRM		x	x
	Austrian Banking Intervention and Restructuring Act	BIRG			x
Supervisory institutions	European Banking Authority	EBA	x	x	x
	ECB: Single Supervisory Mechanism	SSM		x	x

<sup>3</sup> Basel Committee on Banking Supervision. 2010. *An assessment of the long-term economic impact of stronger capital and liquidity requirements.*

Chart 25



sight, with operational aspects being among the top priorities. In June 2013, the ESRB published its recommendation on intermediate objectives and instruments of macroprudential policy. Earlier in the year it had issued recommendations on the funding of credit institutions and on money market funds. Furthermore, the ESRB assessed the implementation of its recommendation on lending in foreign currencies; in this assessment, Austria was found to be “fully compliant” with the provisions of the recommendation.

Following an ESRB recommendation on the macroprudential mandate of national authorities issued in 2011, the Financial Market Stability Board (FMSB)<sup>4</sup> was established in Austria in 2013. The objective of the new body is to mitigate the risks to the Austrian financial system and to strengthen financial stability. The FMSB is composed of two representatives each of the Federal Ministry of Finance and the Fiscal Advisory Council (Fiskalrat Austria) and one representative each of the FMA and the OeNB. The new macroprudential elements added to the Austrian Banking Act and the Financial Market Authority Act also entailed a widening of the OeNB’s scope of responsibilities. The mandate to safeguard financial stability was explicitly incorporated into the Nationalbank Act. While the FMA remains the authority competent to use macroprudential tools, the OeNB initi-

ates the definition of the substance and design of macroprudential oversight in Austria. In other words, the OeNB is charged with analyzing systemic risks, proposing risk warnings and recommendations to the FMA as well as preparing expert opinions on the use of concrete supervisory action and the FMSB’s annual report.

The macroprudential tools that supervisors now have at their disposal to mitigate systemic risk include: counter-cyclical capital buffers, capital buffers for systemically important institutions, a systemic risk buffer as well as tools of the national flexibility package (such as risk weights for real estate loans and intra-financial sector claims, disclosure requirements) and the supervisory review and evaluation process (SREP), which covers, inter alia, equity capital, provisions and distribution limits). These instruments were transposed into national law – the Austrian Banking Act – when Basel III was implemented in EU law. Macroprudential oversight is the responsibility of the national competent authorities – also under the SSM. However, the ECB may impose stricter macroprudential requirements if necessary.

### OeNB Plays Central Role in Prudential Supervision

The OeNB is responsible for the on-site inspection and off-site analysis of banks. If the results of a bank inspection indi-

**Austria sets up  
Financial Market  
Stability Board**

<sup>4</sup> Finanzmarktstabilitätsgremium (FMSG).

#### Countercyclical capital buffers

Countercyclical capital buffers help reduce cyclical risks and should be built up for instance if credit growth has a considerable impact on credit institutions' risk profile or contributes to the emergence of systemic risks. Countercyclical capital buffers consist of tier 1 capital and – if necessary – additional equity capital; they serve to absorb losses. In order to promote international consistency in setting countercyclical capital buffer rates, the Basel Committee on Banking Supervision has developed a calculation methodology on the basis of the ratio between credit and GDP. Supervisors will be able to use countercyclical capital buffers from 2016 on.

#### The OeNB is an integral part of supervision

cate that the risk situation has changed significantly or that there is reason to suspect a violation of regulatory provisions, the OeNB will notify the FMA immediately.

In addition to providing regular analyses of credit institutions and banking groups, the OeNB draws up expert opinions on request of the FMA on issues that arise from its ongoing supervisory activities. In 2013, these issues included procedures under company law, qualification procedures for owners, liquidity risk management, analyses of special reports required in individual cases, changes in concessions, measures to remedy shortcomings identified in on-site inspections and remuneration policies. Other core supervisory activities of the OeNB were capital adequacy assessments of domestic credit institutions and their foreign subsidiaries (known as Joint Risk Assessment and Decision – JRAD) as well as analyses of Austrian banks' relatively high exposure in CESEE and the difficult environment in certain CESEE countries (in connection with foreign currency loans, credit quality, forbearance).

The bank examination strategy developed jointly by the OeNB and the FMA, which defines the regional focus and the most important areas of examinations of subsidiaries abroad in line with the principle of risk orientation, served as the basis for inspections of a large number of banks in Austria and the involvement of OeNB supervisors in 16 cases abroad, that is inspections or visits of subsidiaries and participation in home supervisors' inspections. Furthermore, the OeNB provided expert opinions on risk models used in Italy, Hungary, Romania, Russia, Serbia, Slovakia, Slovenia and Turkey. The areas

analyzed comprised credit risk, liquidity risk, bank-wide risk management frameworks (internal capital adequacy and assessment process – ICAAP) and operational risk.

The focus of the OeNB's off-site analyses in 2013 was on the assessment of capital measures, ad-hoc reporting on Austrian banks undergoing restructuring and monitoring the refinancing structures at Austrian banks' subsidiaries and the repayment of government support. Furthermore, the processing of the large number of approval requests arising from the implementation of the CRR and the CRD IV and the ongoing monitoring of capital, liquidity and leverage ratios under Basel III required analyses.

In connection with Hypo Alpe-Adria Bank, which was nationalized in 2009 to avoid the bank's collapse, the OeNB – apart from fulfilling its tasks as supervisor – was also part of the task force established by the federal government in early May 2013. The task force under the chair of FIMBAG (the stock corporation that manages the central government's financial market investments) was composed of the Governor and the Vice Governor of the OeNB as well as representatives of the FMA, the Federal Ministry of Finance, FIMBAG and legal advisors. It accompanied the preparation and arrangement of the resolution plan approved by the European Commission in early September 2013 and evaluated various options for proceeding with the bank's resolution. OeNB Governor Ewald Nowotny, who had chaired the task force since the end of February 2014, presented the final task force results in early March 2014. The task force recommended setting up an asset resolution vehicle without a banking license and without unlimited state guarantee to manage the assets of Hypo Alpe-Adria Bank. The bank's



subsidiaries in Southeastern Europe are to be sold off. The federal government coalition parties announced that this recommendation would be implemented in tandem with a set of accompanying measures.

The security of payment systems is of fundamental macroeconomic importance; therefore payment systems oversight is one of the core tasks of the OeNB. In 2013, the OeNB's oversight activities focused on reviewing systems for settling securities transactions and interbank retail payments. The OeNB fulfills its tasks and responsibilities in this field in line with the oversight policy approved by the Governing Council of the ECB. By participating in the ESCB's relevant oversight bodies, the OeNB is actively involved in defining this policy.

Stress tests carried out by the OeNB are a crucial tool of systemic risk analysis. In 2013, the stress tests took place under the FSAP in cooperation with the IMF (see box 3). Apart from analyzing the capital adequacy of the Austrian banking system, the OeNB also reviewed its liquidity situation as well as potential spillover effects from interbank lending. Stress tests are key in assessing the resilience of banks and the financial market as well as interaction between the financial sector and the real economy.

The OeNB had played a key role in setting up the European Bank Coordination (Vienna) Initiative, a cooperation platform bringing together home and host supervisors, the European Commission, international financial institutions, such as the IMF, and banks active in CESEE. Since early 2014, the OeNB has been represented on the Initiative's steering committee (chaired by Poland). Established in early 2009, the Vienna Initiative contributed to stabilizing CESEE markets after the outbreak of the financial crisis. Its current priorities are credit quality, credit supply and the implications of banking union for the region.

Analyzing the systemic risk emanating from leveraged alternative investment funds is a new field of activity for the OeNB. According to the Alternative Investment Fund Managers (AIFM) Act, the OeNB is required to analyze to what extent leverage funding contributes to the emergence of systemic risk in the financial system, the risk of disruptions in individual or several market segments or risks to long-term economic growth. The supervisory authority in charge of these analyses is the FMA. In Austria, hedge funds, private equity funds and other funds are part of this market segment. In 2013, methodological preparations were made to enable the swift evaluation of data that will be available for the first time in 2014.

**Payment systems oversight contributes to financial stability**

**Systemic risk analysis is a core task of the OeNB**



## From the OeNB's Mission Statement

As a central economic policymaking institution, we seek to provide economic and financial expertise and guide policymakers with high-quality, reliable statistics.

## High-Quality Statistics Are Essential for Monetary Policy and Financial Stability

The financial market upheavals of recent years and the economic and institutional reforms they entailed across Europe have vastly increased the demand for economic data. A new understanding of European macroeconomic governance, preparations for a Single Supervisory Mechanism (SSM) in Europe as well as investors and analysts on alert have upped the requirements for reliable, high-quality statistics that have been adapted to the current framework conditions. Accordingly, the OeNB – which is the key supplier of financial statistics for Austria – further improved its statistics to meet the changing demand for data.

Data reported by individual banks as input for European monetary statistics and interest rate statistics have been rising in importance. Far-reaching harmonization across the euro area and timely availability of monthly data have made these statistics a crucial input for supervisors – hence the plan to widen the scope of reporting institutions from currently 9 to more than 100 banks operating in Austria. Aggregates derived from the monetary statistics also feed into a number of risk dashboard indicators published regularly by the European Systemic Risk Board (ESRB).

Apart from more data on individual banks, more stringent ECB regulations facilitate the calculation of more meaningful aggregate monetary statistics. A deeper breakdown of data to be reported under the new regulations for monetary statistics, interest rate statistics, mutual fund statistics, statistics on financial vehicle corporations as well as payments statistics will increase the accuracy of future analyses. The new datasets will, among other things, make the ever more prevalent holding company structures more transparent.

Likewise, the data on intragroup receivables and financial derivatives will provide more meaningful information.

Further changes relate to the reporting requirements for loan securitization and assignment: The reporting scope has been expanded from the monthly transactions and the volume of securitized loans to capital redemptions and writedowns. Starting with the reporting date December 2015, insurance companies will report data harmonized across the euro area, thus generating a more accurate view of the investment and refinancing patterns of the insurance industry in the euro area and enabling international comparisons.

Another field which the statistical function of the OeNB has explored more deeply in recent years is the compilation and analysis of micro-level data. Microdata, e.g. on cross-border trade in services, provide additional information on the value added by internationally active companies and on their degree of competitiveness. Linking corporate survey results with master data on the participating companies makes it possible to get a clearer view of cross-border relations of Austrian companies and to obtain more detailed information on industry structures, employment and ownership patterns.

The Common Credit Assessment System (CoCAS) that the OeNB operates in cooperation with the Deutsche Bundesbank is a model project of cooperation within the Eurosystem. In this project, which started out as a bilateral undertaking, the OeNB masterminds the development of statistical models, whereas the Bundesbank is responsible for software operations. In January 2012, the Banco de España started to use the model developed by the OeNB to assess IFRS-reporting companies. In 2013, the

**Enhanced monetary and interest rate statistics provide more meaningful information**

**New evidence on trade in services from microdata**

**The OeNB shares knowledge with European partners**

**Intensive preparations for adjusting to EU regulatory requirements**

Belgian central bank joined the project as an additional user. The OeNB is reimbursed in full for costs incurred. The prominent role of the OeNB in credit assessments was confirmed in the in-house credit assessment system review that the ECB completed in 2013.

Implementing the numerous new requirements arising from the implementation of the Basel III rules at the EU level (CRR and CRD IV) constituted a major work stream in 2013. The EBA compiled the new reporting requirements, which were then discussed and negotiated intensively at the EU level. The new reporting design became operational for all processes, systems and secondary statistics on March 31, 2014.

Furthermore, major efforts also went into developing the prudential reporting framework for the SSM. Here, the challenge was to evaluate the comparability of data reporting frameworks across SSM participant countries and to develop proposals for redesigning these frameworks. This process involved several rounds of data transfers to the ECB. In addition, the future data flow chain needed to be developed and discussed, and the underlying processes had to be internationally aligned. The result is a comprehensive supervisory manual, which will provide the basis for SSM-related reporting.

**Standing committee promotes common reporting framework for banks**

2013 saw the establishment of a standing committee of OeNB and banking industry representatives as a platform for cooperation among the OeNB and credit institutions subject to reporting requirements in Austria. The objective of the standing committee is to further develop the domestic reporting framework (for prudential reporting, monetary statistics and external statistics) and to comprehensively implement existing and new national and international reporting requirements. The standing committee's work represents a major contribution to enhancing the quality and efficiency of

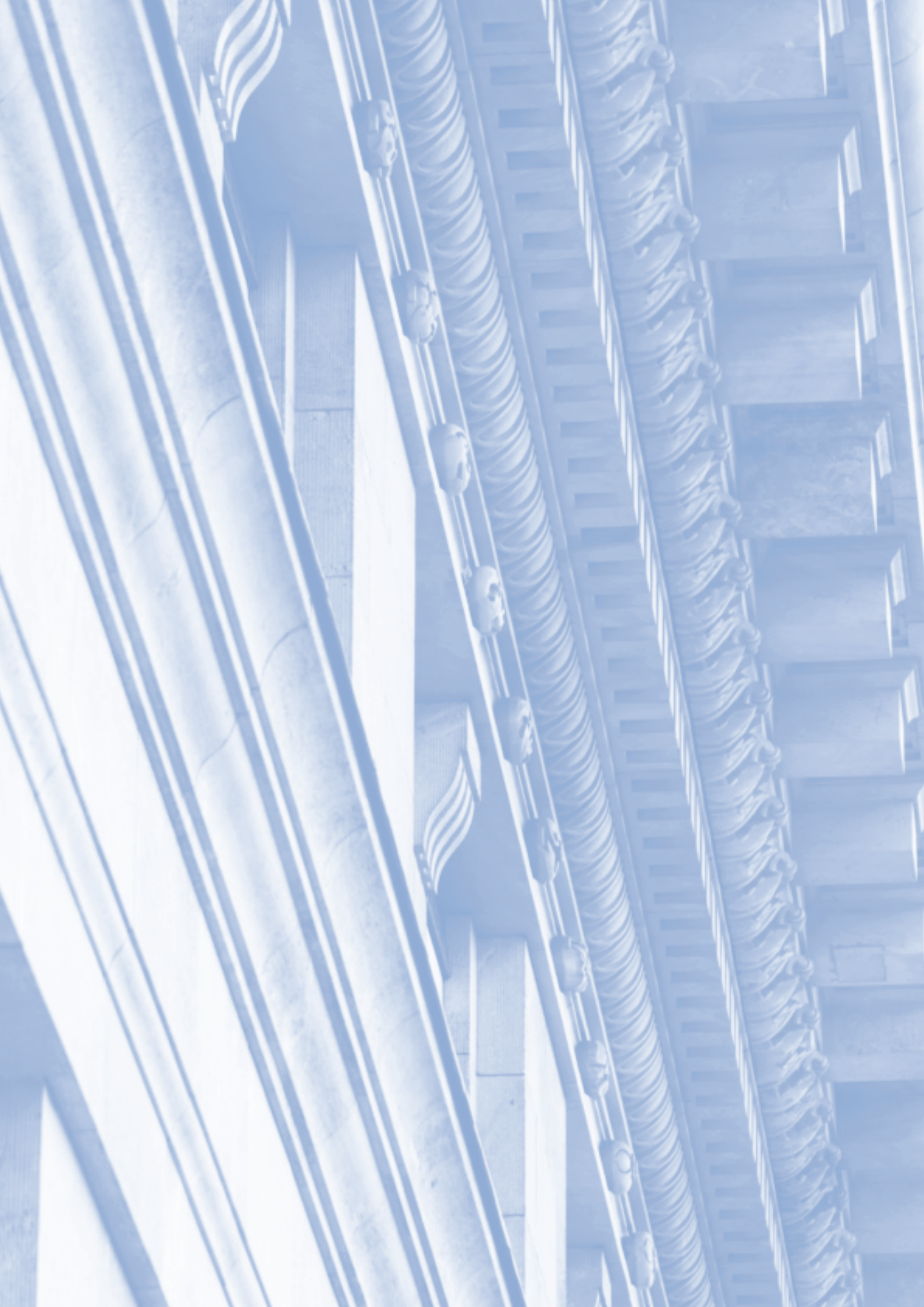
reporting, which will make operations more cost-efficient for all stakeholders. The cornerstone of the cooperation is a multidimensional data model developed by the statistics function of the OeNB. Using multidimensional data sources has been widely debated in international forums in recent months and appears to be the up-and-coming trend across the EU.

### **New Analysis Tools for Enhanced Data Assessment**

In 2013, the OeNB reached a consensus with banks on a new common multidimensional data model for the Austrian banking industry and the OeNB. Data processing was migrated to the new ISIS data processing system developed by the OeNB. The OeNB's new data warehouse system, OSIRIS, now serves as a platform for assessing the data. These two state-of-the-art tools come with a convenient user interface and make it possible to process the whole range of data reported (prudential data, monetary data, balance of payments data) in an efficient and highly standardized way. The tools will also be able to handle so-called smart cubes, i.e. multidimensional sets of data that banks will report in the future as a single source of data for several statistical requirements. Another newly developed tool called ANUBIS provides the required computational rules for ISIS and OSIRIS.

At the end of December 2013, the ECB issued a new balance of payments regulation. In this context, the OeNB was able to define a redundancy-free reporting framework that complies with ECB requirements and the requirements of the OeNB's payment system oversight and external statistics functions as well as of the European Securities and Markets Authority (ESMA). Being able to use a single data source for multiple purposes helps exploit synergies and prevents the duplication of efforts.

**New reporting requirements based on new ECB regulation**





## From the OeNB's Mission Statement

We and our subsidiaries provide secure cash and smoothly functioning payment services.

## Gradual Introduction of the Second Series of Euro Banknotes and Migration to the Single Euro Payments Area

### The OeNB Serves as a Cash Supply Hub in Austria and Beyond

In cooperation with its subsidiaries in charge of cash logistics and banknote printing – GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination G.m.b.H. (GSA) and the Oesterreichische Banknoten- und Sicherheitsdruck GmbH (OeBS) – the OeNB ensures the smooth and efficient supply of euro cash to Austria’s population and the economy. Given its vast experience in cash handling and Austria’s favorable geographical position, the OeNB has also become a key partner for many central banks in Central, Eastern and Southeastern Europe (CESEE), where the euro is widely used as a means of payment and store of value. The CESEE activities of a number of Austrian banks result in a considerable backflow of euro cash from the region; in cooperation with the GSA, the OeNB checks these banknotes for authenticity and fitness and recirculates them in the euro area. In doing so, the OeNB contributes significantly to keep-

ing the euro area supplied with cash in an efficient manner and further strengthens its role as a cash supply hub – as intended by the ECB – both in Austria and beyond.

### Introduction of the Second Series of Euro Banknotes

On May 2, 2013, the new EUR 5 banknote was issued as the first denomination of the second series of euro banknotes, also known as “Europa” series. Given their improved high-tech security features, the new euro banknotes are even more counterfeit-proof than those of the first series. Moreover, their special coating increases durability. In its information activities supporting the introduction of the Europa series, the OeNB focused in particular on professional cash handlers such as bank clerks, salespersons and waiting staff. To familiarize the Austrian population with the new banknote and its security features, the OeNB organized a comprehensive information campaign and provided a wide range of information material.

