



OESTERREICHISCHE NATIONALBANK

Eurosystem

# ANNUAL REPORT 2006



Stability and Security.

# 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

- Participation in the prudential supervision of Austrian banks and payment systems oversight to secure 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

	2006	2005
<b>Business indicators</b>		
<i>As on December 31</i>	<i>EUR thousand</i>	
Net currency position	12,861,283	12,206,230
Banknotes in circulation	16,814,844	15,128,006
Total assets	53,377,876	46,389,785
Operating profit	192,955	488,013
Corporate income tax	48,239	122,003
Central government's share of the OeNB's profit	130,244	329,409
Profit for the year	14,472	36,601
	<i>Absolute figures</i>	
Full-time equivalent staff	931.7	947.5
<b>Intellectual capital indicators</b>		
	<i>Number</i>	
Number of inquiries to OeNB hotlines	38,153	33,535
Newsletter subscriptions	14,953	12,834
OeNB publications	64	67
Research cooperation projects with external partners	44	42
Working visits (one month and longer) to national and international organizations	29	25
<b>Environmental performance indicators</b>		
Heat consumption, kWh/m <sup>2</sup>	62	66
Electricity consumption, MWh per employee	8.0	8.3
Use of recycled paper, %	90	90

Source: OeNB.

# ORGANIZATION CHART

## President

Herbert Schimetschek

Office of the General Council  
Richard Mader, Head

## Vice President

Manfred Frey

## Governing Board

### Central Bank Policy Department

Klaus Liebscher, Governor

Office of the Governor  
Wolfgang Ippisch, Head

#### Internal Audit Division

Wolfgang Winter, Head

#### Communications Division

Günther Thonabauer, Head

#### Planning and Controlling Division

Gerhard Hohäuser, Head

#### Anniversary Fund

Wolfgang Hörtsch, Head

#### Personnel Division

Axel Aspetsberger, Head

#### Future Unit

Peter Achleitner, Director

### Money, Payment Systems, Accounting and IT Department

Wolfgang Duchatzek, Vice Governor

#### Legal Division

Hubert Mölzer, Head

#### Payment Systems and Information Technology Section

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 Section

Stefan Augustin, Director

Printing Office  
Gerhard Habitzi, Technical Manager

#### 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 Section

Friedrich Karrer, Director

#### Financial Statements Division

Elisabeth Trost, Head

#### Accounts Division

Herbert Domes, Head

### Economics and Financial Markets Department

Josef Christl, Executive Director

#### Economic Analysis and Research Section

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 Section

Andreas Ittner, Director

#### Financial Markets Analysis and Surveillance Division

Michael Würz, Head

#### Banking Analysis and Inspections Division

Helmut Ettl, Head

#### Credit Division

Franz Richter, Head

### Investment Policy, Internal Services and Statistics Department

Peter Zöllner, Executive Director

#### Equity Interest Management Division

Franz Partsch, Head

#### Treasury Section

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 Section

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

Susanne Ried, Head

#### Statistics Section

Aurel Schubert, Director

#### Banking Statistics and Minimum Reserve Division

Gerhard Kaltenbeck, Head

#### Balance of Payments Division

Eva-Maria Nesvadba, Head

<sup>1</sup> Environmental Officer Johann Jachs  
As of April 24, 2007

## Economic and Financial Developments

### **Robust Global Growth at Over 5% in 2006**

At 5.4%, real-term world economic growth was even more dynamic than in 2005. The main drivers were the low level of long-term interest rates and continued powerful growth in Asia, particularly in China. The United States and the Central, Eastern and Southeastern European countries also saw remarkably vibrant growth. Until August 2006, oil prices surged, triggering inflationary pressures, but began to slow down markedly from September, stimulating economic growth and dampening inflation.

