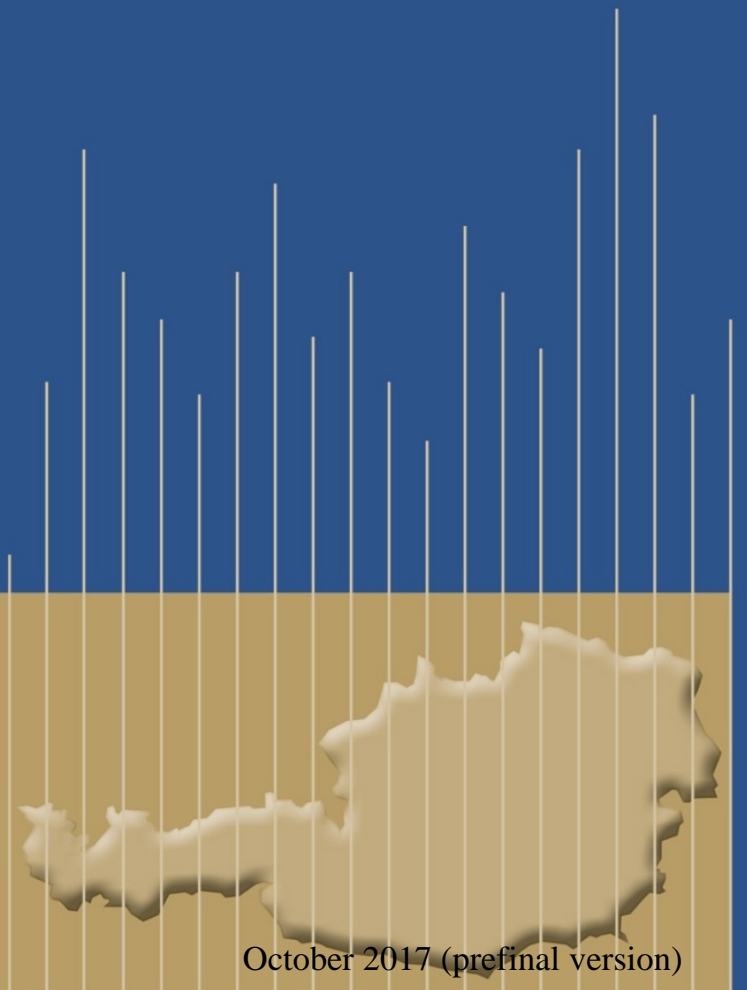


FACTS ON AUSTRIA AND ITS BANKS



Stability and Security.

October 2017 (prefinal version)

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Cutoff date: October 2, 2017

Key indicators

	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	2016	2017	2018	2019
Economic activity	<i>EUR billion (four-quarter moving sums)</i>								
Nominal GDP	349,5	351,5	353,8	357,0	360,8	353,8	362,9	375,9	388,7
	<i>Change on previous period in % (real)</i>								
GDP ¹⁾	0,3	0,4	0,7	0,9	0,8	1,5	2,8	1,7	1,6
Private consumption	0,5	0,4	0,3	0,2	0,3	1,5	1,6	1,2	1,2
Public consumption	0,7	0,6	0,4	0,2	0,2	2,0	0,9	1,8	0,8
Gross fixed capital formation	1,0	0,7	1,0	1,3	0,9	3,8	3,3	2,0	1,7
Exports of goods and services	-0,1	0,3	1,4	2,1	1,8	2,3	4,2	4,0	3,9
Exports of goods	0,2	-0,2	0,2	2,7	1,4	1,7	4,7	3,8	3,8
Imports of goods and services	0,4	0,4	1,0	1,7	1,6	3,5	3,7	3,8	3,4
Imports of goods	0,5	0,3	0,7	2,3	0,7	4,1	4,4	3,7	3,3
	<i>% of nominal GDP</i>								
Current account balance	x	x	x	x	x	2,1	-	-	-
Prices	<i>Annual change in %</i>								
HICP inflation ²⁾	0,6	0,8	1,5	2,2	2,2	1,0	2,0	1,7	1,8
Compensation per employee	2,5	2,2	1,9	1,5	1,2	2,3	1,3	2,2	1,9
Unit labor costs	2,3	2,1	1,5	0,7	0,1	2,0	0,4	1,8	1,4
Productivity	0,2	0,1	0,4	0,8	1,2	0,3	0,8	0,3	0,5
Income and savings	<i>Annual change in %</i>								
Real disposable household income	0,7	0,1	-0,4	0,7	0,3	2,3	1,0	1,4	1,2
	<i>% of nominal disposable household income</i>								
Saving ratio	x	x	x	x	x	7,9	7,9	7,9	7,9
Labor market	<i>Change on previous period in %</i>								
Payroll employment	0,2	0,4	0,5	0,5	0,5	1,5	1,5	1,5	1,2
	<i>% of labor supply</i>								
Unemployment rate (Eurostat)	6,1	6,2	5,8	5,7	5,4	6,0	5,7	5,5	5,4
Public finances	<i>% of nominal GDP</i>								
Budget balance	x	x	x	x	x	-1,6	-0,9	-0,9	-0,5
Government debt	x	x	x	x	x	83,6	-	-	-

1) Forecast for 2017: OeNB's Economic Indicator August 2017

2) Forecast for 2017 and 2018: OeNB inflation forecast September 2017

Source: OeNB, Eurostat, Statistics Austria. All data for 2017-2019 are based on the OeNB's June 2017 forecast. The forecasts for the current account balance and the public debt ratio are no longer valid due to historical data revisions. x = data not available.