The OeNB is a Eurosystem cash competence center

Box 4

#### New EUR 10 Banknote to Be Issued on September 23, 2014

*The next step in the introduction of the second series of euro banknotes will be the issuance of the new EUR 10 banknote. The new “Europa” series combines modern design and improved security features. Like the new EUR 5 banknote, the new EUR 10 banknote features a portrait of Europa, the mythological figure that is the namesake of our continent, both in the hologram and the watermark, and a special coating that ensures longer durability.*

*The new EUR 10 banknote will be issued on September 23, 2014. In preparation for the necessary adjustments, the OeNB has stepped up its training and information activities and offers manufacturers of banknote handling machines, cash-in-transit companies and its partners from the banking sector and trade the opportunity to test their equipment. To provide comprehensive information to the public, the OeNB employs a number of communication channels, above all online media. The OeNB continues to advise the public to use the familiar “feel-look-tilt” test, which does not require any technical equipment, to check banknotes for authenticity.*

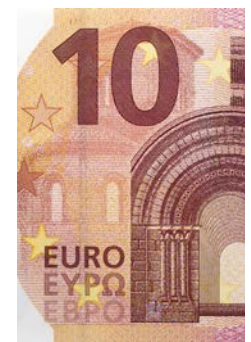
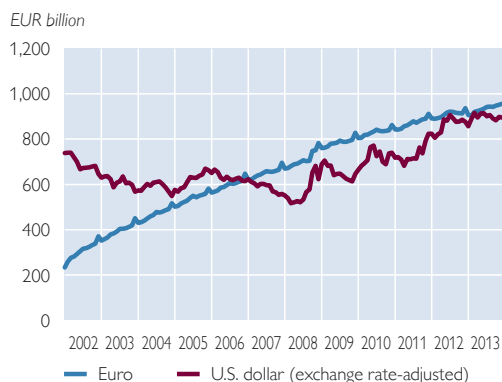


Chart 26

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



Source: OeNB.

On January 13, 2014, the rollout of the Europa series moved forward with the presentation of the new EUR 10 banknote, which has new design elements and improved security features and will be issued on September 23, 2014.

### Dynamics of Currency in Circulation

In terms of value, euro cash in circulation increased to EUR 980 billion, up 4.7% from end-2012. While cash continues to be the most popular means of payment in the euro area, this rise also reflects the euro's growing importance as an international reserve currency. As it is not possible to collect exact data on the circulation of cash in the individual countries of a currency area, the OeNB estimates the volume and value of euro cash in circulation in Austria on the basis of data on initial issuance volumes, growth rates of cash withdrawals at cash machines and annual volumes of banks' cash withdrawals from the OeNB. The current estimate of the value of euro cash in circulation in Austria is EUR 27 billion to EUR 30 billion.

In 2013, the OeNB put a total of 1.5 billion euro banknotes into circulation; 1.6 billion banknotes were returned to

the OeNB. Returned banknotes are processed and only recirculated if they meet the required standards regarding authenticity and fitness for circulation.

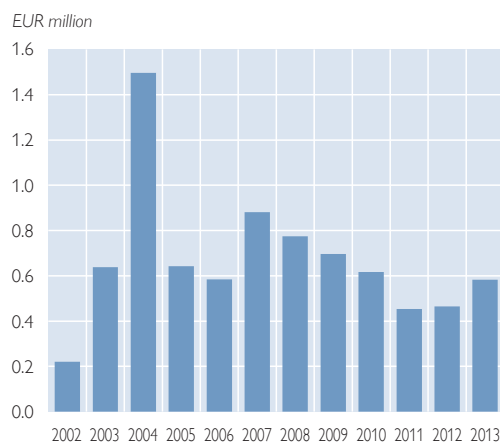
In 2013, the OeNB processed a total of 1.7 billion banknotes, a quantity that corresponds to around 85% of the overall volume of banknotes processed. The remaining 15% are processed by other professional cash handlers (as defined by the ECB, e.g. credit institutions, bureaux de change, casinos) in line with the legal provisions laid down by the OeNB. By processing such high quantities of euro cash, the OeNB contributes significantly to ensuring cash security in Austria. Consequently, counterfeit euro banknotes and coins can be withdrawn from circulation quickly and efficiently to be made available to the police for further investigation.

### Number of Euro Counterfeits Recovered in Austria Remains Low

In 2013, a total of 8,193 counterfeit euro banknotes were recovered from circulation in Austria. This corresponds to a 29.5% rise in numbers against the previous year. When compared with the total number of euro banknotes in

Chart 27

### Economic Damage Caused by Euro Counterfeits in Austria



Source: OeNB.

Safe and stable cash supply is a core task of the OeNB



circulation in Austria every day – more than 500 million – the share of counterfeits continues to be low. Counterfeits of the EUR 100, EUR 50 and EUR 20 banknotes were most often removed from circulation; together, they accounted for more than 90% of all euro counterfeits recovered in Austria in 2013. The overall damage caused by counterfeits in Austria comes to EUR 582,350 for 2013. Despite this recent rise, Austria's share in the total volume of counterfeits recovered from circulation in the euro area remained low at 1.2%.

Banknotes can be quickly and reliably checked for authenticity with banknote authentication devices and banknote counting and sorting machines. In line with ECB guidelines, the OeNB Test Center performs tests of banknote handling and authentication devices. It cooperates closely with international manufacturers to ensure the timely adjustment of authentication devices to the new euro banknote series and to guarantee continuous improvement. In 2013, the OeNB Test Center tested and approved a total of 91 devices. The test results are published both on the OeNB and the ECB websites.

### Efficient and Secure Payment Systems Are Essential for Financial Stability

Smoothly functioning payment systems play a fundamental role in ensuring the stability and security of the financial market. By using the payment systems operated by the OeNB and the Eurosystem, market participants can settle large-value and retail payments in a cost-efficient manner. For the Austrian financial market, around 3.3 million payment orders of a total value of around EUR 17,000 billion were settled via TARGET2 and HOAM.AT in 2013.

To enhance the efficiency of inter-bank retail payments in Austria, the OeNB and the GSA established Clearing Service.Austria (CS.A) in 2011 and developed the services further in 2013. CS.A processes national interbank payments and provides access to all market participants in Austria. On peak days, CS.A processes transaction volumes of up to EUR 10 million. The migration to the new payment formats required by the implementation of the Single Euro Payments Area (SEPA) went smoothly. CS.A's hardware and system processes have been adjusted to meet the stricter security standards and high processing complexity.

Another focus was on expanding the range of services by implementing Clearing Service.International (CS.I). CS.I processes cross-border interbank payments via EBA CLEARING and in cooperation with other clearing infrastructures (Deutsche Bundesbank, Banca d'Italia, Equens). CS.I. has now successfully replaced previous processing channels.

### SEPA Migration Close to Completion

For more than one decade, European banks have been cooperating with the Eurosystem and the European Commission to create the Single Euro Payments Area (SEPA). In 2014, SEPA is finally becoming reality, and customers will be able to make cashless cross-border euro payments from one single account as easily, efficiently, quickly and safely within SEPA as within their national markets. All parties involved – businesses, public administrations and banks – have made great efforts to complete the migration of national credit transfer and direct debit formats to the SEPA formats. In March 2014, SEPA formats

**CS.A records transaction volumes of up to EUR 10 million on peak days**

**Clearing services go international**

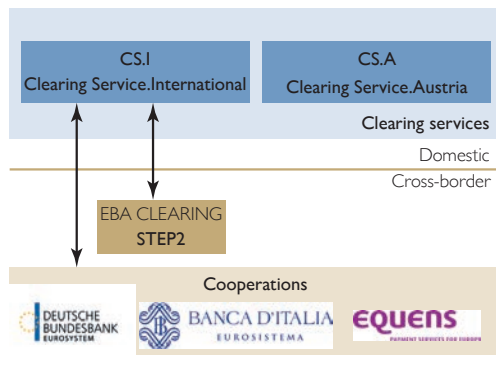
**Testing banknote processing machines improves security**

#### TARGET2 and HOAM.AT

TARGET2 is the Eurosystem's large-value payment system for the real-time gross settlement of national and cross-border transactions in euro. The OeNB's HOAM.AT (Home Accounting Module Austria) system enables holders of accounts with the OeNB to manage liquidity transfers, cash payments and standing facilities (deposit and marginal lending facilities) as well as minimum reserves.

Chart 28

### Clearing Services Offered in Austria



were already used for close to 100% of all direct debit and 83% of all credit

transfers in Austria. To allow businesses, private users and banks sufficient time to adjust their systems, the migration deadline was extended by six months at the beginning of the year, from February 1, 2014, to August 1, 2014. Up to this point, payment service providers may accept payments in the national formats. As of August 1, 2014, the International Bank Account Number (IBAN) must be used instead of the previous ac-

#### IBAN

The International Bank Account Number (IBAN) typically consists of the respective bank account number and bank identifier, complemented by a country code (AT for Austria) and two check digits. In addition to the IBAN, the BIC will have to be provided for cross-border euro transactions within the SEPA countries until February 1, 2016.

count numbers and bank codes for all credit transfers and direct debits in Austria. The OeNB supports migration to the new SEPA payment instruments by specific communication and training activities (advertisements in the print media, television spots, information events for Austrian stakeholders).

The SEPA project does not end, however, with the migration of credit transfers and direct debit, as it also comprises the harmonization of card payments and innovative payment services such as electronic direct debit mandates and online and mobile payment services.

#### TARGET2-Securities: Preparations in Full Swing

As of June 2015, the Eurosystem will provide European central securities depositories (CSDs) with a single technical platform for settling national and cross-border securities transactions – TARGET2-Securities (T2S). Settling securities transactions in central bank money in a centralized manner will increase security and efficiency in the securities market.

Box 5

#### SEPA: From Vision to Reality – Milestones since 2002

- 2002** Establishment of the European Payments Council (EPC) by the European banking sector; EPC announces intention to create a Single Euro Payments Area (SEPA)
- 2006** Joint statement from the European Commission and the European Central Bank on their common vision of SEPA
- 2007** Adoption of the Payment Services Directive (Directive 2007/64/EC on payment services in the internal market) to provide the legal basis for creating an EU-wide single market for payment services
- 2008** Introduction of SEPA credit transfers
- 2009** Introduction of SEPA direct debit; transposition of the Payment Services Directive into Austrian law through the Federal Act on the Provision of Payment Services (Zahlungsdienstegesetz – ZaDiG)
- 2012** Adoption of Regulation (EU) No 260/2012 establishing technical and business requirements for credit transfers and direct debits in euro; migration of credit transfer and direct debit schemes to SEPA to be completed by February 1, 2014
- 2014** Extension of the SEPA transition period to August 1, 2014, the new deadline for full migration of credit transfer and direct debit formats to SEPA

The Oesterreichische Kontrollbank (OeKB), which serves as CSD in Austria, plans to settle its securities transactions in euro via the T2S platform as of September 2016. From then on, the cash accounts used for settlement in T2S will be managed by the OeNB under the legal framework of the TARGET2 Guideline as adapted for T2S. The OeNB and the OeKB will provide customer support during these change processes.

Internal tests at the OeNB will begin as early as in August 2014, and compulsory user tests for those institutions that will migrate in September 2016 to-

gether with the OeKB are scheduled to start in February 2016. For customers who wish to settle their securities transactions via T2S before that date, the OeNB will provide central bank cash accounts as soon as T2S operations start in June 2015.

An important aspect for institutions that plan to connect directly to the T2S platform is the choice of an approved network service provider. They will have to sign a contract with one of the two providers approved by the Eurosystem (S.W.I.F.T. or SIA/COLT) and must use the message format ISO20022.

**T2S will complete the integration of the European post-trading market**

## The OeNB's Direct Equity Interests

With its direct equity investments, the OeNB supports the production of cash as well as the provision of cash processing services and cashless payment services. The principles of efficiency, cost effectiveness and security continue to guide in operations at the OeNB's subsidiaries.

Münze Österreich Aktiengesellschaft (MÜNZE) mints, distributes and withdraws divisional and negotiable coins; moreover, it produces and sells items made of precious and other metals. In 2013, MÜNZE supplied the OeNB with 418.9 million euro coins with a face value of EUR 52.8 million. As in the previous year, investors increasingly bought MÜNZE gold and silver products as a safe and profitable store of value.

The banknote and security printer OeBS (Oesterreichische Banknoten- und Sicherheitsdruck GmbH) primarily produces banknotes. By using cutting-edge technologies together with innovative security features and modern designs, the company is able to offer premium-quality banknotes. The banknote production share the Eurosystem allocated to the OeNB in 2013 amounted to 207.8 million EUR 10 banknotes of the new "Europa" series.

The cash logistics company GSA (GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transport-

koordination G.m.b.H.) is a public-private partnership between the OeNB and Austria's commercial banks. As such, the GSA is in a position to harness both cost savings and economies of scale. In 2013, the GSA handled some 1.7 billion banknotes and 2.2 billion coins. The OeNB, in line with its monitoring role, guarantees that banknotes in circulation meet the highest possible quality standards. With Clearing Service.Austria (CS.A) and Clearing Service.International (CS.I), the GSA, moreover, started to operate a clearing-house each for domestic and cross-border interbank retail payments. By implementing this infrastructure, the GSA has helped increase the efficiency and security of payment systems in Austria.

The real estate group IG Immobilien was founded to manage the OeNB's real estate, including the real estate component of the OeNB's pension reserve assets. IG Immobilien is, inter alia, responsible for preserving and raising the value of the OeNB's real estate holdings and for maximizing current earnings on the individual properties.

The OeNB succeeded in further tightening its links with its subsidiaries and in strengthening their corporate governance and compliance.

Table 9 (p. 82) provides a complete list of the OeNB's direct and indirect equity interests.

# The OeNB – A Future-Oriented Enterprise



## From the OeNB's Mission Statement

Our staff and their skills and commitment are our biggest asset.

We are an equal opportunity employer, value diversity,  
and assist our employees in combining a career with family life.

## Intellectual Capital Report 2013 – Developments and Outlook

Events in recent years have faced the OeNB – and other institutions – with novel challenges: Economic developments at the national, European and international level and the need to launch reforms in their wake have compelled many organizations to adopt new strategies and approaches. In response to the new framework conditions, the OeNB revised its Mission Statement and revamped its organizational structures to strengthen its role as a key economic policymaker and knowledge-based enterprise.

### The OeNB's Flexible Human Resources Strategy

As the central banking authority of Austria and an integral part of the ESCB, the OeNB needs staff members with outstanding skills willing to perform at the highest level of excellence and to keep abreast of change in their professions. Therefore, the OeNB makes every effort to support and foster excellence and achievement among executive and specialist staff through appropriate human resource management tools including education and training measures.

The number of staff members rose marginally in 2013. Personnel increases required to handle the OeNB's new responsibilities under the Single Supervisory Mechanism were partly offset by further streamlining processes, reorganizing business areas and boosting staff qualifications.

Whereas the average number of yearly training days per employee declined in 2013, the percentage of staff members who took advantage of education and training measures offered in 2013 surged to almost 62%. The continued very low fluctuation rate among OeNB staff (0.9%) ensures that invest-

ment in training and education pays off and that employees use their newly acquired skills for the benefit of the OeNB.

A considerable number of OeNB staff members again took advantage of the broad range of employment models offered at the OeNB, such as part-time and teleworking schemes as well as sabbaticals. As a result of the “work and family” audit, the range of schemes was expanded to include a model offering telecommuting-cum-part-time work. Moreover, the OeNB improved “keeping in touch” arrangements for persons on leave.

The flexible employment models and the great importance the OeNB attaches to equal opportunities and to the reconciliation of work and family commitments contributed to the high degree of employee satisfaction evidenced in the responses to the “changing workplace” staff survey conducted within the framework of a research project at the University of Vienna. Line managers were invited to discuss the results in workshops with business area representatives. Improvements derived from these talks are intended to enhance organizational productivity and performance while raising job quality. The findings suggest above all a need for policies aimed at improving information and communication practices, staff involvement in decision-making and employment development opportunities.

In 2013, the Austrian Court of Audit reviewed the pension system of the OeNB and of other institutions under public law. In particular, the Court of Audit examined the pension arrangements that apply under the initial Conditions of Service, as amended and as applicable for employees with OeNB

**Flexible working arrangements**

**Changes to the regulations governing retirement from the OeNB**

Table 2

### Indicators of Investment in Knowledge-Based Capital

	Unit	2011	2012	2013
<b>Staff structure</b>				
Full-time equivalent staff (year-end)	number	985.7	1,071.7	1,089.1
Fluctuation rate	%	1.0	0.7	0.9
University graduates	%	48.6	51.9	54.1
<b>Gender management</b>				
Ratio of women to men in staff	%	39	40	39
Share of women in the specialist career track	%	40	38	35
Share of women in management positions	%	19	22	25
<b>Flexible working arrangements</b>				
Part-time employees	%	9.8	10.5	11.2
Staff in teleworking scheme	%	6.3	5.4	6.3
Staff on sabbatical	number	5	8	4
<b>Knowledge acquisition</b>				
Education and training days per employee (annual average)	days	4.5	4.6	3.8
Education and training participation rate	%	54.1	56.9	61.6
Cost of education and training per employee	EUR	1,952	2,021	1,866
Participants in development center training courses	number	12	12	12
In-house job rotations	number	56	41	39
Working visits to national and international organizations (external job rotations)	number	47	49	42
Interns	number	55	47	54

Source: OeNB.

Note: See the List of Indicators under [www.oenb.at/en/Publications/Oesterreichische-Nationalbank/Intellectual-Capital-Report.html](http://www.oenb.at/en/Publications/Oesterreichische-Nationalbank/Intellectual-Capital-Report.html) for definitions of these indicators.

#### New criminal offense provisions to prevent corruption

contracts concluded up to year-end 2006, compared them with other pension systems and made recommendations for reforms. The OeNB immediately took action to initiate internal reforms based on these recommendations. These reforms are currently being implemented. However, the Austrian federal government, to which the recommendations were addressed as well, intends to change the Conditions of Service and pension rights of OeNB staff members by enacting legislative reforms, possibly with constitutional status. The provisions of the respective law, entitled “Sonderpensionenbegrenzungsgesetz” (law to limit retirement benefits not covered by the social security system), would also affect the pension entitlements of retired OeNB staff. The legislative process had not been completed by the time this report went to print.

In 2013, the OeNB revised its project portfolio management practices by fully separating analysis and implementation activities. This approach has the advantage of improving project planning and project management, providing for more certainty in decision-making, and enhancing risk monitoring. The purpose of project portfolio management is to increase efficiency by integrating projects and monitoring costs and deadlines across projects.

#### Compliance Rules Strengthen Companies and Protect Employees

The OeNB’s guidelines on gifts and invitations were adapted from January 1, 2013, the day the Austrian Prevention of Corruption (Amendment) Act 2012 entered into force. All staff members attended training where they were informed in detail about the respective



provisions in the guidelines; the Code of Conduct for OeNB staff and rules on secondary employment and conflicts of interest were also discussed. An additional meeting was held to inform all management staff members in greater detail about compliance issues and data protection.

In November 2013, the OeNB's guidelines on donations and sponsoring were clarified and formal criteria were tightened, ensuring that handling of sponsoring funds complies with the principles in the OeNB's new Mission Statement and the underlying criteria endorsed by the General Council. At the ESCB level, the Ethical Framework Task Force (EFTF) was established to deal mainly with the revision and implementation of the "Guideline for the prevention of insider trading." The OeNB's subsidiaries also took action to enforce the provisions outlined above.

### Federal Public Corporate Governance Code Contains Principles for Federal Government Corporate and Equity Investment Management

At the beginning of 2013, the Federal Ministry of Finance officially transmitted the Federal Public Corporate Governance Code (Bundes Public Corporate Governance Kodex – B-PCGK) to the OeNB. It is based on OECD Guidelines on Corporate Governance of State-Owned Enterprises, the Austrian Code of Corporate Governance, and comparable works in Germany and Switzerland. The Federal Public Corporate Governance Code details the principles of management and supervision of state-owned (at least 50% publicly owned) and state-affiliated enterprises with the objective of making management and supervision of such companies more transparent and verifiable. Accordingly, the Code governs share-

Table 3

#### Indicators of Knowledge-Based Processes

	Unit	2011	2012	2013
<b>Management structure and processes</b>				
Staff-to-manager ratio	number	6.6	7.3	7.2
Function managers <sup>1</sup>	number	x	x	71
Product managers <sup>1</sup>	number	78	77	x
Process managers <sup>1</sup>	number	37	40	x
<b>Technical infrastructure</b>				
IT services for the ESCB/Eurosystem	number	4	4	4
IT applications	number	220	245	240
<b>Efficient processes</b>				
Quality auditors	number	14	13	15
Certificates	number	7	8	8
Entries in the OeNB's terminology database	number	20,760	21,043	21,260
Degree of automation in the procurement process	%	48	43	43
Error-free payment transactions	%	99.89	99.9	99.97
<b>Innovations</b>				
Staff suggestions for improvements	number	67	52	60
Mobile devices (excluding mobile phones)	number	–	679	776
<b>Decentralized structure</b>				
OeNB representative and branch offices	number	5	5	5
OeNB subsidiaries offering payment services and products	number	4	4	4

Source: OeNB.

