

# ANNUAL REPORT 2007



# Our Mandate and Responsibilities

## Mandate

The Oesterreichische Nationalbank (OeNB) is the central bank of the Republic of Austria and, as such, an integral part of the European System of Central Banks (ESCB). In this capacity, the OeNB acts on the basis of full personal, financial and institutional independence.

The OeNB's aims and actions are guided by the fundamental principles security, stability and trust. The primary objective of the Eurosystem, and hence of the OeNB, is to maintain price stability in the euro area and thus to safeguard the euro's purchasing power.

## Responsibilities

### Contribution to Monetary Policymaking within the Eurosystem

- Participation of the OeNB's Governor in decision-making within the Governing Council and General Council of the European Central Bank (ECB)
- Conduct of extensive economic analysis and research

### Monetary Policy Operations – Reserve Management

- Conduct of monetary policy operations with Austrian banks
- Participation in Eurosystem foreign exchange interventions
- Management of the OeNB's own reserve assets and of the reserves transferred to the ECB
- Conduct of minimum reserve operations and monitoring of Austrian banks' minimum reserve holdings

### Financial Stability and Banking Supervision

- Conduct of banking supervision in cooperation with the Financial Market Authority and of payment systems oversight with a view to securing financial stability
- Risk analysis of financial markets and banks

### Provision of Statistics

- Compilation of conclusive, high-quality statistics, above all monetary, interest rate and prudential statistics as well as external trade statistics (e.g. balance of payments and financial accounts)

### Cash Supply

- Provision of Austrian businesses and consumers with secure banknotes and coins and ensuring of smooth cash circulation

### Payment Systems

- Provision and promotion of smoothly operating payment systems in Austria and their cross-border integration

### National and International Cooperation

- Close cooperation with national bodies, e.g. Financial Market Authority, the Government Debt Committee and the Statistics Advisory Board (Statistikrat)
- Representation in a wide range of bodies of the Eurosystem, the ESCB and the EU
- International monetary policy cooperation and participation in international financial institutions (IMF, BIS)

### Consultancy

- Drafting of laws and opinions

# Our Mission Statement

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

We in the Eurosystem have as our primary objective the maintenance of price stability for the common good. Acting also as a leading financial authority, we aim to safeguard financial stability and promote European financial integration.

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

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

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

As the central bank of the Republic of Austria, the OeNB serves the Austrian and European public.

To build and maintain trust in the OeNB, we take pride in performing our tasks professionally, drawing on the high competence and motivation of our employees.

Our products and services are customer oriented to ensure their value to our customers and partners.

Ongoing market-oriented product and process innovation ensures the efficient and cost-effective provision of services in line with sustainability and in particular environmental protection.

We are cooperative, solution-oriented and reliable partners in our relations with customers and associates.

Our employees' commitment, motivation, creativity, willingness to learn, team spirit and mobility – the success factors of our work now and in the future – are the hallmarks of our working style.

# Selected Indicators for the OeNB

	2007	2006
<b>Business indicators</b>		
<i>As on December 31</i>		
	<i>EUR thousand</i>	
Net currency position	12,083,798	12,861,283
Banknotes in circulation	18,052,675	16,814,844
Total assets	61,946,135	53,377,876
Operating profit	246,663	192,955
Corporate income tax	61,666	48,239
Central government's share of the OeNB's profit	149,847	130,244
Profit for the year	16,650	14,472
	<i>Absolute figures</i>	
Full-time equivalent staff	917.5	931.7
<b>Intellectual capital indicators</b>		
	<i>Number</i>	
Inquiries to OeNB hotlines	38,516	38,153
Newsletter subscriptions	14,985	14,953
OeNB publications	63	64
Research cooperation projects with external partners	44	44
Working visits to national and international organizations	26	29
<b>Environmental performance indicators</b>		
Heat consumption, kWh/m <sup>2</sup>	45	62
Electricity consumption, MWh/employee	7.7	8.0
Paper use, kg/employee	85	136

Source: OeNB.