### **Euro Area: Increased Growth, Inflation at 2.2%, Tighter Monetary Policy**

In the course of 2006, real GDP growth gained momentum, reaching 2.7% for the whole year (2005: +1.4%). The driving force was euro area demand. As a result of the surge in crude oil prices, inflation remained perceptibly above 2% during the first eight months of 2006. Not until toward the end of the year did price pressures ease slightly. Annual inflation came to 2.2% in 2006. Euro area unemployment (Eurostat definition) dropped to 7.9%, the lowest level since 2001. Greater inflationary pressures, a strong economic upswing and a pronounced monetary expansion called for monetary policy tightening: In the course of the year, the Governing Council of the ECB increased key interest rates in five successive steps by a total of 125 basis points to 3.50%. In view of the risks to price stability, key interest rates were raised by another 25 basis points at the beginning of March 2007.

### **Austria: Economic Growth Over 3%, Unemployment Rate Under 5%, Inflation Still Below 2%**

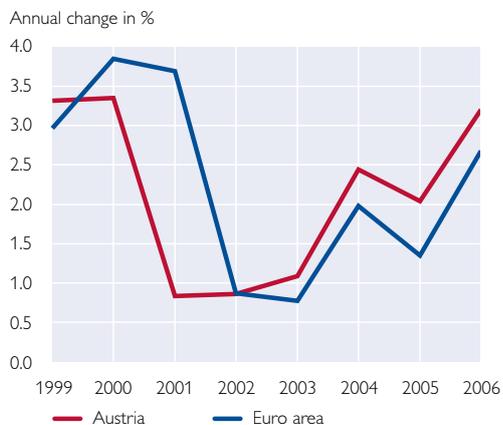
In 2006, the Austrian economy benefited from robust international economic activity. At 3.2%, Austrian real GDP growth considerably outpaced the 2005 rate and almost reached the levels of the boom year 2000 (+3.4%). Moreover, Austria posted more vigorous economic growth than its biggest trading partners, Germany and Italy, and had a growth edge of half a percentage point on the euro area. Conditions on the labor market improved significantly, with the unemployment rate falling from 5.2% in 2005 to 4.8% in 2006 according to Eurostat. With an HICP inflation rate of 1.7%, Austria ranges among the euro area countries with the lowest inflation rates. Unexpectedly high tax revenues were instrumental in reducing the general government deficit to 1.1% of GDP in 2006, a level below the euro area average of 1.6%.

### **Ongoing Positive Developments in the Austrian Banking Sector**

Austrian banks' unconsolidated total assets augmented by 9.9% to almost EUR 800 billion in 2006, mainly on the back of banks' external business. Austrian banks' subsidiaries in Central, Eastern and Southeastern Europe have come to account for a substantial part of the Austrian banking sector's income. Unconsolidated operating profit advanced by 3.1% to EUR 5.8 billion in 2006. While operating income increased less than operating expenses, resulting in a marginally higher cost-to-income ratio; nevertheless, this ratio performed very well by historical standards.

Chart 1

### Real GDP



Source: Statistics Austria, Eurostat.

Chart 2

### HICP Inflation

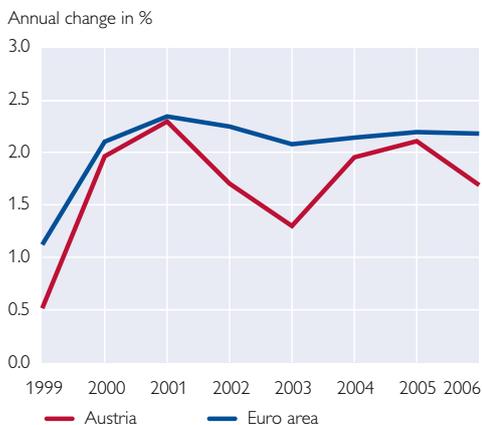
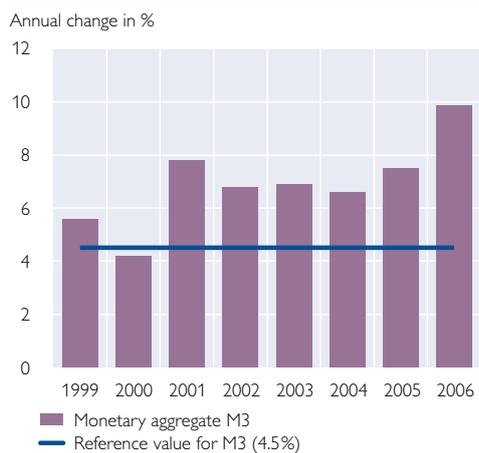