<sup>1</sup> Product and process managers were replaced by function managers in 2013.

**Branch offices and representative offices support the OeNB**

holders' rights and duties, the interaction between management and supervisory bodies, and the appointment and activities of management executives.

The OeNB's operations in fact complied with many provisions of the Federal Public Corporate Governance Code even in the past. At the same time, not all conditions in the Code are applicable to the OeNB; legal provisions in other laws, such as the Nationalbank Act (NBG), the Treaty on the Functioning of the European Union (TFEU) and the Statute of the European System of Central Banks and of the European Central Bank (Statute of the ESCB/ECB) and the provisions on central bank independence contained therein take precedence. The provisions which apply to the OeNB were summarized in the Public Corpo-

rate Governance Code of the OeNB, which was adopted by the Governing Board and the General Council in December 2013 and which entered into force January 1, 2014.

The number of branch offices (one each in Graz, Linz and Innsbruck) and representative offices (Brussels, New York) has been unchanged for years. The branch offices serve as contacts at the regional level and support the head office in fulfilling the tasks that are the core of the OeNB's activity. The Brussels Representative Office is the OeNB's hub for information from the EU relevant to the OeNB. The main task of the New York Representative Office is investing the OeNB's U.S. dollar and Canadian dollar reserves in money and bond markets.





## From the OeNB's Mission Statement

We support financial literacy by offering a broad range of information and education services.

## Broad Economic and Financial Policy Dialogue

### The OeNB's Website: Dynamic and User-Friendly

The OeNB takes recourse to the conventional media and communications channels – press relations, events, trade fairs, information campaigns and its information center – but has recently stepped up its online communication activities. In line with this strategy, the OeNB relaunched its website in 2013. The updated website has been designed to provide unified access to the full range of central banking information relevant for the general public or for an expert audience.

The comprehensive information is presented on the website in a user-friendly way and also meets target groups' needs. To this end, the new website uses responsive web design, which provides easy reading and browsing across a wide range of mobile devices as well as a user-centered website structure. In addition, content was streamlined, updated and enhanced with multimedia elements. The OeNB's relaunched website also meets international accessibility standards to a large extent, allowing deaf and hearing-impaired as well as vision-impaired persons to access information in the form of audiovisual videos with sign language, subtitles and an audio track. The website relaunch project, which was completed on schedule and within the allotted budget, also migrated content to a new content management system. Moreover, the organizational processes for managing and keeping website content current were streamlined.

### Economic Analysis and Research: A Center of Competence with a Targeted Publications Portfolio

In line with the OeNB's core tasks, economic studies and analyses authored

in 2013 concentrated on cyclical developments and forecasts, analyzed inflation, budget developments and competitiveness and examined financial stability and selected cash and payment systems issues. In January 2014, a study published in the quarterly *Monetary Policy & the Economy* (Q4/2013) presented a new residential property price index for Austria and Vienna that the OeNB calculated for the first time. Other studies highlighted new evidence generated by the Household Finance and Consumption Survey (HFCS) of the Eurosystem. Studies in the *Focus on European Economic Integration* dealt with developments in Central, Eastern and Southeastern Europe (CESEE), which has remained a strategic research priority of the OeNB. In the Euro Survey, household behavior in the region is regularly assessed. *Konjunktur aktuell*, available in German only, is published seven times a year on the OeNB's website and is complemented by short studies on selected topics as well as a compact set of tables and charts highlighting the development of important indicators. Two additional online-only publications round out the publication portfolio, namely *Facts on Austria and Its Banks* and the *Kreditbericht*, a lending report available in German. Analyses of monetary and economic policy issues are drawn up to provide guidance for decisions of the Governing Council of the ECB and other international bodies; they also support the OeNB in fulfilling its national responsibilities.

The Internet is the main distribution channel for the OeNB's economic publications; print copies have been sharply reduced. The publications series *Financial Stability Report* and *Monetary Policy & the Economy* have been published in English only since January

The OeNB calculates a residential property price index

The OeNB's relaunched website is largely barrier-free

2013. The relaunch of the OeNB's website was used as an opportunity to reorganize the presentation of the OeNB's publication portfolio and to introduce an optimized search function for all studies and analyses.

The 41<sup>st</sup> Economics Conference of the OeNB on June 10 and 11, 2013, on "A Changing Role for Central Banks?" provided an international platform for some 400 participants to exchange views on economic policy issues. On November 18 and 19, 2013, the Conference on European Economic Integration was held in Vienna on the topic "Financial Cycles and the Real Economy: Lessons for CESEE." Attracting 330 participants from 35 countries, the conference had a truly international character. The OeNB also organizes regular East Jour Fixe meetings and an economics seminar series with a special academic focus. The OeNB continued its long-standing cooperation with the European Money and Finance Forum SUERF, a research network whose permanent Secretariat is located at the OeNB.

In 2013, the German economics daily *Handelsblatt* ranked economic research institutions and the economic research departments of central banks in German-speaking countries for the first time. The criterion for the ranking was the number of publications. The OeNB's Economic Analysis and Research Department came in 9<sup>th</sup> – ahead of all other Austrian institutions.

### **OeNB Promotes Financial Literacy Activities**

The OeNB has reinforced the financial literacy initiative it introduced in 2011 to provide long-term support to economic and financial education. In fall 2013, the OeNB established a new unit to coordinate financial literacy activities. The OeNB's financial literacy

activities have positioned the OeNB as a competent provider of economic knowledge and education. The program is targeted mainly at schools and Internet users, and the information is spread mainly through the Euro Bus, the Money Museum and the OeNB's website. The portfolio of financial literacy products is broad and includes teaching material, seminars for teachers, traveling exhibitions for schools, workshops held at the OeNB's Money Museum, online tools, and information disseminated directly on site, especially by sending the Euro Bus on tour. Euro Bus outreach is to two user groups: the Euro Info Tour targets the general public, and the Euro Kids Tour is adapted to children in grade school. The Money Museum put together a special exhibition entitled "Real or Fake? Counterfeit Money in the Spotlight." In March 2013, the OeNB presented its interactive investment learning platform called *Finanzcockpit*. Cooperative ventures with external partners serve to tailor financial literacy products to user groups and to take advantage of synergies. In September 2013, the Austrian Federal Ministry of Finance unveiled its new financial literacy initiative *FinanzVifzack*, which provides question-and-answer information in German about financial products and is addressed to young people. The OeNB was involved in developing this initiative. In January 2014, the OeNB became a full member of the OECD's International Network on Financial Education (INFE) and coordinates INFE's activities in Austria.

### **New Course Program at the JVI Responds to Participants' Needs**

Since its foundation in 1992, the Joint Vienna Institute (JVI) has trained some 32,900 participants. As a case in point, in 2013, 2,145 public-sector and central bank experts attended 118 course

**The OeNB tops the list of Austrian economic research institutions**

**The OeNB cooperates with national and international financial literacy providers**

Table 4

**Indicators of Knowledge-Based Output**

	Unit	2011	2012	2013
<b>Cooperation and networks</b>				
National bodies with OeNB representatives	number	97	81	83
International bodies with OeNB representatives (e.g. the ESCB)	number	259	261	244
Technical assistance activities	days	548	373	569
Information visits to the OeNB	number	83	65	91
JVI course participants	number	1,991	1,947	2,145
OeNB-hosted national and international events	number	316	260	255
Staff with external teaching assignments	number	25	35	38
OeNB-financed scholarships	number	45	45	45
(Co)supervised master's theses or dissertations	number	26	25	44
Lectures delivered by OeNB staff to external audiences	number	813	736	771
Lectures delivered by OeNB staff to internal audiences	number	–	–	309
ESCB staff on external work experience (EWE) visits to the OeNB	number	2	5	5
<b>Cash expertise</b>				
Visitors to the Money Museum	number	15,831	18,730	18,733
Cash training courses	number	368	397	303
Cash training course participants	number	7,638	9,033	6,297
Euro Kids Tour participants	number	10,917	10,712	9,729
<b>Communication and information</b>				
Queries to OeNB hotlines (Call Center and Statistics hotline)	number	32,992	31,863	27,235
Page views on the OeNB's website (daily average)	number	97,103	84,092	80,183
Newsletter subscriptions	number	18,904	18,910	18,904
Press conferences	number	23	16	14
Press releases	number	192	173	192
Opinions prepared on projects submitted for research subsidies	number	454	335	560
Research cooperation projects with external partners	number	90	79	74
<b>Publications</b>				
OeNB publications	number	63	73	60
Articles published by OeNB staff	number	135	115	78
Scientific (refereed) papers by OeNB staff	number	82	63	47
<b>Confidence and image</b>				
Confidence index in the fourth quarter of the review year	%	56.0	58.0	57.0
Image index in the fourth quarter of the review year (values between 5.50 and 10 signal success)	value range	6.3	6.5	6.6

Source: OeNB.

weeks, 8 of which were offered by the OeNB. In November 2013, the European Investment Bank (EIB) came on board as a Contributing Member of the JVI. OeNB Governor Ewald Nowotny held the 2013 JVI Annual Lecture, entitled “The Future of Monetary Policy.” To tailor the courses even better to the needs of the target audience, the JVI performed a survey among alumni. The results showed that participants have a growing interest in financial and fiscal issues, practice-related learning, in-depth exchanges of experience and

e-learning course segments. The OeNB reacted to the survey results by developing an advanced financial stability stress testing course. New courses on competitiveness and structural reform put together with other JVI sponsors and the Vienna Institute for International Economic Studies (wiiw) are in the pipeline. In 2014, financial literacy will for the first time be the subject of a course.

## Transferring Knowledge through Technical Cooperation Activities

### Technical Cooperation

The OeNB defines its technical cooperation activities as training at the JVI and consultancy for central banks in CESEE and the former Soviet Union countries. The OeNB has supported these institutions for over 20 years in developing their central banking systems and has thus made a crucial contribution to stabilizing the economies in the region.

For several years now, the OeNB has participated in Technical Assistance programs coordinated by the ECB and financed by the EU in the framework of the Instrument for Pre-accession Assistance (IPA). Together with other central banks, the OeNB in 2013 provided support to the National Bank of Serbia and the

National Bank of the Republic of Macedonia in bringing their institutional structures and core business areas up to EU standards. Similar programs are planned for Albania and Kosovo in 2014. The OeNB also transfers knowledge in the form of special consultancy and study visits focusing on areas like cash logistics, IT, statistics and payment systems in 2013. Additionally, OeNB experts supported the Central Bank of Cyprus in designing a survey on capital transactions.







## From the OeNB's Mission Statement

Our social responsibility is also reflected in our support for science and research, humanitarian concerns, art, culture and environmental protection.

## The OeNB Promotes Research, Science, Art and Culture

### Support for Young and Established Scientists and Researchers

The OeNB Anniversary Fund for the Promotion of Scientific Research and Teaching has funded high-quality scientific projects in the disciplines economics, medicine (clinical research), social sciences and the humanities since 1966. In 2013, the Anniversary Fund provided a total of EUR 11.3 million to support 118 scientific projects with the intention of strengthening and securing Austria's position as a research location. Moreover, the OeNB provided EUR 75 million of funding to the National Foundation for Research, Technology and Development (FTE-Nationalstiftung – National Foundation).

By granting awards such as the Klaus Liebscher Award, the Olga Radzyner Award and the Franz Weninger Award, the OeNB also contributes to promoting young economic scientists in various areas of specialization. The Vienna University of Economics and Business bestows the Heinz Kienzl Award, which is funded by the OeNB, and the Dr. Maria Schaumayer Grant, a grant to economic or social scientists teaching at the university for work on their habilitation. Furthermore, the OeNB's Visiting Research Program gives young researchers the opportunity to conduct their research directly at the OeNB. The OeNB provides grants to students of business administration and commercial schools throughout Austria. In January 2014, the Deutsche Bundesbank, the OeNB and the Swiss National Bank founded the Carl Menger Prize.

### Promotion of Art and Culture

The OeNB's collection of historical string instruments numbers 38 instruments crafted by preeminent Italian luthiers, among them Antonio Stradivari and Guarneri del Gesù. The instruments are on loan to Austrian musicians, who in turn raise Austria's reputation as a land of music.

The OeNB supports contemporary music by awarding a Composition Prize jointly with the Austrian public broadcasting station Ö1. Students of composition at the five Austrian music universities located in Vienna, Linz, Salzburg and Graz are eligible for the prize. The prize went to Alejandro del Valle-Lattanzio in 2013. The OeNB granted the young composer EUR 10,000 and commissioned him with writing a chamber music piece.

The OeNB has established two art collections, the first focusing on Austrian painting of the interwar period and the second on post-1945 Austrian sculptures and paintings. The OeNB's cultural activities help keep Austrian art in the country and thus help preserve this heritage for Austria and for future generations. Museums in Austria and other countries are highly interested in exhibiting works of the OeNB's collection. In 2013, the OeNB lent paintings to the Vienna Künstlerhaus and the Albertina, Neue Galerie Graz, the Upper Austria Regional Exhibition in Freistadt, Landesgalerie Linz and Deichtorhallen Hamburg exhibition center for contemporary art and photography.

Financial support for economics and medical research

Collections of historical string instruments and of artwork

# Making the Right Choices for Our Environment (Environmental Statement 2013)<sup>1</sup>

## The OeNB is an Eco Pioneer among European Central Banks

By adopting an environmental management system that complies with the European Community eco-management and audit scheme (EMAS), the OeNB ranked as an eco-conscious organization as early as 1999. With this step, the OeNB signaled its willingness to go far beyond the ecological requirements businesses have to meet by law. When management duties were reassigned within the Governing Board in 2013, the OeNB's governor became the OeNB's EMAS management representative. In 2007, the ECB also introduced an environmental management system;



### Think about the environment



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

since 2010, it has been EMAS certified.

This environmental statement illustrates the positive development of the OeNB's

environmental management system and environmental performance. The environmental management system encompasses all of the OeNB's business areas and remains intent on promoting OeNB staff's eco-consciousness and involving staff in environmental management issues to an even greater extent, especially with a view to implementing the energy management requirements under the ISO 50001 standard, to which the OeNB has recently been certified.

## The OeNB Supports Flood Relief and Flood Protection

The OeNB and the European Recovery Program (ERP) Fund, which is man-

aged by the federal government's economic development bank Austria Wirtschaftsservice Gesellschaft mbH, provided loans totaling EUR 400 million quickly and without red tape to Austrian businesses hit by the flood in June 2013. With this initiative, the OeNB helped flood-affected businesses continue operations and preserve jobs. For a number of years, moreover, the OeNB has been supporting flood protection projects.

## Energy Management Achievements: District Cooling and ISO 50001 Certification

In 2014, the OeNB introduces district cooling, a state-of-the-art alternative to using conventional compressor-based air conditioning systems to cool buildings. Cooling energy is produced by putting cogenerated heat from combined heat and power plants and waste incinerators through absorption chillers to chill a carrier medium. This carrier medium – district cooling – is then piped to the customer in the same way as district heating. District cooling is more energy-efficient than conventional air conditioning, as it uses less primary energy and electricity and thereby considerably reduces CO<sub>2</sub> emissions; its use is intended to help reduce the impact of climate change.

In spring 2014, the OeNB's energy management system was certified to the ISO 50001 standard for the first time. The efficiency and performance of the room cooling system in the main building were improved, and preparations were made for linking the system to district cooling. The OeNB continues

<sup>1</sup> *Environmental Statement in line with Regulation (EC) No 1221/2009 of the European Parliament and of the Council of 25 November 2009 on the voluntary participation by organisations in a Community eco-management and audit scheme (EMAS), repealing Regulation (EC) No 761/2001 and Commission Decisions 2001/681/EC and 2006/193/EC.*

Table 5

**The OeNB's Ecological Indicators**

	Site	2011	2012	2013	Unit <sup>1</sup>	Benchmark <sup>2</sup>		
						+	~	-
<b>Energy</b>								
Electricity consumption <sup>3</sup>	Head office	7.98	7.30	7.50	MWh per employee	< 4.5	6	> 8
Heat consumption	Head office	62	67	63	kWh per m <sup>2</sup>	< 110	130	> 150
Total energy consumption <sup>4</sup> of which renewable energy	Head office	11,323,657	10,985,152	10,526,977	kWh			
	Head office	7,157,307	6,416,432	6,282,400	kWh			
<b>Water</b>								
Water consumption	Head office	114	111	122	liters per employee per day	< 60	100	> 120
<b>Consumption of materials and products</b>								
Total paper consumption <sup>5</sup>	All sites	85	91	95	kg per employee	< 100	200	> 500
Consumption of printing/photocopying paper	All sites	6,566	6,113	7,969	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>6</sup>	Head office	18	15	24	g per m <sup>2</sup>	not available		
Total CO <sub>2</sub> emissions <sup>7</sup>	All sites	1.25	1.27	1.22	tons per employee	< 2.8	4	> 4.5

Source: OeNB.

<sup>1</sup> 2013: Total employees: 1,089; employees at the head office: 838.

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

<sup>3</sup> Figures per employee vary because headcount fluctuates.

<sup>4</sup> Total energy consumption was lower despite higher electricity consumption per employee because headcount fluctuates. Including diesel for the emergency generator (2011: 4,100 liters; 2012: 6,500 liters, 2013: 5,200 liters).

<sup>5</sup> Paper consumption is based on procurement numbers and therefore includes stocks. Total consumption in 2013: 103,408 kg.

<sup>6</sup> Total consumption in 2013: 1,604 kg.

<sup>7</sup> Operation of facilities and business travel; total in 2013: 1,330 tons. Basis for calculation: CO<sub>2</sub> conversion factors according to the Environment Agency Austria (2010). Including energy consumption, business travel, vehicle fleet and the emergency generator.

Note: EMAS requires the provision of data on biodiversity. Use of land expressed in m<sup>2</sup> of built-up area has no important impact on biodiversity in the case of the OeNB and is therefore not provided. Other greenhouse gases and air pollutants such as CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub> and SO<sub>2</sub>, NO<sub>x</sub> and fine dust are either not emitted or amounts are negligible.

to use power generated from renewable sources (wind, sun, biomass and water,

which is used to operate small hydro-electric power plants).



**The OeNB's Ecological Indicators**

The OeNB's consumption of water, materials and products was roughly

Table 6

**OeNB Transport Mileage**

	2011	2012	2013
Business travel by airplane, km	3,077,609	2,977,737	2,541,935
Business travel by car, km	632,606	663,143	677,846
Business travel by train, km	154,200	175,800	175,200
Diesel and gasoline for the vehicle fleet, liters	36,366	42,278	36,500

Source: OeNB.

Table 7

**Waste Generation by the OeNB, 2011–2013**

Waste code number	2011	2012	2013
	kg		
<b>Nonhazardous materials</b>	<b>91,960</b>	<b>121,016</b>	<b>114,178</b>
Commercial waste	91101	91,000	97,280
Electronic scrap	35202	960	3,333
Bulky waste	91401		5,420
Other waste (treated wood waste, large electrical appliances)	17201, 35221		2,545
Nonhazardous waste per employee		93	113
<b>Hazardous materials</b>	<b>18,701</b>	<b>18,622</b>	<b>10,818</b>
Waste paint and varnish containing solvents	55502, 59405		14
Cooling apparatuses <sup>1</sup>	35205	255	183
Unsorted batteries	35338		422
Lead accumulators <sup>2</sup>	35322	13,754	14,082
Oil separator contents <sup>3</sup>	54702	4,260	3,700
Fluorescent tubes	35210, 35339	402	36
Laboratory waste	59305		60
Monitors, waste from electrical and electronic equipment	35212, 35201, 35220		95
Cleaning agent waste	59405		
Gases in pressure containers (fire extinguishers)	59802		
Wastes from pharmaceuticals	53510	30	30
Hazardous waste per employee		19	17
<b>Recyclables</b>	<b>104,170</b>	<b>117,688</b>	<b>128,514</b>
Colored glass	31469	2,200	3,660
Clear glass	31468	2,300	3,660
Metal/cans	35315		2,840
Biodegradable waste <sup>4</sup>	91701	7,300	12,890
Plastic packaging material	57118	2,300	5,800
Scrap metal <sup>5</sup>	35103, 35105	1,400	7,498
Waste paper	18718	88,660	81,340
Coated paper and cardboard	18702		
Styrofoam	57108	10	
<b>Total</b>	<b>214,831</b>	<b>257,326</b>	<b>253,510</b>

Source: OeNB.