# Organization Chart

**President**  
Herbert Schimetschek

Office of the General Council  
Richard Mader

**Vice President**  
Manfred Frey

## Governing Board (Direktorium)

**Central Bank Policy**  
Klaus Liebscher, Governor

Office of the Governor  
Markus Arpa, Head

**Internal Audit Division**  
Wolfgang Winter, Head

**Communications Division**  
Günther Thonabauer, Head

**Planning and Controlling Division**  
Gerhard Hohäuser, Head

**Anniversary Fund**  
Wolfgang Höritsch, Head

**Personnel Division**  
Axel Aspetsberger, Head

**Future Unit**  
Peter Achleitner, Director

**Money, Payment Systems, Accounting and IT**  
Wolfgang Duchatzek, Vice Governor

**Legal Division**  
Hubert Mölzer, Head

**Payment Systems and  
Information Technology Department**  
Wolfgang Pernkopf, Director

**Information Technology and Payment Systems Strategy Division**  
Walter Hoffenberg, Head

**IT Development Division**  
Reinhard Auer, Head

**IT Operations Division**  
Erich Schütz, Head

**Payment Systems Division**  
Andreas Dostal, Head

**Cashier's Division and Branch Offices Department**  
Stefan Augustin, Director

**Printing Office**  
Gerhard Habitzi, Head

**Cashier's Division**  
Gerhard Schulz, Head

**Northern Austria Branch Office**  
Josef Kienbauer, Branch Manager

**Southern Austria Branch Office**  
Friedrich Fasching, Branch Manager

**Western Austria Branch Office**  
Armin Schneider, Branch Manager

**Accounting Department**  
Friedrich Karrer, Director

**Financial Statements Division**  
Elisabeth Trost, Head

**Accounts Division**  
Herbert Domes, Head

**Economics and Financial Markets**  
Josef Christl, Executive Director

**Economic Analysis and Research Department**  
Peter Mooslechner, Director

**Economic Analysis Division**  
Ernest Gnan, Head

**Economic Studies Division**  
Martin Summer, Head

**European Affairs and International  
Financial Organizations Division**  
Franz Nauschnigg, Head

**Foreign Research Division**  
Doris Ritzberger-Grünwald, Head

**Brussels Representative Office**  
Marlies Stubits-Weidinger, Chief Representative

**Paris Representative Office**  
Konrad Pesendorfer, Chief Representative

**Financial Stability and Bank Inspections Department**  
Andreas Ittner, Director

**Financial Markets Analysis and Surveillance Division**  
Michael Würz, Head

**Banking Analysis and Inspections Division**  
Johannes Turner, Head

**Credit Division**  
Franz Richter, Head

**Investment Policy, Internal Services  
and Statistics**  
Peter Zöllner, Executive Director

**Equity Interest Management Division**  
Franz Partsch, Head

**Treasury Department**  
Rudolf Trink, Director

**Treasury – Strategy Division**  
Reinhold Wanka, Head

**Treasury – Front Office**  
Walter Sevcik, Head

**Treasury – Back Office**  
Gerhard Bertagnoli, Head

**London Representative Office**  
Carmencita Nader-Uher, Chief Representative

**New York Representative Office**  
Gerald Fiala, Chief Representative

**Organization and Internal Services Department**  
Albert Slavik, Director

**Organization Division<sup>1</sup>**  
Wolfgang Ruland, Head

**Procurement and Technical Services Division**  
Thomas Reindl, Head

**Security Division**  
Gerhard Valenta, Head

**Documentation Management and Communications Services**  
Bernhard Urban, Head

**Statistics Department**  
Aurel Schubert, Director

**Supervisory and Monetary Statistics Division**  
Gerhard Kaltenbeck, Head

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

<sup>1</sup> Environmental Officer Johann Jachs  
As of April 29, 2008

# Economic and Financial Developments

## Global Economy Slows Down

In the course of 2007, the U.S. subprime crisis led to financial market turbulence and put a damper on the hitherto robust economy. While particularly the U.S. economy cooled down toward the end of the reporting year, growth remained fairly robust in Japan and Europe. Asia's emerging economies also continued to expand at a solid pace. The same holds true for the Central, Eastern and Southeastern EU Member States, which recorded high growth rates. According to the IMF, the global economy expanded by 4.9% in 2007, which is only slightly less than in 2006. The cooling of the U.S. economy and the Federal Reserve's substantial cuts in interest rates were at the root of the U.S. dollar's slide against the euro, which stood at USD 1.47 at end-December 2007 (January 2007: 1.33 USD/EUR). The strong rise in commodity prices accelerated inflation rates all over the world.