Cutoff date: October 2, 2017

Financial indicators

	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	2013	2014	2015	2016
Austrian banking system									
<i>Consolidated in EUR billion</i>									
Total assets	1.062	1.055	946,3	968,7	962,0	1.090	1.078	1.057	946,3
Number of credit institutions	723,0	683,0	672,0	670,0	651,0	790,0	764,0	738,0	672,0
Equity capital ¹	88,9	90,2	80,7	80,7	83,0	89,0	87,6	87,8	80,7
Exposure to CESEE ²	187,6	191,8	193,3	206,5	203,0	201,8	184,8	186,4	193,3
Structural indicators									
<i>Consolidated in %</i>									
Solvency ratio ¹	16,5	16,8	18,2	18,2	18,5	15,4	15,6	16,3	18,2
Common equity tier-1 ratio ¹	13,2	13,5	14,9	14,8	15,1	11,6	11,7	12,8	14,9
Leverage ³	6,5	7,4	7,6	7,5	7,8	6,5	6,1	6,3	7,6
Credit growth and quality (AT)									
<i>Annual change in %</i>									
Flow of loans to nonbanks	2,0	1,7	1,5	1,3	1,8	-0,4	0,7	1,1	1,5
Share of foreign currency loans	9,6	9,3	8,9	8,7	8,1	12,3	11,1	10,2	8,9
Loan loss provision ratio	2,7	2,5	2,3	2,3	2,2	3,5	3,3	3,0	2,3
Nonperforming loan ratio	4,0	4,0	3,5	3,4	3,3	4,1	4,4	4,3	3,5
Profitability⁶									
<i>Consolidated in EUR billion</i>									
Net result after tax	2,9	4,5	5,0	1,5	3,4	-1,0	0,7	5,2	5,0
Return on assets (annualized) ⁴	0,6	0,6	0,6	0,7	0,8	-0,04	0,0	0,6	0,6
Cost-to-income ratio ^{6, 7}	72,0	71,2	74,5	70,0	65,6	73,0	69,1	62,8	74,5
Subsidiaries in CESEE⁶									
<i>%</i>									
Loan-to-deposit ratio ⁵	81,8	81,1	80,2	79,2	80,3	95,8	96,6	88,4	80,2
Return on assets (annualized) ⁴	1,5	1,4	1,3	1,3	1,6	0,8	0,2	0,7	1,3
Cost-to-income ratio ^{5, 7}	50,7	51,0	52,7	57,3	53,0	49,9	52,7	51,1	52,7
Loan loss provision ratio ⁵	7,2	6,9	6,5	6,1	5,7	8,0	7,3	7,4	6,5
Households									
<i>EUR billion</i>									
Financial assets	610,9	617,8	625,1	629,5	x	572,5	593,9	608,0	625,1
Financial liabilities (loans)	174,8	176,8	180,2	180,3	x	165,6	167,9	173,4	180,2
of which foreign currency loans	22,8	22,3	21,2	20,5	19,2	28,4	25,4	24,4	21,2
of which foreign currency housing loans	18,0	17,6	17,8	17,2	16,1	21,5	19,5	19,2	17,8
Nonfinancial corporations									
<i>EUR billion</i>									
Financial assets	478,2	489,8	506,1	514,3	x	447,2	455,8	469,6	506,1
Financial liabilities	723,2	737,2	733,5	749,5	x	681,8	696,3	718,7	733,5
of which loans and securities (other than shares and other equity)	359,9	367,6	368,4	375,1	x	349,2	342,4	355,8	368,4
of which shares and other equity	234,8	237,3	228,4	228,7	x	201,4	223,6	232,7	228,4
<i>EUR billion (four-quarter moving sums)</i>									
Gross operating surplus and mixed income	76,0	76,1	76,1	76,8	78,2	72,8	74,3	76,1	76,8

Source: OeNB, Statistics Austria.

¹ Capital ratios are based on CRD IV definitions from 2014 onward, which limits the comparability with earlier measures.

² CESEE exposure of majority Austrian-owned banks (BIS definition).

³ Defined according to Basel III provisions from 2014 onward. Earlier measures correspond to tier-I capital after deductions in % of total assets.

⁴ End-of-period result expected for the full year after tax and before minority interests as a percentage of average total assets.

⁵ From 2016Q2 onward, these figures exclude UniCredit Bank Austria's subsidiaries in CESEE.