<sup>1</sup> Increase resulted from office relocations within the main building.

<sup>2</sup> Renewal of uninterruptible power supply.

<sup>3</sup> Oil separators in the parking garage.

<sup>4</sup> Including green waste (garden waste).

<sup>5</sup> Since 2012, desks and chairs must be disassembled before disposal; figure refers to scrap metal only.

Note: Wherever no value was stated, there was no disposal under the respective waste code number.

the same in 2013 as in 2012. Electricity and heat consumption fell as a result of the optimization of various facilities.

As the OeNB must send representatives to various international bodies, OeNB staff has to travel accordingly. While the bulk of business travel is by airplane, the OeNB strives to raise

awareness for energy-conscious business travel alternatives and provides incentives to opt for train rides. Moreover, an in-house charging station for electric bicycles as well as a Citybike bicycle-sharing station near the OeNB's headquarters are designated to increase the share of green mobility of staff working at the main building.

Table 8

**The OeNB’s Environmental Performance in 2013 and Environmental Program for 2014**

	Responsible	Deadline	Status
<b>Further greening in procurement</b>			
Procuring of environmentally friendly office furniture	Specialist division, EPT <sup>1</sup>	2014	In preparation
Procuring office equipment with low energy consumption (laptops, tablets)	Specialist division	2014	Implemented
Procuring a money transporter with lower emission levels and better fuel economy	Specialist divisions	2014	At the implementation stage
Hiring a cleaning contractor that implements an ISO 14001-based environmental management system	Specialist division, EPT <sup>1</sup>	2014	Implemented
<b>Responsible resource use, reduction of emissions, 2% reduction of electricity consumption</b>			
Introducing "district cooling" project at the OeNB to reduce energy consumption	Specialist divisions	2014	At the implementation stage
Continued use of certified green electricity from 2015	Specialist division	2014	In preparation
Increasing pump performance to minimize energy consumption	Specialist division	2014	At the implementation stage
Implementing a demand-dependent lighting concept for work lamps	Specialist division	2014	At the implementation stage
Controlling room cooling system via window sensors	Specialist division	2014	At the implementation stage
Regulating cleaning agent use by applying dosage systems	Specialist division	2014	Implemented
Introducing a daylight guiding system to offset electric lighting and to minimize electricity consumption	EPT	2013	Implemented
Increasing the use of LED lighting for safety lighting and hallway lighting in the OeNB's main building and northern office building	Specialist division	2015	At the planning stage
for other areas, e.g. the parking garage ramp and floors	Specialist division	2014	At the implementation stage
Promoting green mobility (encouraging bicycle, Citybike rental system use)	Specialist division	2014	In preparation
<b>Providing environmental awareness training</b>			
Drawing up instructions for optimized room cooling	EPT	2014	At the implementation stage
Giving a presentation on "a model eco-friendly company" at the monthly EPT meetings	EPT	2013	Implemented
"Car-free day" and "day of the sun" information events: encouraging staff to use green alternatives	EPT	2013	At regular intervals
Survey on the further development of the OeNB's environmental management system	EPT	2014	At the planning stage
<b>Waste management</b>			
Improving the labeling of the lattice boxes at the OeNB waste collection center	Specialist division	2013	Implemented
Auditing the waste disposal contractor	Waste management officer	2013	Implemented

Source: OeNB.

<sup>1</sup> Environmental protection team.

**Waste Recycling**

In 2012 and 2013, waste generation increased, as divisions were moved within the main building while the new cooling system was being installed. Renewable materials like paper, biogenic waste, plastics, glass and metal ac-

counted for more than half of the waste produced. Separate waste containers, including waste containers for CDs, rechargeable and disposable batteries, have been set up in the office buildings to ensure that waste is properly separated and disposed of.

## EMAS Validation, Name of the Verifier and Global Reporting Initiative Content Index

### EMAS Validation and Registration



*This Sustainability Report, which consists of the Annual Report, the Intellectual Capital Report and the Environmental Statement of the Oesterreichische Nationalbank, has been validated in accordance with the EMAS Regulation by Quality Austria Training, Certification and Evaluation GmbH, located at Zelinkagasse 10/3, 1010 Vienna, Austria, AT-V-0004, 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 validated 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 G3.1 Sustainability Reporting Guidelines 2006 of the Global Reporting Initiative (GRI), that the 2013 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)) are correct, so that Quality Austria can confirm the self-assessment at a reporting level of B.*

*Vienna, April 2014*

Konrad Scheiber  
Managing Director,  
Quality Austria

Martin Nohava  
Lead Verifier

Martina Gód  
Verifier

*The next update of the environmental statement will be published as part of the OeNB's Sustainability Report in May 2015.*





# Direct and Indirect Equity Interests

Table 9

## Direct and Indirect Equity Investments of the OeNB as on December 31, 2013

Share in %	Company	Capital issued
100	Münze Österreich Aktiengesellschaft, Vienna (Austria)	6,000,000.00 EUR
100	Hans W. Hercher Münzen GmbH, Freiburg (Germany)	6,000,000.00 EUR
100	Schoeller Münzhandel GmbH, Vienna (Austria)	1,017,420.00 EUR
(51) 51	WON-WorldofNumismatics GmbH, Dresden (Germany)	75,000.00 EUR
50	PRINT and MINT SERVICES GmbH, Vienna (Austria)	35,000.00 EUR
33.24	Casinos Austria AG, Vienna (Austria)	40,000,000.00 EUR
(33.24) 100	Casinos Austria AG Liegenschaftsverwaltungs- und Leasing GmbH, Vienna (Austria)	2,000,000.00 EUR
(33.24) 100	Casinos Austria Gastronomiebetrieb GmbH, Vienna (Austria)	270,000.00 EUR
(33.24) 100	Casinos Austria Sicherheitstechnologie GmbH, Vienna (Austria)	500,000.00 EUR
(29.58) 89	Congress Casinos Baden BetriebsgmbH, Baden (Austria)	400,000.00 EUR
(33.24) 100	ÖLG Holding GmbH, Vienna (Austria)	5,000,000.00 EUR
(22.59) 67.97	Österreichische Lotterien GmbH, Vienna (Austria)	110,000,000.00 EUR
(11.3) 50	Entertainment Glücks- und Unterhaltungsspiel Gesellschaft mbH, Vienna (Austria)	2,870,000.00 EUR
(11.3) 100	Glücks- und Unterhaltungsspiel BetriebsgmbH, Vienna (Austria)	35,000.00 EUR
(11.3) 100	WINWIN International GmbH, Vienna (Austria)	35,000.00 EUR
(10.69) 94.61	WINWIN Slovakia s.r.o., Bratislava (SK)	1,231,940.00 EUR
(11.3) 100	Win2day Entwicklungs- und BetriebsgmbH, Vienna (Austria)	35,000.00 EUR
(9.05) 80.08	Rabcat Computer Graphics GmbH, Vienna (Austria)	36,000.00 EUR
(11.3) 100	Win2day International GmbH, Vienna (Austria)	35,000.00 EUR
(22.59) 100	Albanisch Österreichische Lotterien Holding GmbH, Vienna (Austria)	35,500.00 EUR
(22.59) 100	Lotaria Kombetare Sh. PK., Tirana (Albania)	1,201,950,000.00 ALL
(16.62) 50	Entertainment Glücks- und Unterhaltungsspiel Gesellschaft mbH, Vienna (Austria)	2,870,000.00 EUR
(16.62) 100	Glücks- und Unterhaltungsspiel BetriebsgmbH, Vienna (Austria)	35,000.00 EUR
(16.62) 100	WINWIN International GmbH, Vienna (Austria)	35,000.00 EUR
(15.72) 94.61	WINWIN Slovakia s.r.o., Bratislava (SK)	1,231,940.00 EUR
(16.62) 100	Win2day Entwicklungs- und BetriebsgmbH, Vienna (Austria)	35,000.00 EUR
(13.31) 80.08	Rabcat Computer Graphics GmbH, Vienna (Austria)	36,000.00 EUR
(16.62) 100	Win2day International GmbH, Vienna (Austria)	35,000.00 EUR
(33.24) 100	Casinos Austria International Holding GmbH, Vienna (Austria)	30,000,000.00 EUR
(33.23) 99.98	Glücksrad Kft., Sopron (Hungary)	15,000,000.00 HUF
(33.24) 99.99	Immobilaria Ovalle S.A., Santiago (Chile)	1,139,000,000.00 CLP
(33.24) 100	Casinos Austria International (Mazedonien) Holding GmbH, Vienna (Austria)	35,000.00 EUR
(4.58) 13.77	Viage Productions S.A., Brussels (Belgium)	3,184,451.65 EUR
(32.91) 99	Casinos Austria International Belgium S.A., Brussels (Belgium)	61,500.00 EUR
(33.24) 100	Casinos Austria International GmbH, Vienna (Austria)	2,000,000.00 EUR
(33.24) 100	Spielbanken Niedersachsen GmbH, Hannover (Germany)	15,000,000.00 EUR
(33.24) 100	Casinoland IT-Systeme GmbH, Hannover (Germany)	25,000.00 EUR
(31.24) 94	Casino Event Immobilien GmbH, Hannover (Germany)	25,000.00 EUR
(33.24) 100	Apollo Casino Resorts Limited, London (United Kingdom)	3,010,000.00 GBP
(33.24) 100	Corinthian Club Ltd., Glasgow (United Kingdom)	2,600,000.00 GBP
(33.24) 100	Leisure & Entertainment S.A., Salta (Argentina)	3,299,815.00 ARS
(32.87) 98.88	Entretenimientos y Juegos de Azar (ENJ.A.S.A.) S.A., Salta (Argentina)	23,625,783.00 ARS
(31.51) 94.79	Complejo Monumento Güemes S.A., Salta (Argentina)	459,259.00 ARS
(32.91) 99	Cachi Valle Aventuras S.A., Salta (Argentina)	208,838.00 ARS
(29.91) 90	Red 21 de Cobranzas S.A., Salta (Argentina)	120,000.00 ARS
(28.66) 86.23	Viage Productions S.A., Brussels (Belgium)	3,184,451.65 EUR
(33.24) 100	Casinos Austria Management Gesellschaft mbH, Vienna (Austria)	100,000.00 EUR
(33.24) 100	Casinos Odense K/S, Odense (Denmark)	1,300,000.00 DKK
(33.24) 100	Fortuna 1 ApS, Odense (Denmark)	125,000.00 DKK
(33.24) 100	Casinos Austria International (Czech) s.r.o., Prague (Czech Republic)	139,100,000.00 CZK
(33.24) 100	Czech Casinos as., Prague (Czech Republic)	100,000,000.00 CZK
(24.93) 75	Pannon-Partner Kft., Sopron (Hungary)	330,000,000.00 HUF
(24.93) 100	Casino Sopron Kft., Sopron (Hungary)	300,000,000.00 HUF
(33.24) 100	Casinos Austria (Swiss) AG, Zug (Switzerland)	20,000,000.00 CHF
(33.24) 100	Casinos Austria Management AG, Chur (Switzerland)	500,000.00 CHF
(33.24) 100	CAI Management AG, Zug (Switzerland)	200,000.00 CHF
(33.24) 100	Casinos St. Moritz AG, St. Moritz (Switzerland)	3,500,000.00 CHF
(33.24) 100	CAI Online AG, Zug (Switzerland)	1,200,000.00 CHF
(33.23) 99.99	Intergame Holding Ltd., Floriana (Malta)	100,000.00 EUR
(33.23) 99.99	Intergame Limited, Floriana (Malta)	200,000.00 EUR
(33.24) 100	Casinos Austria International Limited, Brisbane (Australia)	19,578,000.00 AUD
(33.24) 100	Casinos Canberra Limited, Brisbane (Australia)	46,000,000.00 AUD
(33.24) 100	Casinos Austria International (Canberra) Pty Limited, Brisbane (Australia)	2.00 AUD
(33.24) 100	Casinos Austria Maritime Corp., Fort Lauderdale (U.S.A.)	50.00 USD
(33.24) 100	CAI Ontario Inc., Port Perry (Canada)	1,725,000.00 CAD
(23.93) 72	Great Blue Heron Gaming Com., Port Perry (Canada)	1,250,000.00 CAD
28.61	Argor Heraeus SA, Mendrisio (Switzerland)	6,369,000.00 CHF
(28.61) 100	Argor-Heraeus Deutschland GmbH, Pforzheim (Germany)	25,000.00 EUR
(28.61) 100	Argor-Heraeus Italia S.p.A., Cavenago di Brianza (Italy)	520,000.00 EUR
(25.18) 88	Argor-Heraeus Latin America SpA, Santiago (Chile)	5,000,000.00 USD

Table 9 continued

Share in %	Company	Capital issued
100	Oesterreichische Banknoten- und Sicherheitsdruck GmbH, Vienna (Austria)	10,000,000.00 EUR
50	PRINT and MINT SERVICES GmbH, Vienna (Austria)	35,000.00 EUR
90	GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination G.m.b.H., Vienna (Austria)	36,336.31 EUR
25	Studiengesellschaft für Zusammenarbeit im Zahlungsverkehr (STUZZA) G.m.b.H., Vienna (Austria)	100,000.00 EUR
100	IG Immobilien Invest GmbH, Vienna (Austria)	40,000.00 EUR
100	Austrian House S.A., Brussels (Belgium)	5,841,610.91 EUR
100	City Center Amstetten GmbH, Vienna (Austria)	72,000.00 EUR
100	EKZ Tulln Errichtungs GmbH, Vienna (Austria)	36,000.00 EUR
100	HW Hohe Warte Projektentwicklungs- und ErrichtungsgmbH, Vienna (Austria)	35,000.00 EUR
100	IG Belgium S.A., Brussels (Belgium)	19,360,309.87 EUR
100	IG Döbling Herrenhaus-Bauträger GmbH, Vienna (Austria)	40,000.00 EUR
100	IG Hungary Irodaközpont Kft., Budapest (Hungary)	11,852.00 EUR
100	IG Immobilien Beteiligungs GmbH, Vienna (Austria)	40,000.00 EUR
100	IG Immobilien M97 GmbH, Vienna (Austria)	120,000.00 EUR
100	IG Immobilien Management GmbH, Vienna (Austria)	40,000.00 EUR
100	IG Immobilien Mariahilfer Straße 99 GmbH, Vienna (Austria)	72,000.00 EUR
100	IG Immobilien O20-H22 GmbH, Vienna (Austria)	110,000.00 EUR
25	MARINA CITY Entwicklungs GmbH, Vienna (Austria)	120,000.00 EUR
25	MARINA TOWER Holding GmbH, Vienna (Austria)	35,000.00 EUR
(25) 100	MARINA TOWER Entwicklungs GmbH, Vienna (Austria)	36,336.42 EUR
100	IG Netherlands N1 and N2 B.V., Hoofddorp (Netherlands)	91,000.00 EUR
40	U2 Stadtentwicklung GmbH, Vienna (Austria)	100,000.00 EUR
100	BLM Betriebs-Liegenschafts-Management GmbH, Vienna (Austria)	40,000.00 EUR
100	BLM-IG Bauträger GmbH, Vienna (Austria)	35,000.00 EUR
100	OWP5 Betriebs-Liegenschafts-Management GmbH, Vienna (Austria)	35,000.00 EUR

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 European Central Bank (ECB), Frankfurt (Germany), which totals EUR 10,825,007,069.61, amounted to 1.937% as at December 31, 2013. The OeNB also holds 8,000 shares (at SDR 5,000 each) and 564 nonvoting shares in the capital of the Bank for International Settlements (BIS), Basel (Switzerland), as well as 74 shares (at EUR 125.00 each) in S.W.I.F.T. (Society for Worldwide Interbank Financial Telecommunication), La Hulpe (Netherlands).

As required under Article 68 paragraph 4 Nationalbank Act, table 9 above shows information on all equity interests the OeNB holds in Austria and foreign companies that, regardless of the size of the

OeNB's participation, are either intended to serve the OeNB's business operations or in which the OeNB holds a direct or calculated indirect equity interest of at least 20% of the share capital.



## From the OeNB's Mission Statement

We are aware of our responsibility toward Austria and Europe and pursue effectiveness and efficiency in our work.

Our endeavors are founded on technical expertise and social competence, transparency and responsible corporate governance.

Financial Statements  
of the Oesterreichische Nationalbank  
for the Year 2013

# Balance Sheet as at December 31, 2013

## Assets

	December 31, 2013 EUR	December 31, 2012 EUR
<b>1 Gold and gold receivables</b>	7,842,819,188.98	11,353,265,561.09
<b>2 Claims on non-euro area residents denominated in foreign currency</b>	8,962,695,474.63	9,215,591,659.91
2.1 Receivables from the IMF	3,145,504,739.56	3,231,278,528.06
2.2 Balances with banks, security investments, external loans and other external assets	5,817,190,735.07	5,984,313,131.85
<b>3 Claims on euro area residents denominated in foreign currency</b>	694,805,968.94	1,026,208,039.81
<b>4 Claims on non-euro area residents denominated in euro</b>	1,858,155,920.03	1,532,097,587.81
4.1 Balances with banks, security investments and loans	1,858,155,920.03	1,532,097,587.81
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>	7,094,000,000.00	15,894,000,000.00
5.1 Main refinancing operations	1,220,000,000.00	180,000,000.00
5.2 Longer-term refinancing operations	5,874,000,000.00	15,714,000,000.00
5.3 Fine-tuning reverse operations	–	–
5.4 Structural reverse operations	–	–
5.5 Marginal lending facility	–	–
5.6 Credits related to margin calls	–	–
<b>6 Other claims on euro area credit institutions denominated in euro</b>	146,091.69	167,938.41
<b>7 Securities of euro area residents denominated in euro</b>	16,862,400,057.94	16,774,731,834.56
7.1 Securities held for monetary policy purposes	7,102,305,078.82	7,892,629,179.62
7.2 Other securities	9,760,094,979.12	8,882,102,654.94
<b>8 General government debt denominated in euro</b>	410,887,194.16	413,061,306.11
<b>9 Intra-Eurosystem claims</b>	43,507,394,069.55	43,283,531,734.71
9.1 Participating interest in the ECB	212,118,362.10	208,939,587.70
9.2 Claims equivalent to the transfer of foreign reserves	1,122,511,702.45	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	42,172,764,005.00	41,956,046,270.00
9.5 Other claims within the Eurosystem (net)	–	–
<b>10 Items in course of settlement</b>	–	508.71
<b>11 Other assets</b>	10,252,170,664.10	9,876,836,411.45
11.1 Coins of euro area	106,325,491.17	120,936,558.44
11.2 Tangible and intangible fixed assets	146,576,231.05	147,655,874.49
11.3 Other financial assets	8,613,078,904.47	7,907,043,641.14
11.4 Off balance sheet instruments' revaluation differences	55,366,469.01	34,003,410.45
11.5 Accruals and prepaid expenses	557,388,053.81	696,400,104.81
11.6 Sundry	773,435,514.59	970,796,822.12
	<b>97,485,474,630.02</b>	<b>109,369,492,582.57</b>