## Euro Area: Robust Growth, Improved Labor Market Conditions, Increasing Inflation

In 2007, real economic growth amounted to 2.6% and was therefore 0.2 percentage points lower than in 2006. Particularly in the first half of 2007, strong euro area growth together with risks to price stability prompted interest rate increases of 0.25 percentage points in March and June 2007, respectively. In the second half of 2007, monetary policymakers not only had to cope with inflation topping 3% (annual average 2007: +2.1%), but also with financial market turbulence. In view of the heightened uncertainty, the Governing Council of the ECB decided to leave the key interest rates unchanged. Unemployment in the euro area decreased to 7.4%, thus reaching the lowest level since 1982.

## Austria Posts Strongest Growth since 2000, Inflation at 2.2%

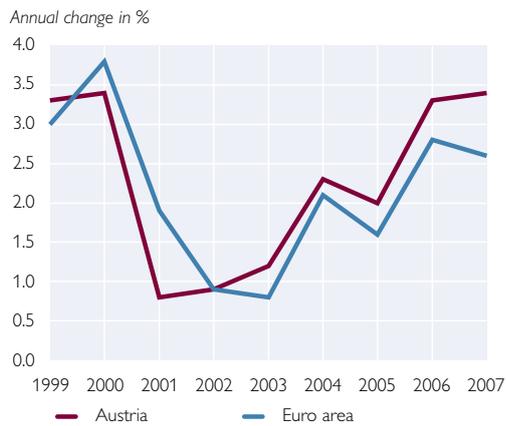
Austria's economic performance was highly dynamic in 2007. At 3.4%, real GDP growth in 2007 even eked out a slight increase over 2006 (+3.3%) and reached its highest level since 2000. The Austrian economy has thus again grown significantly more strongly than that of the euro area, with the booming export sector remaining the engine of growth. Austria's real exports of goods and services advanced by about 8%. The number of new jobs augmented by 114,000 between 2005 and 2007. With a jobless rate of 4.4%, Austria posted the fifth-lowest unemployment rate in the EU in 2007. The increase in HICP inflation from 1.7% in 2006 to 3.5% in December 2007 (annual average 2007: 2.2%) was mainly determined by international but partly also by domestic factors. In the same period, Austria's general government budget deficit decreased from 1.5% to 0.5%.

## A Successful Year for the Austrian Banking Sector

Compared with banks in other countries, Austrian banks have been only marginally affected by the U.S. subprime crisis. Austrian banks' unconsolidated total assets augmented by about 13% to almost EUR 900 billion in 2007, mainly on the back of banks' foreign activities. Subsidiaries in Central, Eastern and Southeastern Europe contributed substantially to Austrian banks' business and profit growth. In 2007, unconsolidated operating profit advanced by 14.4% to EUR 6.7 billion. As operating income increased more than operating expenses, the cost-to-income ratio dropped significantly, reaching a record low of 62%.

Chart 1

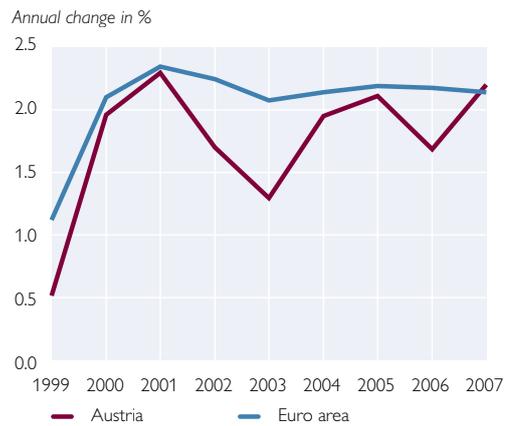
### Real GDP



Source: Statistics Austria, Eurostat.

Chart 2

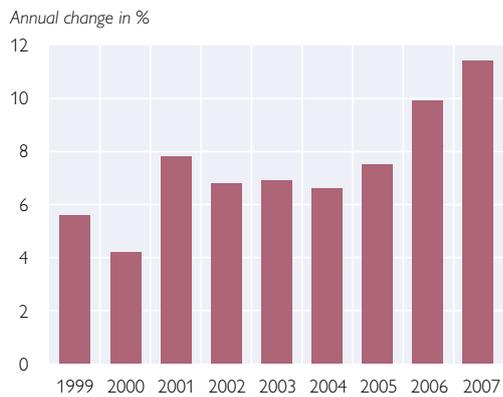
### HICP Inflation



Source: Statistics Austria, Eurostat.