Chart 3

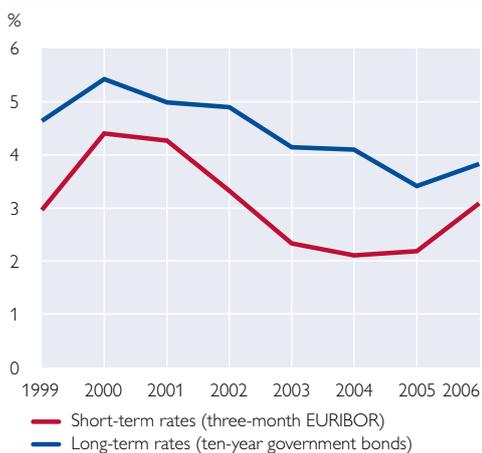
### Monetary Aggregate M3 in the Euro Area



Source: ECB.

Chart 4

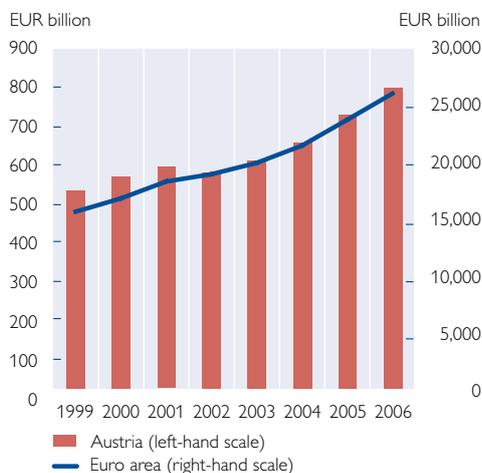
### Euro Area Interest Rates



Source: Thomson Financial.

Chart 5

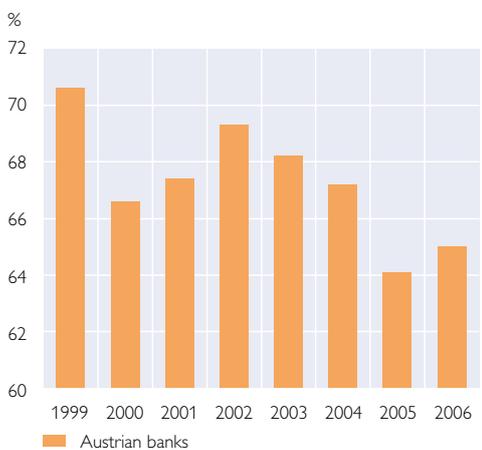
### Banks' Total Assets



Source: OeNB, ECB.

Chart 6

### Banks' Cost-to-Income Ratio



Source: OeNB.

## The Year 2006 for the OeNB

### **Decrease in Operating Profit**

The OeNB's financial statements for 2006 report an operating profit of EUR 193 million, down by EUR 295 million on 2005 as a result of allocations to risk provisions. The central government's share of profit came to EUR 178 million (2005: EUR 451 million), composed of EUR 48 million of corporate income tax and a 90% profit share of EUR 130 million after taxes. The OeNB's profit for the year 2006 of EUR 14 million will be appropriated according to the General Meeting's decision.