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

## Liabilities

	December 31, 2013	December 31, 2012
	EUR	EUR
<b>1 Banknotes in circulation</b>	24,497,459,700.00	23,298,473,760.00
<b>2 Liabilities to euro area credit institutions related to monetary policy operations denominated in euro</b>	14,937,903,985.72	23,228,499,748.28
2.1 Current accounts (covering the minimum reserve system)	12,036,903,985.72	19,931,999,748.28
2.2 Deposit facility	2,181,000,000.00	3,296,500,000.00
2.3 Fixed-term deposits	720,000,000.00	–
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>	308,575,489.07	286,774,793.83
5.1 General government	215,610,325.99	203,466,189.53
5.2 Other liabilities	92,965,163.08	83,308,604.30
<b>6 Liabilities to non-euro area residents denominated in euro</b>	246,687,650.67	25,461,622.27
<b>7 Liabilities to euro area residents denominated in foreign currency</b>	129,091.23	154,004.27
<b>8 Liabilities to non-euro area residents denominated in foreign currency</b>	–	19,830,081.81
8.1 Deposits, balances and other liabilities	–	19,830,081.81
8.2 Liabilities arising from the credit facility under ERM II	–	–
<b>9 Counterpart of Special Drawing Rights allocated by the IMF</b>	1,941,719,785.16	2,024,021,061.94
<b>10 Intra-Eurosystem liabilities</b>	39,148,233,209.66	39,897,015,721.82
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)	39,148,233,209.66	39,897,015,721.82
<b>11 Items in course of settlement</b>	2,439.55	–
<b>12 Other liabilities</b>	357,855,495.35	502,079,547.30
12.1 Off balance sheet instruments' revaluation differences	–	–
12.2 Accruals and income collected in advance	12,653,743.51	26,704,931.42
12.3 Sundry	345,201,751.84	475,374,615.88
<b>13 Provisions</b>	5,003,897,805.83	4,735,924,738.44
<b>14 Revaluation accounts</b>	6,805,515,322.10	11,125,448,311.36
<b>15 Capital and reserves</b>	4,217,357,575.88	4,197,509,855.29
15.1 Capital	12,000,000.00	12,000,000.00
15.2 Reserves	4,205,357,575.88	4,185,509,855.29
<b>16 Profit for the year</b>	20,137,079.80	28,299,335.96
	<b>97,485,474,630.02</b>	<b>109,369,492,582.57</b>

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

## Profit and Loss Account for the Year 2013

	Year ending December 31, 2013 EUR	Year ending December 31, 2012 EUR
1.1 Interest income	1,209,799,187.32	1,539,682,327.36
1.2 Interest expense	-375,898,179.19	-523,896,854.37
<b>1 Net interest income</b>	<b>833,901,008.13</b>	<b>1,015,785,472.99</b>
2.1 Realized gains/losses arising from financial operations	106,871,397.05	188,462,243.51
2.2 Writedowns on financial assets and positions	-72,841,514.46	-2,765,220.98
2.3 Transfer to/from provisions for foreign exchange, interest rate, credit and gold price risks	-300,000,000.00	-626,073,422.88
<b>2 Net result of financial operations, writedowns and risk provisions</b>	<b>-265,970,117.41</b>	<b>-440,376,400.35</b>
3.1 Fees and commissions income	3,747,262.98	4,304,983.58
3.2 Fees and commissions expense	-3,319,865.52	-3,882,458.49
<b>3 Net income from fees and commissions</b>	<b>427,397.46</b>	<b>422,525.09</b>
4 Income from equity shares and participating interests	89,624,301.40	41,365,181.74
5 Net result of pooling of monetary income	-26,946,888.26	31,883,764.27
6 Other income	60,316,719.62	29,365,042.49
<b>Total net income</b>	<b>691,352,420.94</b>	<b>678,445,586.23</b>
7 Staff costs	-135,588,531.17	-130,662,986.04
8 Expenses for retirement	-113,946,392.12	-6,772,953.56
9 Administrative expenses	-81,552,540.51	-84,253,687.35
10 Depreciation of tangible and intangible fixed assets	-13,925,206.71	-12,801,105.12
11 Banknote production services	-19,018,292.84	-21,394,616.40
12 Other expenses	-28,994,349.44	-45,235,758.23
<b>Total expenses</b>	<b>-393,025,312.79</b>	<b>-301,121,106.70</b>
<b>Operating profit</b>	<b>298,327,108.15</b>	<b>377,324,479.53</b>
13 Corporate income tax	-74,581,777.04	-94,331,119.88
	223,745,331.11	282,993,359.65
14 Transfer to the pension reserve and central government's share of profit	-203,608,251.31	-254,694,023.69
<b>15 Profit for the year</b>	<b>20,137,079.80</b>	<b>28,299,335.96</b>



## Notes to the Financial Statements 2013

### 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 (Nationalbank Act) as amended<sup>1</sup> to prepare its balance sheet and its profit and loss account in conformity with the rules established by the Governing Council of the ECB under Article 26.4 of the Statute of the European System of Central Banks and of the European Central Bank (Statute of the ESCB and of the ECB). These rules apply as laid down in the recast Accounting Guideline adopted by the Governing Council of the ECB on November 11, 2010.<sup>2</sup> The OeNB's financial statements for the year 2013 were prepared fully in line with the provisions set forth in this guideline. Activities not covered by the Accounting Guideline are to be treated as regulated by the generally accepted accounting principles referred to in Article 67 paragraph 2 second sentence Nationalbank Act and by the provisions of the third volume of the Unternehmensgesetzbuch (Commercial Code) referred to in Article 67 paragraph 3 second sentence Nationalbank Act, unless indicated otherwise in the Nationalbank Act. Under Article 67 paragraph 3 Nationalbank Act, the OeNB is exempt from Article 199 Commercial Code (contingent liabilities arising from guarantees) and from Articles 244 et seq. Commercial Code (consolidated financial statements). Article 68 paragraph 3 Nationalbank Act also exempts the OeNB from the obligation to include management's discussion and analysis under Article 243 Commercial Code.

#### Format of the Balance Sheet and the Profit and Loss Account

The financial statements for 2013 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 EU law and generally accepted international accounting standards. In particular, the following accounting principles contained in these standards have been applied:

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

#### Time of Recording

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

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

#### Basis of Accounting

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

<sup>1</sup> Federal Law Gazette I No. 50/1984; the Nationalbank Act was last amended with effect from January 1, 2014.

<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 10, 2012, ECB/2012/29).

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 gold forward interest rate swaps. To this end, the products are split into the components at which these products are traded on international exchanges (LIBOR curve, gold swap rates and gold forward rates).

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

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

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

The prices of master fund shares are calculated daily by the designated custodian bank or the master fund, using established market information systems on the basis of the assets held by the subfunds. In addition, the master funds, the custodian banks and the fund managers regularly confer to adjust the valuation of subfund assets and to reconcile the pricing of less

liquid or illiquid assets, which is not exclusively based on established market information systems.

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

#### Income Recognition

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

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

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

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

<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.

### 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 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, 2013

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

### Banknotes in Circulation and Intra-Eurosystem Balances

Euro banknotes are issued by the ECB and the 17 euro area NCBs (in 2013) 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, 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).

Table 1

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

Table 2

	Realized gains profit and loss account item 2.1  (posted to the profit and loss account)  EUR million	Realized losses profit and loss account item 2.1  (posted to the profit and loss account)  EUR million	Unrealized losses profit and loss account item 2.2  (posted to the profit and loss account)  EUR million	Change in unrealized gains  (posted to revaluation accounts)  EUR million
Gold	–	–	–	–3,510.447
Foreign currency Holdings for own account	111.098	–60.737	–36.452	–547.405
Securities Holdings for own account	61.956	–28.104	–33.571	–171.376
Investment of own funds	31.211	–8.710	–2.818	–98.387
Monetary policy operations	0.157	–	–	–
Equity interests (investment of own funds)	–	–	–	+26.601
<b>Total</b>	<b>204.422</b>	<b>–97.551</b>	<b>–72.841</b>	<b>–4,301.014</b>

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 put in circulation by 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, 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), and Cyprus and Malta (2008). The respective adjustment periods terminate at the end of 2016, 2014, 2013, 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.

As determined by the Governing Council of the ECB, the ECB's income arising from securities purchased under the SMP and its seigniorage income, which arises from the 8% share of euro banknotes in circulation allocated to the ECB, is due in full to the NCBs in proportion to their shares in the subscribed capital key in the same financial year it accrues. Unless otherwise decided by the Governing Council, the ECB will distribute this income in January of the following year in the form of an interim distribution of profit. This amount is distributed in full unless the ECB's net profit for the year falls short of its seigniorage income and its SMP-related income and unless the Governing Council decides to make transfers to the provision for foreign exchange rate, interest rate, credit and gold price risks. The Governing Council may also decide to charge costs incurred by the ECB in connection with the issue and handling of euro banknotes

against income earned on euro banknotes in circulation.

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

## **Risk Management**

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

## **Financial Risk**

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

## **Market Risk**

Market risk is the risk of exposure arising from movements in markets, in particular exchange rate and interest rate changes. To account for

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

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 commensurate to its relative capital share in the ECB's paid-up capital for ECB investment risks and for risks arising for the ECB in conducting single monetary policy operations, taking into account the risk provisions made by the ECB.

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

### Credit Risk

Credit risk is the risk that a counterparty will fail to meet some or all of its obligations. The OeNB manages the credit risk arising from its own funds portfolio and related investment activities with a limit system which provides real-time information on all risk limits and exposures and which is an integral part of monitoring the use of the OeNB's risk budget. The VaR and ES calculations of ECB and OeNB risk are consistently based on a one-year period and a confidence interval of 99%.

### Market Liquidity Risk

Market liquidity risk is the risk that a market may be too thin or may not be able to fully accommodate all trades, so that the securities trading volume is lower than desired and securities cannot be traded quickly enough or perhaps only at a discount. To prevent incurring market liquidity risk, the OeNB analyzes the market liquidity of financial products, adjusts holdings to issuing volumes and limits the maximum residual maturities of transactions. Security and liquidity considerations take precedence over yield in managing assets.

### Operational Risk

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

### Provisions for Financial Risks and Other Loss-Absorbing Capital

In line with the principle of universality, the OeNB's financial risks are covered by the full range of its financial buffers, i.e. by all financial buffers that it maintains specifically to cover financial risks as well as by any other financial buffers that may be used to absorb balance sheet losses. In calculating risk exposure, balances on revaluation accounts against which losses may be offset are recognized as risk-mitigating factors. On December 31, 2013, provisions for financial risks were high enough to offset the OeNB's exposure.

Table 3 shows the changes in provisions for financial risks and other loss-absorbing capital from December 31, 2012, to December 31, 2013.

Table 3

	December 31, 2012	Increase	Decrease	December 31, 2013
	EUR million	EUR million	EUR million	EUR million
<b>I. Provisions for financial risks</b>				
L 15.2 Reserve for nondomestic and price risks	1,973.263	–	–	1,973.263
L 13 Risk provisions equivalent to reserves	2,550.000	+300.000	–	2,850.000
	<b>4,523.263</b>	<b>+300.000</b>	<b>–</b>	<b>4,823.263</b>
<b>II Loss-absorbing capital</b>				
L 15.2 Profit-smoothing reserve	34.587	+17.099	–	51.686
L 15.2 OeNB Anniversary Fund for the Promotion of Scientific Research and Teaching				
OeNB Anniversary Fund (initial funding)	31.500	–	–	31.500
OeNB Anniversary Fund National Foundation endowment	1,500.000	–	–	1,500.000
	<b>1,566.087</b>	<b>+17.099</b>	<b>–</b>	<b>1,583.186</b>
<b>Total</b>	<b>6,089.350</b>	<b>+317.099</b>	<b>–</b>	<b>6,406.449</b>

Note: L = liability item.

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

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

### Related-Party Transactions

Article 237 no. 8b Commercial Code stipulates that financial statements must include informa-

tion about material transactions with related parties that were concluded under other than normal market conditions. The OeNB has in place a special reporting framework and a separate internal control system for such instances.

Any business the OeNB transacted with related parties in 2013 was at market conditions.

In the financial year 2013, the OeNB provided funding to economic research institutions (WIFO, IHS, wiiw) and to the Joint Vienna Institute, with total funding running to EUR 5.805 million (2012: EUR 5.753 million).

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

### Net Equity

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

Table 4

	December 31, 2012	Increase	Decrease	December 31, 2013
	EUR million	EUR million	EUR million	EUR million
L 13 Risk provisions equivalent to reserves	2,550.000	+300.000	–	2,850.000
L 14 Revaluation accounts <sup>1</sup>	11,125.448	–	–4,319.933	6,805.515
L 15.1 Capital	12.000	–	–	12.000
L 15.2 Reserves				
Reserve for nondomestic and price risks	1,973.263	–	–	1,973.263
Profit-smoothing reserve	34.587	+17.099	–	51.686
OeNB Anniversary Fund for the Promotion of Scientific Research and Teaching				
OeNB Anniversary Fund (initial funding)	31.500	–	–	31.500
OeNB Anniversary Fund National Foundation endowment	1,500.000	–	–	1,500.000
<b>Net equity</b>	<b>17,226.798</b>	<b>+317.099</b>	<b>–4,319.933</b>	<b>13,223.964</b>

Note: L = liability item.

<sup>1</sup> Includes unrealized valuation gains as well as revaluation effects from the revaluation of securities and equity interests recorded in the opening balance sheet of January 1, 1999, which have not been released yet.

## Development of the OeNB's Currency Positions in the Financial Year 2013

Table 5

	December 31, 2013	December 31, 2012	Change	%
	EUR million	EUR million	EUR million	
Gold and gold receivables	7,842.819	11,353.266	–3,510.447	–30.9
Claims on non-euro area residents denominated in foreign currency	8,962.695	9,215.592	–252.896	–2.7
Claims on euro area residents denominated in foreign currency	694.806	1,026.208	–331.402	–32.3
Other assets	85.105	106.235	–21.130	–19.9
less:				
Liabilities to euro area residents denominated in foreign currency	0.129	0.154	–0.025	–16.2
Liabilities to non-euro area residents denominated in foreign currency	–	19.830	–19.830	–100.0
Counterpart of Special Drawing Rights allocated by the IMF	1,941.720	2,024.021	–82.301	–4.1
Other liabilities	2.786	0.696	+2.090	+300.0
Revaluation accounts <sup>1</sup>	33.180	82.777	–49.597	–60.0
	<b>15,607.610</b>	<b>19,573.823</b>	<b>–3,966.213</b>	<b>–20.3</b>
Transactions that are not disclosed in the balance sheet (net)	–2,177.350	–1,431.609	–745.741	+52.1
<b>Total</b>	<b>13,430.260</b>	<b>18,142.214</b>	<b>–4,711.954</b>	<b>–26.0</b>

<sup>1</sup> Resulting from the change in net unrealized exchange rate gains on foreign currency-denominated securities as on December 31, 2012, and December 31, 2013, respectively.

## Notes to the Balance Sheet

### Assets

#### 1 Gold and Gold Receivables

Closing balance	EUR million	
December 31, 2013	7,842.819	
December 31, 2012	11,353.266	
Change	-3,510.447	(-30.9%)

This item comprises the OeNB's holdings of physical and nonphysical gold, which amounted to 9,002,111.050 fine ounces or 279,996.98 kg of fine gold on December 31, 2013. At a market value of EUR 871.220 per fine ounce (i.e. EUR 28,010.37 per kg of fine gold), the OeNB's gold holdings were worth EUR 7,842.819 million on the balance sheet date.

The annual change reflects valuation as of December 31, 2013.

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

Closing balance	EUR million	
December 31, 2013	8,962.695	
December 31, 2012	9,215.592	
Change	-252.897	(-2.7%)

Table 6 shows changes in *receivables from the IMF*.

*Receivables from the IMF* fell by EUR 126.755 million in 2013 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 29.193 million).

The IMF remunerates participations in the Fund at a rate of remuneration that is updated weekly. In 2013, this rate hovered between 0.03% and 0.13% per annum, mirroring the prevailing SDR rate.

*SDR holdings*<sup>4</sup> were recognized in the balance sheet at SDR 1,780.7 million at December 31, 2013. The increase in holdings by EUR 42.444 million on balance in 2013 resulted from the net purchase of SDRs equivalent to EUR 128.598 million. The remuneration of the participation in the IMF, interest credited, realized gains/losses and revaluation differences totaled -EUR 79.289 million. Moreover, the OeNB transferred funds to the IMF's Poverty Reduction and Growth Trust (-EUR 6.865 million).

Under the IMF's Articles of Agreement, the OeNB is obligated to provide currency on demand in exchange for SDRs up to the point at which its SDR holdings are three times as high as its net cumulative allocation of SDRs, which in the OeNB's case totaled SDR 1,736.3

Table 6

	December 31, 2013	December 31, 2012	Change	%
	EUR million	EUR million	EUR million	
Total claims (Austrian quota) equivalent to SDR 2,113.9 million <sup>1</sup>	2,363.974	2,464.174	-100.200	-4.1
less:				
Balances at the disposal of the IMF	1,729.956	1,674.208	+55.748	+3.3
Receivables from the IMF	634.018	789.966	-155.948	-19.7
SDR holdings	1,991.365	1,948.921	+42.444	+2.2
Other claims against the IMF	520.122	492.392	+27.730	+5.6
<b>Total</b>	<b>3,145.505</b>	<b>3,231.279</b>	<b>-85.774</b>	<b>-2.7</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.

<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.



Table 7

	December 31, 2013	December 31, 2012	Change	
	EUR million	EUR million	EUR million	%
Balances with banks	622.816	821.309	-198.493	-24.2
Securities	5,194.374	5,163.004	+31.370	+0.6
<b>Total</b>	<b>5,817.190</b>	<b>5,984.313</b>	<b>-167.123</b>	<b>-2.8</b>

Table 8

	December 31, 2013	December 31, 2012	Change	
	EUR million	EUR million	EUR million	%
Balances with banks	0.231	454.904	-454.673	-99.9
Securities	694.575	571.304	+123.271	+21.6
<b>Total</b>	<b>694.806</b>	<b>1,026.208</b>	<b>-331.402</b>	<b>-32.3</b>

million on December 31, 2013. See the *Notes on Transactions Not Disclosed in the Balance Sheet* for information about this obligation.

The OeNB's claims arising from the *New Arrangements to Borrow (NAB)* in connection with IMF concessional programs are shown under *other claims against the IMF*. Federal law as promulgated in Federal Law Gazette I No. 114/2010 authorized the OeNB to increase its credit line under the NAB to up to SDR 3.6 billion on behalf of the Republic of Austria. Since the NAB entered into force on March 11, 2011, resources totaling SDR 503.6 million have been drawn from the OeNB's credit line. Repayments ran to SDR 38.5 million, bringing net drawings to SDR 465.1 million, which is equivalent to EUR 520.1 million. The *transactions not disclosed in the balance sheet* included a contingent liability to the IMF under the NAB as on December 31, 2013.

Federal law as promulgated in Federal Law Gazette I No. 101/2013 authorized the OeNB to provide a temporary credit line with a maximum amount of EUR 6.13 billion under a bilateral agreement with the IMF. In this connection, a contingent liability to the IMF was included in the *transactions not disclosed in the balance sheet* as on December 31, 2013.

Table 7 shows changes in *balances with banks and security investments, external loans and other external assets*.

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

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

*Balances with banks* as shown on December 31, 2012, resulted from claims that arose from USD 600 million (EUR 455 million) of reverse operations with Austrian banks against collateral. This U.S. dollar funding was made available in connection with EUR/USD swaps that the ECB made with the Federal Reserve Bank of New York under the Federal Reserve's Term Auction Facility. Additional euro/U.S. dollar swaps totaling USD 850 million were concluded in 2013. All euro/U.S. dollar swaps were reversed in 2013.

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

Table 9 shows changes in *claims on non-euro area residents denominated in euro* on December 31, 2012, and December 31, 2013.