Chart 3

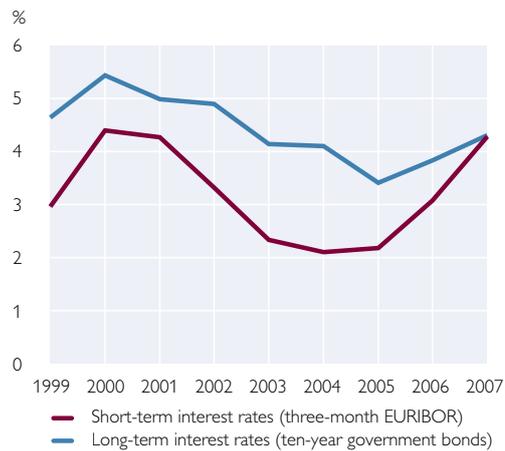
### Euro Area: Monetary Aggregate M3



Source: ECB.

Chart 4

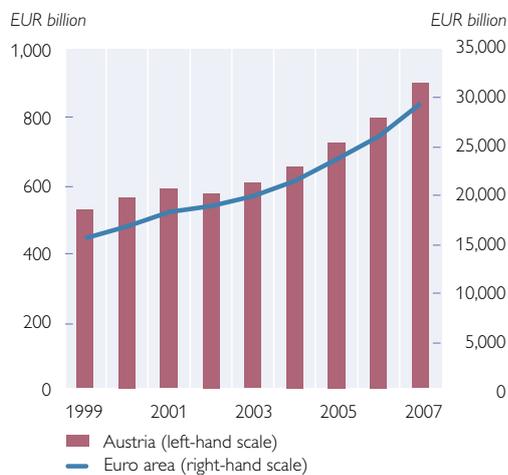
### Euro Area: Interest Rates



Source: Thomson Financial.

Chart 5

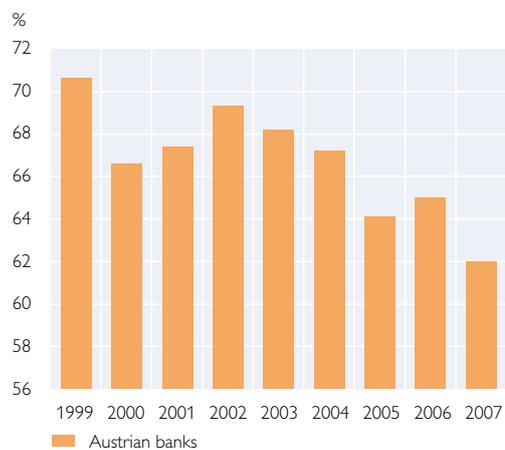
### Banks' Total Assets



Source: OeNB, ECB.

Chart 6

### Banks' Cost-to-Income Ratio



Source: OeNB.

# The Year 2007 for the OeNB

## Marked Increase in Operating Profit

Despite the allocation of risk provisions of EUR 407 million, the OeNB's operating profit increased by EUR 54 million or 28% to a total of EUR 247 million in 2007 compared with the previous year. The 90% profit share of the central government came to EUR 150 million (2006: EUR 130 million), while corporate income tax amounted to EUR 62 million (2006: EUR 48 million). The OeNB's profit for the year 2007 of EUR 17 million will be appropriated according to the General Meeting's decision.

## Net Income Raised to EUR 491 Million, Expenses Remain Unchanged

Net income came to EUR 491 million (2006: EUR 437 million) as a result of allocations to risk provisions of EUR 407 million (2006: EUR 235 million). Net interest income amounted to EUR 738 million (2006: EUR 568 million), the net result of financial operations, writedowns and risk provisions equaled –EUR 290 million (2006: –EUR 175 million), and income from equity shares and participating interests constituted EUR 23 million (2006: EUR 25 million). Compared with 2006, total expenses were practically unchanged at EUR 244 million. EUR 108 million (2006: EUR 115 million) of this amount were attributable to staff cost, administrative expenses ran to EUR 78 million (2006: EUR 77 million), the cost of banknote production services to EUR 25 million (2006: EUR 25 million), and the depreciation of tangible fixed assets and other expenses made up EUR 33 million (2006: EUR 27 million).