### **Decline in Net Income to EUR 437 Million**

Net income came to EUR 437 million (2005: EUR 731 million) as a result of allocations to risk provisions in the amount of EUR 235 million. Net interest income amounted to EUR 568 million (2005: EUR 451 million), the net result of financial operations, writedowns and risk provisions came to –EUR 175 million (2005: EUR 182 million) and income from equity and participating interests amounted to EUR 25 million (2005: EUR 68 million). Total expenses in 2006 were practically unchanged at EUR 244 million (2005: EUR 243 million). EUR 115 million (2005: EUR 105 million) of this amount were attributable to staff cost, including, among others, transfers for salary adjustments and allocations to staff-related provisions. Administrative expenses ran to EUR 77 million (2005: EUR 85 million), the cost of banknote production services to EUR 25 million (2005: EUR 16 million).

### **Gain in Net Currency Position to EUR 12.9 Billion**

The OeNB's total net currency position came to EUR 12.9 billion on December 31, 2006; gold holdings accounted for EUR 4.5 billion of this amount, foreign currency holdings for EUR 8.4 billion. The increase by EUR 0.7 billion against December 31, 2005, is mainly attributable to valuation gains, particularly on gold holdings.

### **Renewed Rise in Number of Large-Value Payment Transactions<sup>1</sup>**

The OeNB operates one of the 16 real-time gross settlement (RTGS) systems in Europe. These RTGS systems and the ECB payment mechanism together form the Trans-European Automated Real-time Gross settlement Express Transfer system TARGET. Since the launch of the Austrian RTGS system ARTIS in 1999, the number of payment orders processed has steadily increased from 1.4 million to approximately 4.4 million in 2006. Incoming and outgoing TARGET payments (chart 10) are cross-border payments within the EU, whereas domestic RTGS payments are effected exclusively in the Austrian financial market.

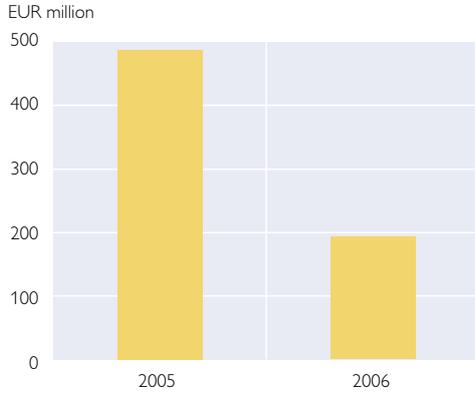
### **Increase in Cash Processing Volume to 1.2 Billion Euro Banknotes and 1.7 Billion Euro Coins in 2006**

Since the euro cash changeover in 2002, the number of banknotes processed has risen by an average of 13% annually. In 2006, 1.2 billion banknotes and 1.7 billion coins were processed and checked for their circulation fitness and authenticity. Against 2005, the number of counterfeit banknotes recovered from circulation in Austria dropped by around 17% to below 6,000, i.e. to 1% of all counterfeits recovered in the euro area (around 560,000).

<sup>1</sup> See the glossary and/or abbreviations sections for explanations of terms used.

Chart 7

### The OeNB's Operating Profit



Source: OeNB.