The change in securities resulted chiefly from transactions. On December 31, 2013, there was no requirement to impair the portfolio of securities classified as held-to-maturity. Marketable securities classified as held-to-maturity are assets with fixed or determinable repayment amounts and fixed maturity, for which there is a positive intent and ability to hold to

Table 9

	December 31, 2013	December 31, 2012	Change	
	EUR million	EUR million	EUR million	%
Securities	427.016	219.974	+207.042	+94.1
Marketable securities classified as held-to-maturity	1,431.140	1,312.124	+119.016	+9.1
<b>Total</b>	<b>1,858.156</b>	<b>1,532.098</b>	<b>+326.058</b>	<b>+21.3</b>

Table 10

	December 31, 2013	December 31, 2012	Change	
	EUR million	EUR million	EUR million	%
5.1 Main refinancing operations	1,220.000	180.000	+1,040.000	n.a.
5.2 Longer-term refinancing operations	5,874.000	15,714.000	-9,840.000	-62.6
5.5 Marginal lending facility	–	–	–	–
<b>Total</b>	<b>7,094.000</b>	<b>15,894.000</b>	<b>-8,800.000</b>	<b>-55.4</b>

maturity. Securities other than those held to maturity are recognized at market value.

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

Table 10 shows changes in 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 operations, if they were to materialize, should eventually be shared in full by the Eurosystem NCBs, in proportion to the prevailing ECB capital key shares prevailing in the respective financial year.

### 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. All main refinancing operations in 2013 were carried out as fixed rate tender procedures with full allotment until December 31, 2013.<sup>5</sup> The interest rate on main refinancing operations was cut twice in 2013, by 0.25 percentage points each.

The latest reduction was on November 13, 2013. On December 31, 2013, the main refinancing rate thus came to 0.25% per annum.

### 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. Additionally, a special longer-term refinancing operation with a maturity of one month was concluded in 2013.

In 2011, the Governing Council of the ECB had decided to conduct two LTROs with a special term of three years and the option of early full or partial repayment.<sup>6</sup> In 2013, counterparties opted to repay ahead of maturity EUR 5.2 billion of the total amount of EUR 6.5 billion allotted in 2011, as well as EUR 5.7 billion of the total amount of EUR 9.2 billion allotted in 2012. Therefore, EUR 4.8 billion remained outstanding on December 31, 2013.

All LTROs conducted in 2013 were fixed rate tender procedures with full allotment.

<sup>5</sup> Decision of the Governing Council of the ECB of March 4, 2010 (as amended on October 6, 2011).

<sup>6</sup> Decision of the Governing Council of the ECB of December 8, 2011.

### 5.5 Marginal Lending Facility

In 2013, Austrian banks obtained a total of EUR 893 million of overnight liquidity against eligible assets under the marginal lending facility. No such operations were outstanding on December 31, 2013.

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

Closing balance	EUR million	
December 31, 2013	0.146	
December 31, 2012	0.168	
Change	-0.022	(-13.0%)

This item comprises claims not related to monetary policy operations.

### 7 Securities of Euro Area Residents Denominated in Euro

Table 11 shows changes in *securities of euro area residents denominated in euro* from December 31, 2012, to December 31, 2013.

#### 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 (CBPP and CBPP2)<sup>7</sup> and public debt securities acquired under the Securities Markets Programme (SMP)<sup>8</sup>. These securities are classified as held-to-maturity.

The CBPP initiative provided for purchases by Eurosystem NCBs of securities with a nominal value of EUR 60 billion, the OeNB's share of which was EUR 1.5 billion. The acquisition of such securities was completed as scheduled at the end of June 2010. The CBPP2 initiative ultimately led to securities purchases totaling EUR 16.4 billion in nominal terms, of which the OeNB acquired some EUR 0.5 billion. The impairment test of the monetary policy security holdings under the CBPP and CBPP2, which was harmonized across the Eurosystem, did not result in any writedown requirement on December 31, 2013. Any risks from holdings of CBPP and CBPP2 securities, if they were to materialize, are not shared by the Eurosystem NCBs.

Under the SMP, which was established in May 2010, the ECB and the Eurosystem NCBs were able to purchase euro area public and private debt securities to address the malfunctioning of certain segments of the euro area debt securities markets and to restore the proper functioning of the monetary policy transmission mechanism. By decision of the Governing Council of the ECB, the SMP was discontinued with immediate effect from September 2012.<sup>9</sup> Total Eurosystem NCB holdings of SMP securities amount to EUR 176.9 billion, of which the OeNB holds some EUR 5.3 billion. These securities are valued at amortized cost, subject to a uniform Eurosystem impairment framework. In accordance with Article 32.4 of the Statute

Table 11

	December 31, 2013	December 31, 2012	Change	
	EUR million	EUR million	EUR million	%
7.1 Securities held for monetary policy purposes	7,102.305	7,892.629	-790.324	-10.0
7.2 Other securities	9,760.095	8,882.103	+877.992	+9.9
of which				
Marketable securities other than held-to-maturity	5,664.852	4,756.168	+908.684	+19.1
Marketable securities classified as held-to-maturity	4,095.243	4,125.935	-30.692	-0.7
<b>Total</b>	<b>16,862.400</b>	<b>16,774.732</b>	<b>+87.668</b>	<b>+0.5</b>

<sup>7</sup> Decision of the ECB of July 2, 2009 (ECB/2009/16) and of November 3, 2011 (ECB/2011/17).

<sup>8</sup> Decision of the Governing Council of the ECB of May 9, 2010.

<sup>9</sup> Decision of the Governing Council of the ECB of September 6, 2012.

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.

In the context of an impairment test conducted as at December 31, 2013, on securities purchased under the SMP, the Governing Council of the ECB identified impairment indicators that occurred in the course of 2013. The Governing Council of the ECB considered that the occurrence of these impairment indicators did not warrant an impairment of the OeNB's holdings since, on the basis of the information available as at December 31, 2013, all future cash flows are expected to be received. No impairment losses were therefore recorded on SMP securities as of December 31, 2013.

## 7.2 Other Securities

The change in other securities resulted chiefly from transactions. On December 31, 2013, there was no requirement to impair the portfolio of securities classified as held-to-maturity. Securities other than those held to maturity are recognized at market value.

## 8 General Government Debt Denominated in Euro

Closing balance	EUR million
December 31, 2013	410.887
December 31, 2012	413.061
Change	-2.174 (-0.5%)

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. 597/1988 as amended. Table 12 shows the change in 2013.

Any amount outstanding on December 31, 2040, will have to be repaid in the five following years (2041 to 2045) in five equal installments.

## 9 Intra-Eurosystem Claims

Closing balance	EUR million
December 31, 2013	43,507.394
December 31, 2012	43,283.532
Change	+223.862 (+0.5%)

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, 2012, to December 31, 2013.

### 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 rose to 2.7847% as on December 31, 2013, as a result of Croatia joining Economic and Monetary Union on July 1, 2013 (December 31, 2012: 2.7750%).

### 9.2 Claims Equivalent to the Transfer of Foreign Reserves

This subitem represents the OeNB's claims arising from the transfer of foreign reserve assets to the ECB. The claims are denominated in euro

Table 12

	EUR million
Government remuneration for silver commemorative coins returned to Münze Österreich AG	+5.724
Proceeds from metal recovery	-2.084
Redemptions made out of central government's profit share in 2012	-5.814
<b>Total</b>	<b>-2.174</b>

Table 13

	December 31, 2013	December 31, 2012	Change	
	EUR million	EUR million	EUR million	%
9.1 Participating interest in the ECB	212.118	208.940	+3.178	+1.5
9.2 Claims equivalent to the transfer of foreign reserves	1,122.512	1,118.546	+3.966	+0.4
9.4 Net claims related to the allocation of euro banknotes within the Eurosystem	42,172.764	41,956.046	+216.718	+0.5
<b>Total</b>	<b>43,507.394</b>	<b>43,283.532</b>	<b>+223.862</b>	<b>+0.5</b>

Table 14

	December 31, 2013	December 31, 2012	Change	
	EUR million	EUR million	EUR million	%
11.1 Coins of euro area	106.326	120.937	-14.611	-12.1
11.2 Tangible and intangible fixed assets	146.576	147.656	-1.080	-0.7
11.3 Other financial assets	8,613.079	7,907.043	+706.036	+8.9
11.4 Off balance sheet instruments' revaluation differences	55.366	34.003	+21.363	+62.8
11.5 Accruals and prepaid expenses	557.388	696.400	-139.012	-20.0
11.6 Sundry	773.436	970.797	-197.361	-20.3
<b>Total</b>	<b>10,252.171</b>	<b>9,876.836</b>	<b>+375.335</b>	<b>+3.8</b>

at the original conversion rate, so that the OeNB does not have a claim on the ECB for the retransfer of foreign reserve assets. These claims are remunerated at the latest available marginal rate for the Eurosystem's main refinancing operations, adjusted by a 15% haircut. See the *Notes on Transactions Not Disclosed in the Balance Sheet* for information about additional capital contributions transferred to the ECB. The claim shown in the financial statements for 2013 rose by EUR 3.966 million from the claim shown on December 31, 2012, as a result of Croatia joining Economic and Monetary Union and the change in the respective share in the ECB's capital as at July 1, 2013.

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

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

## 11 Other Assets

Table 14 shows changes in *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 changes in *premises*.

Table 15

	EUR million
Cost incurred until December 31, 2012 <sup>1</sup>	117.424
Purchases in 2013	3.122
Sales (cost incurred) in 2013	0.001
Accumulated depreciation	56.038
Book value on December 31, 2013	64.507
Book value on December 31, 2012	65.919
Annual depreciation in 2013	4.533

<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).

Table 16 shows changes in *assets under construction*.

Cost incurred until December 31, 2012	4.161
Purchases in 2013	0.400
Sales (cost incurred) in 2013	–
Book value on December 31, 2013	4.561
Book value on December 31, 2012	4.161

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

Table 17 shows changes in *equipment*.

Cost incurred until December 31, 2012	80.217
Purchases in 2013	9.439
Sales (cost incurred) in 2013 <sup>1</sup>	5.093
Accumulated depreciation	55.362
Book value on December 31, 2013	29.201
Book value on December 31, 2012	29.358
Annual depreciation in 2013	9.374

<sup>1</sup> The balance between the book value of sales and the underlying historical costs less accumulated depreciation is EUR 0.221 million.

Table 18 shows changes in *tangible real assets*.

Cost incurred until December 31, 2012	50.046
Purchases in 2013	0.017
Sales (cost incurred) in 2013	–
Accumulated depreciation	1.828
Accumulated appreciation	9.269
Book value on December 31, 2013	48.235
Book value on December 31, 2012	48.218
Annual depreciation in 2013	–

*Tangible real assets* comprise the coins of the OeNB's Money Museum and the OeNB's collection of historical string instruments. On December 31, 2013, 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.

*Intangible fixed assets* consist of the right to use and exploit a movie project commissioned by the OeNB, entitled "Prägende Veränderung – Aufbruch nach Europa" (table 19).

Cost incurred until December 31, 2012	–
Purchases in 2013	0.090
Sales (cost incurred) in 2013	–
Accumulated depreciation	0.018
Book value on December 31, 2013	0.072
Book value on December 31, 2012	–
Annual depreciation in 2013	0.018

### 11.3 Other Financial Assets

Table 20 shows changes in *other financial assets*.

EUR 1,582.983 million of the OeNB's total securities portfolio represent investments of pension reserve assets, another EUR 1,583.648 million reflect investments of the *OeNB Anniversary Fund for the Promotion of Scientific Research and Teaching* (of which EUR 1,532.854 million were earmarked as an endowment for the National Foundation for Research, Technology and Development, also referred to in brief as the National Foundation). EUR 105.580 million of the securities portfolio represented investment of earmarked ERP capital. Under its own funds management, the OeNB had in-

	December 31, 2013	December 31, 2012	Change	
	EUR million	EUR million	EUR million	%
Securities	7,498.413	6,790.588	+707.825	+10.4
Participating interests	1,111.859	1,091.260	+20.599	+1.9
Other investments	2.807	25.195	–22.388	–88.9
<b>Total</b>	<b>8,613.079</b>	<b>7,907.043</b>	<b>+706.036</b>	<b>+8.9</b>

vested EUR 4,226.202 million.<sup>10</sup> Revaluations of the portfolios resulted in unrealized price gains of EUR 54.576 million and unrealized price losses totaling EUR 2.818 million.

Of the *participating interests*, EUR 812.503 million formed part of the own funds portfolio and EUR 299.356 million part of the investment portfolio relating to investments of the pension reserve. Table 21 shows changes in *participating interests*.

Table 21

	EUR million
Net asset value on December 31, 2012	1,091.260
Purchases in 2013	0
Sales in 2013 (at book value)	–
Annual depreciation in 2013	–
Revaluation in 2013	20.599
Net asset value on December 31, 2013	1,111.859

*Other investments* mainly consist of short-term and overnight funds, EUR 2.314 million of which represent investments of the pension reserve.

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

Closing balance	EUR million	
December 31, 2013	55.366	
December 31, 2012	34.003	
Change	+21.363	(+62.8%)

The amounts shown on December 31, 2012, and December 31, 2013, resulted from book value reconciliation and realized gains/losses on forward sales and purchases.

Table 22

	December 31, 2013 EUR million	December 31, 2012 EUR million	Change EUR million	%
Accrued income	15.213	15.858	–0.645	–4.1
Prepaid expenses	512.696	665.312	–152.616	–22.9
Accrued interest paid	29.479	15.230	+14.249	+93.6
<b>Total</b>	<b>557.388</b>	<b>696.400</b>	<b>–139.012</b>	<b>–20.0</b>

Table 23

	December 31, 2013 EUR million	December 31, 2012 EUR million	Change EUR million	%
Claims arising from ERP loans to companies	682.599	674.100	+8.499	+1.3
Money market investment with the Oesterreichische Kontrollbank (OeKB) for ERP lending	–	220.001	–220.001	–100.0
<b>ERP loan portfolio managed by the OeNB</b>	<b>682.599</b>	<b>894.101</b>	<b>–211.502</b>	<b>–23.7</b>
Claims on the tax authorities arising from corporate income tax prepayment	23.523	–	+23.523	×
Schilling coins	3.793	6.247	–2.454	–39.3
Shareholder loans	35.346	37.446	–2.100	–5.6
Advances on salaries	8.661	8.274	+0.387	+4.7
Advances	13.923	15.594	–1.671	–10.7
Accounts receivable	3.973	5.709	–1.736	–30.4
Claim on Münze Österreich in respect of unsettled schilling coin returns	0.037	0.050	–0.013	–25.2
Other accounts receivable	1.581	3.376	–1.795	–53.2
<b>Total</b>	<b>773.436</b>	<b>970.797</b>	<b>–197.361</b>	<b>–20.3</b>

<sup>10</sup> The OeNB's own funds shown under liabilities include its capital, the reserve for non-domestic and price risks, the profit-smoothing reserve, earmarked ERP capital and the risk provisions.

Table 24

	December 31, 2013	December 31, 2012	Change
	EUR million	EUR million	EUR million
Banknotes actually put into and taken out of circulation by the OeNB (unadjusted banknotes)	-17,675.304	-18,657.572	+982.268
Adjusted for:			
Liability resulting from the share of euro banknotes in circulation allocated to the ECB's balance sheet <sup>1</sup>	-2,130.168	-2,025.974	-104.194
Claims related to the allocation of euro banknotes within the Eurosystem (Capital Share Mechanism – CSM)	+44,302.932	+43,982.020	+320.912
Net claims related to the allocation of euro banknotes within the Eurosystem	+42,172.764	+41,956.046	+216.718
<b>Banknotes in circulation<sup>2</sup></b>	<b>24,497.460</b>	<b>23,298.474</b>	<b>+1,198.986</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 2.562% of the total amount of euro banknotes in circulation within the euro area (December 31, 2012: 2.553%).

## 11.5 Accruals and Prepaid Expenses

Table 22 shows the changes in accruals and prepaid expenses.

## 11.6 Sundry

Table 23 shows changes in *sundry assets*.

Pursuant to Article 3 paragraph 2 ERP Fund Act, the OeNB's maximum financing commitment corresponds to the sum by which the federal debt was written down initially (EUR 341.955 million) plus interest accrued on a reserve account (EUR 648.909 million on December 31, 2013). The ERP loan portfolio managed by the OeNB thus totaled EUR 990.864 million on December 31, 2013. 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 almost exclusively exceed one year. All advance payments are secured by life insurance plans.

*Other claims* on December 31, 2013, mainly comprised claims arising from day-to-day business.

## Liabilities

### 1 Banknotes in Circulation

Closing balance	EUR million	
December 31, 2013	24,497.460	
December 31, 2012	23,298.474	
Change	+1,198.986	(+5.1%)

This item reflects the value of euro banknotes in circulation allocated to the OeNB. Table 24 shows how this share is calculated and its change in 2013.

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

Table 25 shows annual averages of the value of *banknotes in circulation* during the past five years.

Table 25

	Banknotes in circulation, annual average	Change	%
	EUR billion	EUR billion	
2009	19.323	+0.865	+4.7
2010	20.341	+1.018	+5.3
2011	21.270	+0.929	+4.6
2012	22.204	+0.934	+4.4
2013	23.188	+0.984	+4.4

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

Table 26 shows changes in *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



Table 26

	December 31, 2013	December 31, 2012	Change	
	EUR million	EUR million	EUR million	%
2.1 Current accounts (covering the minimum reserve system)	12,036.904	19,932.000	-7,895.096	-39.6
2.2 Deposit facility	2,181.000	3,296.500	-1,115.500	-33.8
2.3 Fixed-term deposits	720.000	-	+720.000	x
<b>Total</b>	<b>14,937.904</b>	<b>23,228.500</b>	<b>-8,290.596</b>	<b>-35.7</b>

that are required to hold minimum reserves with the OeNB. Banks' minimum reserve balances have been remunerated since January 1, 1999, at the prevailing marginal interest rate for the Eurosystem's main refinancing operations. Any credit balances on these accounts in excess of the minimum reserve requirement do not receive interest.

## 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 2013, the volume of such transactions averaged EUR 1,199.874 million.

## 2.3 Fixed-Term Deposits

In 2013, *fixed-term deposits* of between EUR 10,000 million and EUR 1,903.902 million were made at interest rates of between 0.01% per annum and 0.25% per annum.

## 5 Liabilities to Other Euro Area Residents Denominated in Euro

Closing balance	EUR million	
December 31, 2013	308.575	
December 31, 2012	286.775	
Change	+21.800	(+7.6%)

*Liabilities to other euro area residents denominated in euro* consist of general government deposits of EUR 215.610 million (+EUR 12.144 million).

## 6 Liabilities to Non-Euro Area Residents Denominated in Euro

Closing balance	EUR million	
December 31, 2013	246.688	
December 31, 2012	25.462	
Change	+221.226	(n.a.)

*Liabilities to non-euro area residents denominated in euro* consist of balances of central banks, credit institutions and supranational financial institutions headquartered outside the euro area.

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

Closing balance	EUR million	
December 31, 2013	1,941.720	
December 31, 2012	2,024.021	
Change	-82.301	(-4.1%)

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

## 10 Intra-Eurosystem Liabilities

Closing balance	EUR million	
December 31, 2013	39,148.233	
December 31, 2012	39,897.016	
Change	-748.783	(-1.9%)

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, 2012. Moreover, this item covers net claims arising at year-end from the difference between monetary income to be pooled and distributed, the balances arising from any redistribution of ECB seigniorage income, and pro rata expenditure in connection with losses incurred in respect of monetary policy operations of the Eurosystem.

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

## 12 Other Liabilities

Table 27 shows changes in *other liabilities*.

## 12.3 Sundry

Table 28 shows changes in *sundry liabilities*.

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

The subitem *schilling banknotes in circulation with an exchange deadline* is attributable to schilling banknotes with an exchange deadline which were still outstanding on December 31, 2013. Like 2012, 2013 did not mark the end of the exchange period of any schilling banknote.