## Net Currency Position Down to EUR 12.1 Billion

The OeNB's total net currency position as at December 31, 2007, was EUR 12.1 billion, with gold holdings accounting for EUR 5.1 billion and foreign currency holdings for EUR 7.0 billion. The decrease by EUR 0.8 billion against December 31, 2006, is mainly attributable to valuation effects as well as transaction-related losses.

## TARGET2 Launched in November 2007

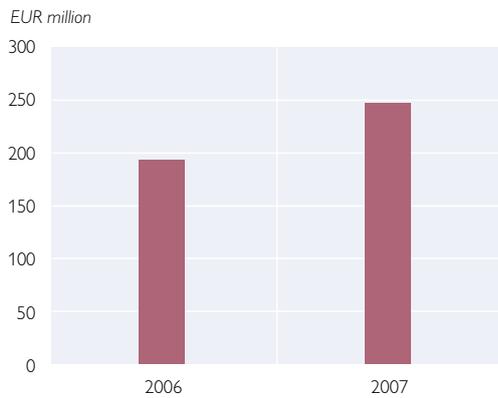
Up to the launch of TARGET2 on November 19, 2007, European payment transactions were handled successfully by TARGET, with the number of payments rising steadily. TARGET2 falls under the responsibility of the Governing Council of the ECB and is used by banks for the settlement of large-value payments in euro. TARGET participants were scheduled to connect to the second-generation payment system in country groups, with the first eight countries, including Austria, migrating their operations on November 19, 2007. In December 2007, the system processed a total of 1,764,987 payments worth EUR 17,488.4 billion. In Austria, 15 banks are direct and 53 banks indirect participants of TARGET2. Around 90% of all Austrian banks may thus be accessed via TARGET2 worldwide.

## Cash Processing Volume Remains at a High Level

In 2007, some 1.2 billion banknotes and 1.8 billion coins were processed and checked for their circulation fitness and authenticity, which is about the same volume as in 2006. This high volume attests to the OeNB's commitment and significant contribution to ensuring cash security in Austria. Consequently, counterfeit euro banknotes and coins are quickly and efficiently withdrawn from circulation and are made available to the police for further investigation. At 7,800, the quantity of counterfeit banknotes recovered from circulation in Austria has remained small. Thus, only slightly more than six in one million banknotes processed in Austria were counterfeits.

Chart 7

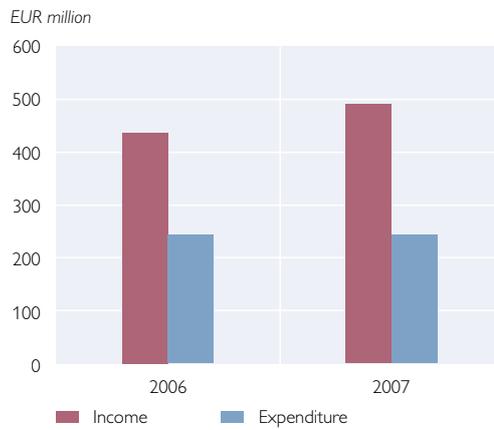
### OeNB: Operating Profit



Source: OeNB.

Chart 8

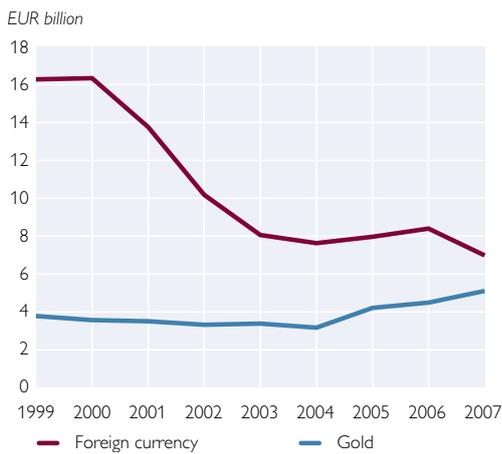
### OeNB: Income and Expenditure



Source: OeNB.

Chart 9

### OeNB: Net Currency Position



Source: OeNB.