Chart 8

### The OeNB's Income/Expenses

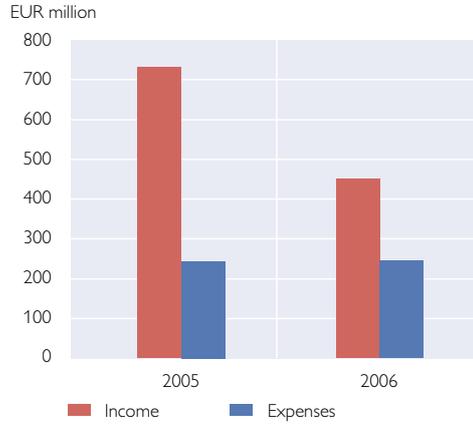
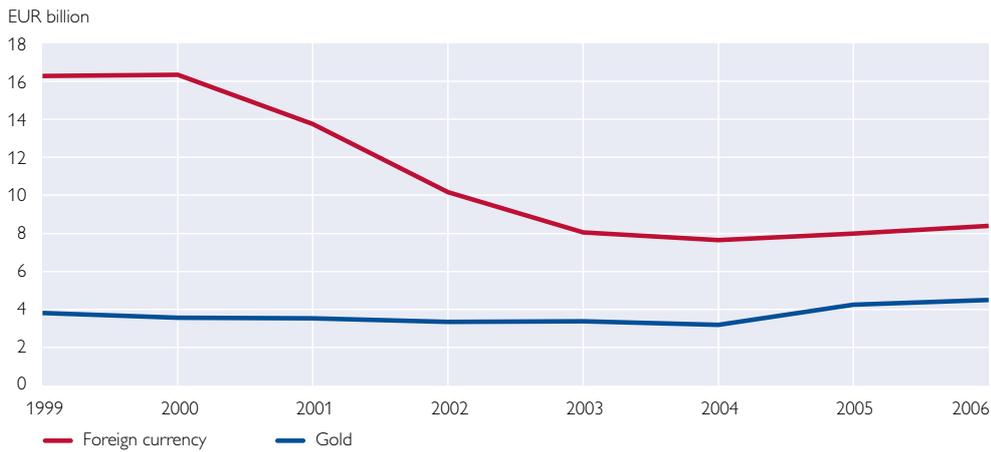


Chart 9

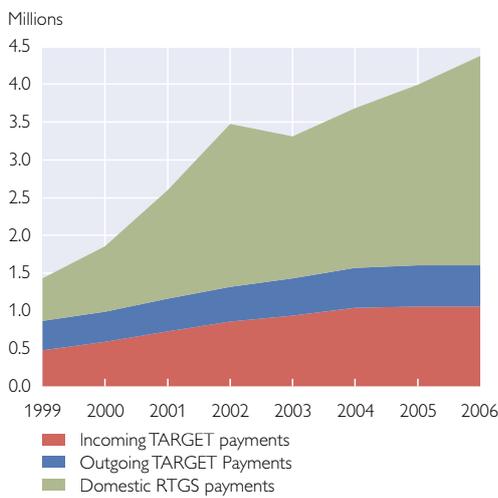
### The OeNB's Net Currency Position



Source: OeNB.

Chart 10

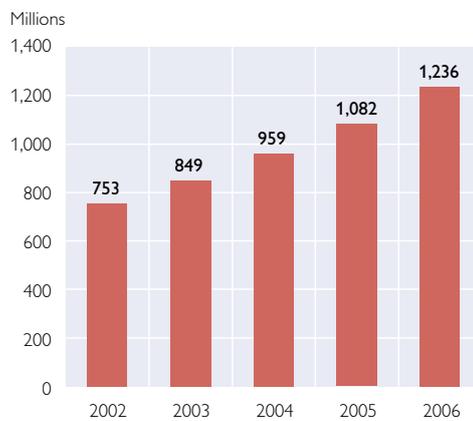
### Number of ARTIS Transactions



Source: OeNB.

Chart 11

### OeNB: Number of Processed Euro Banknotes



*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 role and responsibilities. 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, Oliver Huber, Georg Hubmer, Markus Pammer, Michael Pfeiffer, Anton Schautzer, Doris Schmid, Josef Schreiner, Manfred Zipko*

### **Editorial processing**

*Alexander Dallinger*

### **Translations**

*Jennifer Gredler, Alexandra Majer, Rena Mühldorf, Irene Popenberger, Ingeborg Schuch, Susanne Steinacher*

### **Technical production**

*Peter Buchegger (design)*

*Walter Grosser, Erika Gruber (layout, typesetting)*

*OeNB Printing Office (printing and production)*

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### **Photographs**

*Michael Dürr, Peter Rigaud*

### **Inquiries**

*Oesterreichische Nationalbank, Communications Division*

*Postal address: PO Box 61, AT 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, AT 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)*

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