According to the General Meeting's decision, EUR 10 million of the profit for the year 2012 were apportioned to the *OeNB's Anniversary Fund for the Promotion of Scientific Research and Teaching*. The initial OeNB Anniversary Fund was thus endowed with EUR 35.443 million. Of these funds, EUR 7.212 million were paid out in 2013; another EUR 19.356 million of the remaining undisbursed funds of EUR 28.231 million had been committed by December 31, 2013. In 2013, the General

Table 27

	December 31, 2013	December 31, 2012	Change	
	EUR million	EUR million	EUR million	%
12.1 Off balance sheet instruments' revaluation differences	–	–	–	–
12.2 Accruals and income collected in advance	12.654	26.705	–14.051	–52.6
12.3 Sundry	345.201	475.375	–130.174	–27.4
<b>Total</b>	<b>357.855</b>	<b>502.080</b>	<b>–144.225</b>	<b>–28.7</b>

Table 28

	December 31, 2013	December 31, 2012	Change	
	EUR million	EUR million	EUR million	%
Central government's share of profit	181.234	254.694	–73.460	–28.8
Liability from schilling banknotes in circulation with an exchange deadline	113.695	114.984	–1.289	–1.1
Earmarked funds of the OeNB Anniversary Fund				
OeNB Anniversary Fund (initial funding)	28.231	24.282	+3.949	+16.3
OeNB Anniversary Fund National Foundation endowment	17.713	75.000	–57.287	–76.4
Settlement account with the tax authorities	0.349	2.552	–2.203	–86.3
Sundry	3.979	3.863	+0.116	+3.0
<b>Total</b>	<b>345.201</b>	<b>475.375</b>	<b>–130.174</b>	<b>–27.4</b>

Council endorsed 118 new projects which will receive funding amounting to EUR 11.269 million. This means that since funds were first pledged as financial assistance in 1966, a total of EUR 752.102 million has been paid out.

The amounts appropriated each year for the National Foundation (EUR 17.7 million for 2013) are transferred the day after the General Meeting.

### 13 Provisions

*Provisions* are shown in table 29.

*Risk provisions* are made for foreign exchange rate, interest rate, credit and gold price risks. To calculate the need to allocate or release risk provisions, the OeNB uses bandwidths for all financial risks it incurs, including the risks arising from the single monetary policy of the Eurosystem. These bandwidths are based on risk calculations using VaR and ES (expected shortfall) calculations with a confidence level of 99% over a one-year time horizon (plus a three-month horizon for market risk). The bandwidths also reflect the results of stress scenarios for the risks associated with the

conduct of Eurosystem monetary policy operations. Taking into account the prohibition of netting in the Accounting Guideline, balances on revaluation accounts that may be used to absorb losses are used to reduce risk in calculating market risk.

Taking monetary policy, macroeconomic and financial stability considerations into account, the Governing Board determines the size of the risk provisions every year on the basis of the risk bandwidths. In the financial statement for 2013, EUR 300 million were allocated to the risk provisions. As defined by the ECB, these risk provisions constitute central bank-specific provisions equivalent to reserves and are to be included in net equity.

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

Table 29

	December 31, 2012	Transfer from	Transfer to	December 31, 2013
	EUR million	EUR million	EUR million	EUR million
<b>Risk provisions</b>	2,550.000	–	+300.000	2,850.000
<b>Pension reserve</b>	1,869.684	–	+27.422	1,897.106
<b>Personnel provisions</b>				
Severance payments	61.224	–5.246	+5.281	61.259
Anniversary bonuses	10.914	–1.407	+1.605	11.112
Residual leave entitlements	11.886	–0.240	+1.115	12.761
Supplementary contributions to pension plans	9.801	–0.068	+5.337	15.070
Other personnel provisions	1.944	–0.655	+1.429	2.718
<b>Other provisions</b>				
Schilling banknotes without an exchange deadline In respect of monetary policy operations of the Eurosystem	168.189	–21.760	–	146.429
Accounts payable	8.966	–8.966	–	–
Accounts payable to subsidiaries	0.700	–0.700	+0.657	0.657
IMF Poverty Reduction and Growth Trust (PRGT)	4.754	–4.754	+1.938	1.938
Corporate income tax	7.244	–7.244	–	–
Provisions for pending legal suits	29.516	–29.516	–	–
Other	–	–	+3.992	3.992
	1.103	–0.974	+0.727	0.856
<b>Total</b>	<b>4,735.925</b>	<b>–81.530</b>	<b>+349.503</b>	<b>5,003.898</b>

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. Article 81 Second Stability Act 2012 (2. Stabilitätsgesetz 2012) made OeNB staff who joined the OeNB until March 30, 1993, and all retired OeNB employees subject to a pension tax. From January 1, 2013, the OeNB has thus retained, and transferred to the central government, 3% from monthly salaries ("Pensionsbeitrag") and 3.3% from pensions ("Pensionsversicherungsbeitrag").

During the annual review of the discount rate used to calculate the actuarial present value of the projected pension benefits, the discount rate was reduced from 3.25% per annum to 2.998% per annum on account of the sustained period of low interest rates. The discount rate assumption for December 31, 2013, was made on the basis of an expert opinion on "Provisions for Pension Payment, Severance Payment, Anniversary Bonus and Similar Obligations under the Rules of the Austrian Commercial Code" which was drawn up by the Board of Experts in the Austrian Chamber of Public Accountants (Fachsenat für Handelsrecht und Revision des Instituts für Betriebswirtschaft, Steuerrecht und Organisation der Kammer der Wirtschaftstreuhänder) and is currently under review. The lower discount rate assumption – made in line with the average cost basis method recommended in the expert opinion – implies an increase in the amount of reserve assets required to meet future pension obligations by EUR 68.405 million.

Moreover, the actuarial present value of the pension benefits that are expected to be paid in the future also reflects the most recent mortality tables<sup>11</sup> as well as the fact that employees (or their dependents) may become eligible for ben-

efits from the pension reserve for three reasons: death, disability or attainment of the pension entitlement age. In the 2013 financial statements, the corresponding pension scheme liabilities were stated pro rata and on the basis of the net present value for retired employees. The actuarial present value of projected pension benefits amounted to EUR 2,166.728 million on December 31, 2013; its coverage by the pension reserve and hidden reserves in the real estate portfolio came to EUR 2,127.411 million. The underfunding of EUR 39.317 million was covered by including a contingent liability in the *transactions not disclosed in the balance sheet* as of December 31, 2013.

*Provisions for severance payments and anniversary bonuses* are calculated according to actuarial principles; the corresponding discount rate assumption for December 31, 2013, was reduced from 3.50% per annum to 2.83% per annum.

In line with the general accounting principle of prudence, the Governing Council of the ECB decided to dissolve the outstanding *provisions in respect of monetary policy operations of the Eurosystem* as on December 31, 2013. This provision against counterparty risks in monetary policy operations had been established in 2008 because 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. Initially, a total of EUR 5.736 billion had been set aside, with the OeNB's share coming to EUR 166 million. Since its establishment, the provision had been reviewed annually and amounted to EUR 310 million on December 31, 2012 (EUR 9 million of which were allocated to the OeNB). The respective adjustment of EUR 9 million from dissolving the provision was released into the OeNB's profit and loss account and is reflected in profit and loss account item 5 *Net result of pooling of monetary income*.

<sup>11</sup> AVÖ 2008-P – Rechnungsgrundlagen für die Pensionsversicherung – Pagler & Pagler (actuarial basis for pension insurance published by the Austrian actuaries association AVÖ).

The provisions for schilling banknotes without an exchange deadline were drawn down for exchanges of schilling banknotes and to reflect reduced expectations for exchanges.

#### 14 Revaluation Accounts

The amounts on the *revaluation accounts* (table 30) reflect the valuation gains established in the course of the valuation of assets as on December 31, 2013. 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 Nationalbank Act, the capital of the OeNB is EUR 12 million. Since May 27, 2010, the Republic of Austria has been the sole shareholder of the OeNB, with the Ministry of Finance acting as the shareholder's representative.

Table 31 shows changes in reserves.

The change in the *profit-smoothing reserve* resulted from allocations out of the profit for the year 2012, which were made according to the General Meeting's decision of May 23, 2013.

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

The capital of the OeNB's *Anniversary Fund for the Promotion of Scientific Research and Teaching* consists of its initial funding (EUR 31.5 million) and of an endowment to support the National Foundation (EUR 1.5 billion), which was established in 2003 by earmarking funds reappropriated from the *freely disposable reserve fund* (EUR 545 million) and from the *general reserve fund* (EUR 955 million).

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

Table 30

	December 31, 2013	December 31, 2012	Change	
	EUR million	EUR million	EUR million	%
<b>Revaluation accounts</b>				
Gold	5,624.989	9,135.435	-3,510.446	-38.4
Foreign currency	93.919	641.324	-547.405	-85.4
Securities	343.843	626.525	-282.682	-45.1
Participating interests	470.731	450.131	+20.600	+4.6
Coins of the OeNB's Money Museum	9.269	9.269	-	-
<b>Total</b>	<b>6,542.751</b>	<b>10,862.684</b>	<b>-4,319.933</b>	<b>-39.8</b>
<b>Unrealized valuation gains from January 1, 1999 (initial valuation)</b>				
Participating interests	262.764	262.764	-	-
<b>Total</b>	<b>6,805.515</b>	<b>11,125.448</b>	<b>-4,319.933</b>	<b>-38.8</b>

Table 31

	December 31, 2013	December 31, 2012	Change	
	EUR million	EUR million	EUR million	%
Profit-smoothing reserve	51.686	34.587	+17.099	+49.4
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	648.909	646.160	+2.749	+0.4
<b>Total</b>	<b>4,205.358</b>	<b>4,185.510</b>	<b>+19.848</b>	<b>+0.5</b>

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

### Notes on Transactions Not Disclosed in the Balance Sheet

The following amounts were recorded off the balance sheet on December 31, 2012, and on December 31, 2013 (table 32).

### Notes to the Profit and Loss Account

Table 33 shows the amounts posted to the *profit and loss account*.

#### 1 Net Interest Income

*Net interest income* represents the balance of interest income and interest expense (table 34).

#### 2 Net Result of Financial Operations, Writedowns and Risk Provisions

Table 35 shows *realized gains/losses arising from financial operations*.

Table 36 shows *writedowns on financial assets and positions*.

*Transfers to risk provisions* had an impact of EUR 300 million in 2013 (2012: EUR 626 million).

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

Table 37 shows *income from equity shares and participating interests*.

The Governing Council of the ECB decided that of the amount of the ECB's 2013 income of EUR 406.3 million on euro banknotes in circulation (seigniorage income) and the ECB's income of EUR 963.8 million on SMP securities, EUR 0.4 million should be retained and transferred to the ECB's *provision for foreign exchange rate, interest rate, credit and gold price risks*. The remaining seigniorage income of EUR 1,369.7 million was distributed to the NCBs at the end

Table 32

	December 31, 2013	December 31, 2012
	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	3,833.794	4,123.142
Contingent liabilities to the IMF under the New Arrangements to Borrow (NAB)	3,482.543	3,679.928
Contingent liabilities to the IMF under a bilateral agreement	6,130.000	–
Obligation to make supplementary contributions to the stake in the capital of the BIS (8,564 shares of SDR 5,000 each)	35.914	37.436
Forward purchases (euro forward transactions and swaps)	2,232.716	1,465.612
Forward sales (foreign currency-denominated forward transactions and swaps) <sup>1</sup>	2,177.350	1,431.609
Book value reconciliation and realized gains/losses on forward sales and purchases	55.366	34.003
Liabilities from foreign currency investments effected in the OeNB's name for third account	22.296	10.675
Contingent liabilities in respect of the funding gap in the pension reserve	39.317	–
Repayment obligation equivalent to interest accrued on pension contributions paid by OeNB staff terminating employment	12.432	11.620
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	968.500	970.850
Contingent liabilities arising from bank guarantees given	111.000	111.000
Contingent assets arising from bank guarantees received	7.863	7.863
Contingent asset from a guarantee of the OeKB in respect of payment transactions	1,000.000	1,000.000

<sup>1</sup> This item includes U.S. dollar-, pound sterling- and Japanese yen-denominated forward sales to hedge the SDR currency risk as at December 31, 2013, and December 31, 2012.

Table 33

	2013	2012	Change <sup>1</sup>	
	EUR million	EUR million	EUR million	%
1 Net interest income	833.901	1.015.785	-181.884	-17.9
2 Net result of financial operations, writedowns and risk provisions	-265.970	-440.376	+174.406	+39.6
3 Net income from fees and commissions	0.427	0.423	+0.004	+1.2
4 Income from equity shares and participating interests	89.624	41.365	+48.259	+116.7
5 Net result of pooling of monetary income	-26.947	31.884	-58.831	n.a.
6 Other income	60.317	29.365	+30.952	+105.4
<b>Total net income</b>	<b>691.352</b>	<b>678.446</b>	<b>+12.906</b>	<b>+1.9</b>
7 Staff costs	-135.589	-130.663	+4.926	+3.8
8 Expenses for retirement	-113.946	-6.773	+107.173	n.a.
9 Administrative expenses	-81.553	-84.254	-2.701	-3.2
10 Depreciation of tangible and intangible fixed assets	-13.925	-12.801	+1.124	+8.8
11 Banknote production services	-19.018	-21.395	-2.377	-11.1
12 Other expenses	-28.994	-45.236	-16.242	-35.9
<b>Total expenses</b>	<b>-393.025</b>	<b>-301.122</b>	<b>+91.903</b>	<b>+30.5</b>
<b>Operating profit</b>	<b>298.327</b>	<b>377.324</b>	<b>-78.997</b>	<b>-20.9</b>
13 Corporate income tax	-74.582	-94.331	-19.749	-20.9
	<b>223.745</b>	<b>282.993</b>	<b>-59.248</b>	<b>-20.9</b>
14 Transfer to the pension reserve and central government's share of profit	-203.608	-254.694	-51.086	-20.1
<b>15 Profit for the year</b>	<b>20.137</b>	<b>28.299</b>	<b>-8.162</b>	<b>-28.8</b>

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

Table 34

	2013	2012	Change	
	EUR million	EUR million	EUR million	%
Net interest income from				
foreign currency investments	125.152	156.066	-30.914	-19.8
euro investments	275.081	358.550	-83.469	-23.3
monetary policy operations	419.327	512.785	-93.458	-18.2
intra-Eurosystem balances arising from the allocation of euro banknotes within the Eurosystem	245.680	337.375	-91.695	-27.2
the transfer of foreign reserve assets to the ECB	5.342	8.517	-3.175	-37.3
minimum reserves	-18.027	-29.625	-11.598	-39.1
TARGET2 transactions	-220.852	-328.177	-107.325	-32.7
Other	2.198	0.294	+1.904	n.a.
<b>Total</b>	<b>833.901</b>	<b>1,015.785</b>	<b>-181.884</b>	<b>-17.9</b>

Table 35

	2013	2012	Change	
	EUR million	EUR million	EUR million	%
Foreign currency transactions	50.361	60.335	-9.974	-16.5
Securities transactions	56.510	128.127	-71.617	-55.9
<b>Total</b>	<b>106.871</b>	<b>188.462</b>	<b>-81.591</b>	<b>-43.3</b>

Table 36

	2013	2012	Change	
	EUR million	EUR million	EUR million	%
Securities	-36.389	-1.464	+34.925	n.a.
Foreign currency	-36.452	-1.301	+35.151	n.a.
<b>Total</b>	<b>-72.841</b>	<b>-2.765</b>	<b>+70.076</b>	<b>n.a.</b>

Table 37

	2013	2012	Change	
	EUR million	EUR million	EUR million	%
<i>Dividends</i>				
BIS	3.117	3.169	-0.052	-1.6
Münze Österreich AG	36.500	20.000	+16.500	+82.5
<i>Profit distributions by</i>				
GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination G.m.b.H. (GSA)	0.115	0.093	+0.022	+24.1
Redistribution of S.W.I.F.T. shares	-	0.044	-0.044	-100.0
Distribution of ECB seigniorage income	38.142	15.946	+22.196	+139.2
Distribution of ECB profit	11.750	2.113	+9.637	n.a.
<b>Total</b>	<b>89.624</b>	<b>41.365</b>	<b>+48.259</b>	<b>+116.7</b>

of January 2013, with the OeNB receiving EUR 38.1 million of this amount.

### 5 Net Result of Pooling of Monetary Income

Table 38 shows the net result for the OeNB arising from the calculation of monetary income in the Eurosystem.

Table 38

	2013
	EUR million
Net monetary income to be pooled	-499.799
Net redistribution of monetary income	+463.491
<b>Net expenditure from the redistribution of monetary income in the review year</b>	<b>-36.308</b>
Transfers from provisions in respect of monetary policy operations of the Eurosystem	+8.966
Net income from the revision of monetary income of the previous years	+0.395
<b>Total</b>	<b>-26.947</b>

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 ear-

markable assets held against its liability base. The liability base consists of banknotes in circulation, liabilities to euro area credit institutions related to monetary policy operations denominated in euro, net intra-Eurosystem liabilities resulting from TARGET2 transactions and net intra-Eurosystem liabilities related to the allocation of euro banknotes within the Eurosystem. Any interest on these liabilities is deducted from the monetary income to be pooled.

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

Securities acquired by the OeNB under the CBPP initiatives are considered to generate income at the latest available marginal rate for the Eurosystem's main refinancing operations. Where the value of the OeNB's earmarkable



assets exceeds, or falls short of, the value of its liability base, the difference is offset by applying the latest available marginal rate for the Eurosystem's main refinancing operations to the value of the difference.

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

## 6 Other Income

Other income comprises Austria's pro rata income from IMF transactions (EUR 17.521 million), transfers from provisions (EUR 20.821 million) and banking supervision costs reimbursed by the FMA (EUR 8 million, i.e. the statutory maximum).

## 7 Staff Costs

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

*Salaries* rose by EUR 3.998 million (+3.8%) net to EUR 110.690 million against the previous year. The OeNB's outlays were reduced by recoveries of salaries totaling EUR 6.439 million for staff members on secondment to subsidiaries and foreign institutions.

The four members of the Governing Board received emoluments totaling EUR 1.075 million (2012: EUR 1.067 million; table 39).

	Emoluments EUR million
Governor Ewald Nowotny	0.2907
Vice Governor Andreas Ittner from July 11, 2013 (Executive Director before this date)	0.2637
Executive Director Kurt Pribil from July 11, 2013	0.1241
Executive Director Peter Mooslechner from May 1, 2013	0.1747
Vice Governor Wolfgang Duchatczek until June 25, 2013	0.1332
Executive Director Peter Zöllner until April 30, 2013	0.0889

With regard to the remuneration of Governing Board members, the Federal Constitutional Act on the Limitation of Remunerations for Public Officials stipulates that the emoluments of the central bank governor must not

exceed those of the Austrian Federal Chancellor. The emoluments of the other members of the Governing Board, in turn, must not exceed the emoluments of the Governor of the OeNB. In line with the provisions of the Federal Constitutional Act on the Limitation of Remunerations for Public Officials, the emoluments were increased by 1.8% per annum from January 1, 2013. Remuneration in kind (tax value of the private use of company cars, subsidies to health and accident insurance) and other benefits totaled EUR 0.039 million in 2013. The emoluments of the OeNB's President and Vice President amounted to EUR 0.116 million in 2013 (2012: EUR 0.114 million). The members of the General Council may donate EUR 250 on behalf of the OeNB to charity for every day they participate in a meeting of the General Council or one of its committees. Travel expenses associated with the exercise of General Council members' functions are appropriately reimbursed.

The changes in Governing Board membership in 2013 entailed total payments of EUR 0.391 million made to cover above all the cost of severance payments.

Table 40 shows changes in the number of full-time equivalent (FTEs) staff.

*Expenses for severance payments and contributions to severance funds* come to EUR 0.529 million and EUR 0.513 million, respectively.

*Statutory or contractual social charges* and compulsory contributions related to wages and salaries totaling EUR 19.341 million (+EUR 1.428 million or +8.0%) contain social security contributions of EUR 10.920 million (+EUR 1.080 million or +11.0%), contributions of EUR 4.896 million (+EUR 0.175 million or +3.7%) to the Family Burden Equalization Fund and municipal tax payments of EUR 3.290 million (+EUR 0.116 million or +3.7%).