Chart 10

### Number of TARGET Transactions

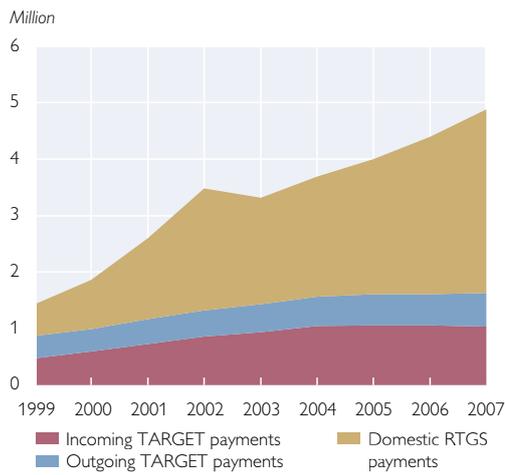
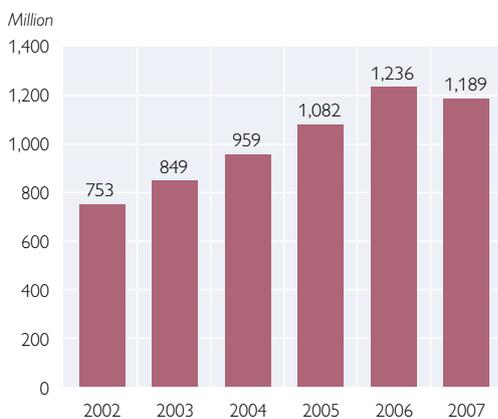


Chart 11

### OeNB: Number of Processed Euro Banknotes



Source: OeNB.

In line with the Federal Act on the Oesterreichische Nationalbank, the Annual Report of the OeNB provides information about the monetary policy of the Eurosystem, economic developments, financial markets, payment services and cash services. Furthermore, it details the OeNB's national and international responsibilities and role. The OeNB's Financial Statements and the Notes to the Financial Statements are an integral part of the Annual Report.

### **Coordination**

*Manfred Fluch*

### **Contributions**

*Gernot Ebner, Manfred Fluch, Matthias Fuchs, Johannes Haushofer, Gerhard Havelka, Oliver Huber, Georg Hubmer, Markus Pammer, Michael Pfeiffer, Anton Schautzer, Josef Schreiner, Manfred Zipko*

### **Editorial processing**

*Alexander Dallinger*

### **Translations**

*Dagmar Dichtl, Ingrid Haussteiner, Alexandra Majer, Rena Mühldorf, Irene Popenberger, Ingeborg Schuch, Susanne Steinacher*

### **Technical production**

*Peter Buchegger (design)  
Erika Gruber, Susanne Sapik (layout, typesetting)  
OeNB Printing Office (production)*

### **Paper**

*Printed on environmentally friendly paper*

### **Photographs**

*Klemens Horvath*

### **Inquiries**

*Oesterreichische Nationalbank, Communications Division  
Postal address: PO Box 61, 1011 Vienna  
Phone: (+43-1) 404 20-6666  
Fax: (+43-1) 404 20-6698  
E-mail: [oenb.info@oenb.at](mailto:oenb.info@oenb.at)*

### **Orders/address management**

*Oesterreichische Nationalbank, Documentation Management and Communications Services  
Postal address: PO Box 61, 1011 Vienna  
Phone: (+43-1) 404 20-2345  
Fax: (+43-1) 404 20-2398  
E-mail: [oenb.publikationen@oenb.at](mailto:oenb.publikationen@oenb.at)*

### **Imprint**

*Publisher and editor:  
Oesterreichische Nationalbank  
Otto-Wagner-Platz 3, 1090 Vienna  
Günther Thonabauer, Communications Division  
Internet: [www.oenb.at](http://www.oenb.at)  
Published and produced at: 1090 Vienna  
© Oesterreichische Nationalbank, 2008  
All rights reserved.*

*May be reproduced for noncommercial and educational purposes with appropriate credit.*

*This Annual Report has been validated as part of the Oesterreichische Nationalbank's Sustainability Report and has been found to meet the requirements of the current G3 Sustainability Reporting Guidelines of the Global Reporting Initiative.*

**DVR 0031577**

**Vienna, 2008**