## 8 Expenses for Retirement

This item includes pension plan contributions made in 2013 to the externally managed pension fund and respective reserves set aside, amounting to EUR 6.586 million (2012: EUR 6.773 million). Pension payments totaled EUR 114.952 million (+0.9%), of which EUR 7.592 million

Table 40

	Reporting date December 31, <sup>1</sup>			Annual average <sup>1</sup>		
	2013	2012	Change	2013	2012	Change
Staff employed in core business areas <sup>2</sup>	1,089.1	1,071.7	+17.4	1,083.9	1,032.8	+51.1
Total	1,232.9	1,222.4	+10.5	1,230.7	1,189.3	+41.4

<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).

were covered by the investment income of the pension reserve. The cost of remunerating retired board members or their dependents amounted to EUR 4.266 million.

## 9 Administrative Expenses

Administrative expenses include, among other things, rent, operating expenses, maintenance and repair costs of EUR 30.801 million (–EUR 2.292 million) as well as banknote processing expenses of EUR 11.843 million (+EUR 0.446 million). The headline figure also includes EUR 5.019 million (+EUR 1.497 million) that were refunded by third parties (subsidiaries or the ECB). Administrative expenses for auditing the financial statements came to EUR 0.109 million (2012: EUR 0.167 million), those for certification services of the auditors to EUR 0.083 million (2012: EUR 0.085 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 EUR 17.124 million representing the share of IMF programs funded by Austria as well as financial assistance provided

(virtually unchanged from 2012) to the institutions shown in table 41.

Tabelle 41

	2013
	EUR million
Joint Vienna Institute	2.6
WIFO (Austrian Institute of Economic Research)	1.5
IHS	1.2
wiiw	0.5
Österreichische Gesellschaft für Europa-politik (Austrian Society of European Politics)	0.4
<b>Total</b>	<b>6.2</b>

## 13 Corporate Income Tax

Under Article 72 paragraph 1 Nationalbank Act, the operating profit of the annual accounts drawn up pursuant to Article 67 Nationalbank Act and in accordance with Article 69 paragraph 1 Nationalbank Act constitutes the OeNB's taxable income within the meaning of Article 22 paragraph 1 of the Körperschaftsteuergesetz (Corporation Tax Act) 1988.

## 14 Transfer to the Pension Reserve and Central Government's Share of Profit

*Transfer to the pension reserve and central government's share of profit* are shown in table 42.

Table 42

	2013	2012	Change	%
	EUR million	EUR million	EUR million	
Transfer to the pension reserve under Article 69 paragraph 2 Nationalbank Act	22.374	–	+22.374	x
Central government's share of profit of 90% under Article 69 paragraph 3 Nationalbank Act	181.234	254.694	–73.460	–28.8
<b>Total</b>	<b>203.608</b>	<b>254.694</b>	<b>–51.086</b>	<b>–20.1</b>

**GOVERNING BOARD (DIREKTORIUM)**

Governor Ewald NOWOTNY

Vice Governor Andreas ITTNER (from July 11, 2013)

Executive Director Kurt PRIBIL (from July 11, 2013)

Executive Director Peter MOOSLECHNER (from May 1, 2013)

Vice Governor Wolfgang DUCHATCZEK (until June 25, 2013)

Executive Director Peter ZÖLLNER (until April 30, 2013)

Direktor Andreas ITTNER (until July 10, 2013)

**GENERAL COUNCIL (GENERALRAT)**

President Claus J. RAIDL

Vice President Max KOTHBAUER

August ASTL

Markus BEYRER (until May 23, 2013)

Elisabeth GÜRTLER-MAUTHNER

Gottfried HABER (from May 23, 2013)

Erich HAMPEL

Anna Maria HOCHHAUSER

Johann MARIHART

Werner MUHM (from March 1, 2013)

Gabriele PAYR

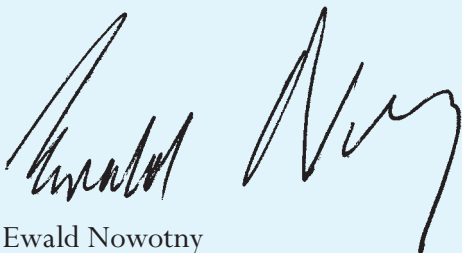
Walter ROTHENSTEINER

Dwora STEIN

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

Robert Kocmich and Ferdinand Mramor

Vienna, March 28, 2014



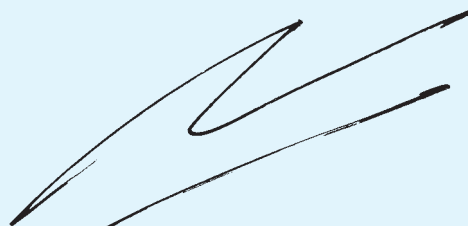
Ewald Nowotny



Andreas Ittner



Kurt Pribil



Peter Mooslechner

# Audit Opinion



*Oesterreichische Nationalbank, Wien*  
*Bericht über die Prüfung des Jahresabschlusses zum 31. Dezember 2013*  
*28. März 2014*

## Bestätigungsvermerk

### Bericht zum Jahresabschluss

Wir haben den beigefügten Jahresabschluss der

**Oesterreichische Nationalbank,  
Wien,**

für das **Geschäftsjahr vom 1. Jänner 2013 bis zum 31. Dezember 2013** unter Einbeziehung der Buchführung geprüft. Dieser Jahresabschluss umfasst die Bilanz zum 31. Dezember 2013, die Gewinn- und Verlustrechnung für das am 31. Dezember 2013 endende Geschäftsjahr sowie den Anhang.

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

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

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



*Oesterreichische Nationalbank, Wien*  
*Bericht über die Prüfung des Jahresabschlusses zum 31. Dezember 2013*

Eine Prüfung beinhaltet die Durchführung von Prüfungshandlungen zur Erlangung von Prüfungsnachweisen hinsichtlich der Beträge und sonstigen Angaben im Jahresabschluss. Die Auswahl der Prüfungshandlungen liegt im pflichtgemäßen Ermessen des Abschlussprüfers unter Berücksichtigung seiner Einschätzung des Risikos eines Auftretens wesentlicher Fehldarstellungen, sei es auf Grund von beabsichtigten oder unbeabsichtigten Fehlern. Bei der Vornahme dieser Risikoeinschätzung berücksichtigt der Abschlussprüfer das interne Kontrollsystem, soweit es für die Aufstellung des Jahresabschlusses und die Vermittlung eines möglichst getreuen Bildes der Vermögens-, Finanz- und Ertragslage der Gesellschaft von Bedeutung ist, um unter Berücksichtigung der Rahmenbedingungen geeignete Prüfungshandlungen festzulegen, nicht jedoch um ein Prüfungsurteil über die Wirksamkeit der internen Kontrollen der Gesellschaft abzugeben. Die Prüfung umfasst ferner die Beurteilung der Angemessenheit der angewandten Bilanzierungs- und Bewertungsmethoden und der von den gesetzlichen Vertretern vorgenommenen wesentlichen Schätzungen sowie eine Würdigung der Gesamtaussage des Jahresabschlusses.

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

#### **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 2013 sowie der Ertragslage der Gesellschaft für das Geschäftsjahr vom 1. Jänner 2013 bis zum 31. Dezember 2013 in Übereinstimmung mit den österreichischen Grundsätzen ordnungsmäßiger Buchführung.

#### **Aussagen zum Geschäftsbericht**

Auf den gemäß § 68 Abs 1 NBG zu erstellende Geschäftsbericht finden die Bestimmungen des § 243 Abs 1 bis 3 UGB (Lagebericht), mit Ausnahme von Abs 2 letzter Satz und Abs 3 Z 2 und Z 5, UGB Anwendung.

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, am 28. März 2014



KPMG  
Wirtschaftsprüfungs- und Steuerberatungs AG

*[Signature]*  
DDr. Martin Wagner  
Wirtschaftsprüfer

*[Signature]*  
ppa Mag. Monika Hansi  
Wirtschaftsprüferin

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

**Oesterreichische Nationalbank, Vienna**

**Audit Opinion on the German version of the financial statements as of December 31, 2013  
March 28, 2014**

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

### **Audit Opinion**

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the

**Oesterreichische Nationalbank,  
Vienna**

for the *fiscal year January 1, 2013, to December 31, 2013*, including the OeNB's accounts. These financial statements comprise the balance sheet as of December 31, 2013, the profit and loss account for the fiscal year ended December 31, 2013, 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 special provisions of the Nationalbank Act 1984, as amended, as well as the supplementary regulations established by the Governing Council of the ECB under Article 26.4 of the Statute of the European System of Central Banks and of the European Central Bank, as set forth in the Guideline of the European Central Bank of 11 November 2010 on the legal framework for accounting and reporting in the European System of Central Banks (ECB/2010/20), as amended by the ECB's Guideline of 10 December 2012 (ECB/2012/29). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

**Oesterreichische Nationalbank, Vienna**

**Audit Opinion on the German version of the financial statements as of December 31, 2013**

An audit involves procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the

assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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, 2013, and of its financial performance for the fiscal year from January 1, 2013, to December 31, 2013, in accordance with Austrian Generally Accepted Accounting Principles.

### **Statement on the Annual Report**

The provisions of Article 243 paragraphs 1 to 3 of the Commercial Code (Report of the Management Board) with the exception of paragraph 2 last sentence and paragraph 3 nos. 2 and 5 Commercial Code are applicable to the Annual Report to be prepared under Article 68 paragraph 1 Nationalbank Act.

Pursuant to statutory provisions, the Annual Report is to be audited as to whether the other disclosures are not misleading with respect to the Company's position. The auditors' report also has to contain a statement as to whether the Annual Report is consistent with the financial statements. In our opinion, the Annual Report is consistent with the financial statements.

Vienna, March 28, 2014

KPMG Wirtschaftsprüfungs-und Steuerberatungs AG

Martin Wagner  
Certified

p.p. Monika Hansi  
Certified

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

## Profit for the Year and Proposed Profit Appropriation

With the statutory allocation of the central government's share of EUR 181.234 million of the OeNB's profit having been made in line with Article 69 paragraph 3 Nationalbank Act (item 14 of the profit and loss account), the bal-

ance sheet and the profit and loss account show a profit for the year 2013 of EUR 20,137,079.80. On March 26, 2014, 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	10,000,000.00
to transfer to the profit-smoothing reserve	8,937,079.80
	<hr/> <b>20,137,079.80</b> <hr/>

## Report of the General Council on the Annual Report and the Financial Statements for 2013

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 2013 were given an unqualified auditor's opinion after examination by the auditors elected at the General Meeting of May 23, 2013, KPMG Wirtschaftsprüfungs- und Steuerberatungs AG,

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 24, 2014, the General Council approved the Annual Report of the Governing Board and the Financial Statements for the financial year 2013. The General Council submits the Annual Report and moves that the General Meeting approve the Financial Statements of the Oesterreichische Nationalbank for the year 2013 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 2013 (as mentioned above).



Notes

## Abbreviations

ABS	asset-backed security	IBAN	International Bank Account Number
ACC	additional credit claim	IBRD	International Bank for Reconstruction and Development
AQR	asset quality review	ICAAP	Internal Capital Adequacy Assessment Process
BIC	business identifier code	ICAS	in-house credit assessment system
BIS	Bank for International Settlements	IFS	Institute for Advanced Studies
BRRD	Bank Recovery and Resolution Directive	IMF	International Monetary Fund
CBPP	Covered Bond Purchase Programme	INFE	International Network on Financial Education
CESEE	Central, Eastern and Southeastern Europe(an)	IPA	Instrument for Pre-Accession Assistance
CIS	Commonwealth of Independent States	IFRS	International Financial Reporting Standards
CoCAS	Common Credit Assessment System	IT	information technology
CRD IV	Capital Requirements Directive IV	ISIN	International Securities Identification Number
CRR	Capital Requirements Regulation	JVI	Joint Vienna Institute
CSD	central securities depository	LIBOR	London Interbank Offered Rate
DAX	German Stock Index	LTRO	longer-term refinancing operation
EBA	European Banking Authority	MIP	macroeconomic imbalance procedure
EBRD	European Bank for Reconstruction and Development	MÜNZE	Münze Österreich Aktiengesellschaft
EC	European Community	NAB	New Arrangements to Borrow
ECB	European Central Bank	NCB	national central bank
EFSF	European Financial Stability Facility	NPL	nonperforming loan
EFSM	European Financial Stabilisation Mechanism	OeBS	Oesterreichische Banknoten- und Sicherheitsdruck GmbH
EIB	European Investment Bank	OECD	Organisation for Economic Co-operation and Development
EMAS	Eco-Management and Audit Scheme	OeKB	Oesterreichische Kontrollbank Aktiengesellschaft
EMU	Economic and Monetary Union	OeNB	Oesterreichische Nationalbank
EONIA	Euro OverNight Index Average	OMT	Outright Monetary Transaction
EPC	European Payments Council	OTC	over the counter
EPT	environmental protection team	S.W.I.F.T.	Society for Worldwide Interbank Financial Telecommunication
ERM II	Exchange Rate Mechanism II	SDR	Special Drawing Right
ERP	European Recovery Program	SEPA	Single Euro Payments Area
ES	expected shortfall	SMP	Securities Markets Programme
ESCB	European System of Central Banks	SPOC	single point of contact
ESM	European Stability Mechanism	SRB	single resolution board
ESMA	European Securities and Markets Authority	SRF	single resolution fund
ESRB	European Systemic Risk Board	SRM	Single Resolution Mechanism
ESS	Eurosystem Strategic Stock	SSM	Single Supervisory Mechanism
EU	European Union	SUERF	Société Universitaire Européenne de Recherches Financières
EWE	external work experience	T2S	TARGET2-Securities
EURIBOR	Euro Interbank Offered Rate	TARGET2	Trans-European Automated Real-time Gross settlement Express Transfer system
FMA	Austrian Financial Market Authority	TFEU	Treaty on the Functioning of the European Union
Fed	Federal Reserve System	TSCG	Treaty on Stability, Coordination and Governance in the Economic and Monetary Union
FMSB	Financial Market Stability Board	UCITS	undertakings for collective investments in transferable securities
FTE	full-time equivalent	VaR	value at risk
GDP	gross domestic product	WIFO	Austrian Institute of Economic Research
GRI	Global Reporting Initiative	wiiw	The Vienna Institute for International Economic Studies
GSA	GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination G.m.b.H.	WTO	World Trade Organization
HICP	Harmonised Index of Consumer Prices		
HFCS	Household Finance and Consumption Survey		

## Legend

- x = no data can be indicated for technical reasons
- = the numerical value is zero
- 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 | annually  
English | annually

This report informs readers about the Eurosystem's monetary policy and underlying economic conditions as well as about the OeNB's role in maintaining price stability and financial stability. It also provides a brief account of the key activities of the OeNB's core business areas. The OeNB's financial statements are an integral part of the report.

<http://www.oenb.at/en/Publications/Oesterreichische-Nationalbank/Annual-Report.html>

### **Konjunktur aktuell**

German | seven times a year

This online publication provides a concise assessment of current cyclical and financial developments in the global economy, the euro area, Central, Eastern and Southeastern European countries, and in Austria. The quarterly releases (March, June, September and December) also include short analyses of economic and monetary policy issues.

<http://www.oenb.at/Publikationen/Volkswirtschaft/Konjunktur-aktuell.html>

### **Monetary Policy & the Economy**

English | quarterly

This publication assesses cyclical developments in Austria and presents the OeNB's regular macroeconomic forecasts for the Austrian economy. It contains economic analyses and studies with a particular relevance for central banking and summarizes findings from macroeconomic workshops and conferences organized by the OeNB.

<http://www.oenb.at/en/Publications/Economics/Monetary-Policy-and-the-Economy.html>

### **Fakten zu Österreich und seinen Banken Facts on Austria and Its Banks**

German | twice a year  
English | twice a year

This online publication provides a snapshot of the Austrian economy based on a range of structural data and indicators for the real economy and the banking sector. Comparative international measures enable readers to put the information into perspective.

<http://www.oenb.at/en/Publications/Financial-Market/Facts-on-Austria-and-Its-Banks.html>

### **Financial Stability Report**

English | twice a year

The Reports section of this publication analyzes and assesses the stability of the Austrian financial system as well as developments that are relevant for financial stability in Austria and at the international level. The Special Topics section provides analyses and studies on specific financial stability-related issues.

<http://www.oenb.at/en/Publications/Financial-Market/Financial-Stability-Report.html>

### **Focus on European Economic Integration**

English | quarterly

This publication presents economic analyses and outlooks as well as analytical studies on macroeconomic and macrofinancial issues with a regional focus on Central, Eastern and Southeastern Europe.

<http://www.oenb.at/en/Publications/Economics/Focus-on-European-Economic-Integration.html>

### **Statistiken – Daten & Analysen**

German | quarterly

This publication contains analyses of the balance sheets of Austrian financial institutions, flow-of-funds statistics as well as external statistics (English summaries are provided). A set of 14 tables (also available on the OeNB's website) provides information about key financial and macroeconomic indicators.

<http://www.oenb.at/Publikationen/Statistik/Statistiken---Daten-und-Analysen.html>

## **Statistiken – Daten & Analysen: Sonderhefte** **Statistiken – Daten & Analysen: Special Issues**

German | irregularly  
English | irregularly

In addition to the regular issues of the quarterly statistical series “Statistiken – Daten & Analysen,” the OeNB publishes a number of special issues on selected statistics topics (e.g. sector accounts, foreign direct investment and trade in services).

<http://www.oenb.at/en/Publications/Statistics/Special-Issues.html>

## **Research Update**

English | quarterly

This online newsletter informs international readers about selected research findings and activities of the OeNB’s Economic Analysis and Research Department. It offers information about current publications, research priorities, events, conferences, lectures and workshops. Subscribe to the newsletter at:

<http://www.oenb.at/en/Publications/Economics/Research-Update.html>

## **CESEE Research Update**

English | quarterly

This online newsletter informs readers about research priorities, publications as well as past and upcoming events with a regional focus on Central, Eastern and Southeastern Europe. Subscribe to the newsletter at:

<http://www.oenb.at/en/Publications/Economics/CESEE-Research-Update.html>

## **OeNB Workshops Proceedings**

German, English | irregularly

This series, launched in 2004, documents contributions to OeNB workshops with Austrian and international experts (policymakers, industry experts, academics and media representatives) on monetary and economic policymaking-related topics.

<http://www.oenb.at/en/Publications/Economics/Proceedings-of-OeNB-Workshops.html>

## **Working Papers**

English | irregularly

This online series provides a platform for discussing and disseminating economic papers and research findings. All contributions are subject to international peer review.

<http://www.oenb.at/en/Publications/Economics/Working-Papers.html>

## **Proceedings of the Economics Conference**

English | annually

The OeNB’s annual Economics Conference provides an international platform where central bankers, economic policymakers, financial market agents as well as scholars and academics exchange views and information on monetary, economic and financial policy issues. The proceedings serve to document the conference contributions.

<http://www.oenb.at/en/Publications/Economics/Economics-Conference.html>

## **Proceedings of the Conference on European Economic Integration**

English | annually

The OeNB’s annual Conference on European Economic Integration (CEEI) deals with current issues with a particular relevance for central banking in the context of convergence in Central, Eastern and Southeastern Europe as well as the EU enlargement and integration process. For an overview see:

<http://www.oenb.at/en/Publications/Economics/Conference-on-European-Economic-Integration-CEEI.html>

The proceedings have been published with Edward Elgar Publishers, Cheltenham/UK, Northampton/MA, since the CEEI 2001.

[www.e-elgar.com](http://www.e-elgar.com)

## **Publications on Banking Supervisory Issues**

German, English | irregularly

Current publications are available for download; paper copies may be ordered free of charge.

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

<http://www.oenb.at/en/Publications/Financial-Market/Publications-of-Banking-Supervision.html>

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The *Annual Report* of the OeNB provides information about the Eurosystem's monetary policy and reviews developments in the economy, in financial markets and payment systems. Furthermore, it details the OeNB's national and international responsibilities as well as the broad range of services the OeNB offers. The OeNB's Financial Statements and the Notes 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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