⁶ From end-2016 onward, comparability with earlier figures is limited due to the restructuring of UniCredit Bank Austria in October 2016.

⁷ Cost-to-income ratio calculated as total operating expenses in relation to total operating income.

Note: X = data not available.

Overview¹

Austrian economy among top performers in the euro area

- According to the OeNB's most recent assessment, the Austrian economy is set to grow by 2¾% in 2017. This means that Austria has finally overcome the period of weak growth – with average annual growth rates at 0.7% – that lasted from 2012 to 2015. The upswing is broad-based: both domestic and external demand have been providing substantial contributions to growth, which is also attributable to the fact that the Austrian economy is highly diversified and its sectoral structure is well balanced.
- The healthy upturn has led to a sustained decrease in unemployment. The unemployment rate dropped from 6.3% to 5.4% between August 2016 and July 2017, and current forecasts expect it to decline further in the coming months. Austria maintains an excellent record of social stability, which rests on high employment, low unemployment by international standards and a low frequency of strikes.
- Recording an average inflation rate of 1.8% since the introduction of the euro in 1999, Austria has been among those countries that have successfully maintained price stability in line with the euro area's definition (i.e. HICP inflation at a rate "below, but close to, 2% over the medium term"). In its current outlook, the OeNB expects the inflation rate in Austria to come to 2.0% for 2017 as a whole. This means that the inflation differential between Austria and the euro area will narrow to 0.5 percentage points.
- The Austrian real estate market has been buoyant since the mid-2000s. Starting from a low level, residential property prices rose by 56% between 2008 and 2016. According to the OeNB fundamentals indicator for residential property prices, this development is broadly in line with economic fundamentals.
- Austria's saving ratio dropped sharply after the economic crisis but increased slightly in 2015 and 2016 (7.9%). Financial assets held by households totaled EUR 625 billion or 177% of GDP.
- The household sector's debt ratio stood at 52.2% of GDP in the first quarter of 2017; at 416% of gross operating surplus or 91.2% of GDP (Q1 2017), the corporate debt level in Austria was below the euro area average.
- Given stable price competitiveness as measured by the real effective exchange rate, Austrian exporters benefited greatly from the current pickup in global trade. On the back of robust growth in important export markets, like Germany and Central, Eastern and Southeastern Europe (CESEE), Austrian nominal goods exports expanded by 8.5% in the first half of 2017 compared to the previous year.
- Austria's foreign trade in goods is well diversified both by region and product type. In 2016, more than half of foreign trade took place with other euro area countries and was therefore not directly affected by exchange rate risks. After Germany, which accounted for an export share of more than 30% in 2016, CESEE is Austria's most important export market. The share of goods exports to this region rose from 15% in 1996 to 21% in 2016.
- The steady string of current account surpluses seen since 2002 (2016: 1.7% of GDP) confirms the international competitiveness of the Austrian economy. Austria's net international investment position is positive, standing at EUR 19.8 billion (5.6% of GDP) in 2016.
- Austria's budget balance ratio deteriorated to –1.6% of GDP in 2016 (2015: –1.0%) as a result of the income tax reform that came into force in January 2016. In contrast, the debt ratio improved from 84.3% in 2015 to 83.6% in 2016), which was primarily due to higher GDP growth in 2016 as well as a bail-in of the "bad bank" HETA's creditors.

¹Cutoff date: October 2, 2017

Austrian banks: necessary adjustment processes are gaining momentum in challenging environment

- *Supervisory measures and banks' increased efforts have succeeded in significantly strengthening financial stability in Austria over the past few years. Still, the Austrian banking sector continues to face major challenges such as the low interest rate environment.*
- *In the first half of 2017, Austrian banks' end-of-period profit came to EUR 3.4 billion, up 16% year on year (first half of 2016: EUR 2.9 billion).*
- *The OeNB recommends that in the current favorable macroeconomic environment, Austrian banks consistently push ahead with the structural reforms they have already initiated to improve profitability and efficiency in the long run.*
- *Austrian banks' capitalization has improved clearly since the beginning of the financial crisis in 2008. By international comparison, their consolidated CET1 ratio was above the European average in March 2017. A comparison of banks with high market shares in CESEE shows that the capitalization of Austrian institutions is below that of their European competitors.*
- *Austrian banks' credit quality improved significantly, too, in the first half of 2017, after UniCredit Bank Austria AG's CESEE segment had been transferred to its Italian parent institution UniCredit S.p.A. in 2016 and banks had sold loan portfolios.*
- *Banks in Austrian majority ownership hold about two-thirds of their consolidated foreign claims against CESEE. On account of the above-mentioned transfer of UniCredit Bank Austria AG's CESEE segment, the aggregate total assets of Austrian banks' CESEE subsidiaries went down by almost 40% and their geographical risk profile changed as well.*
- *The slight improvement in the economic environment in CESEE had a positive impact on Austrian banks' subsidiaries, with their aggregate end-of-period profit increasing by 8% year on year to EUR 2.5 billion in June 2017, mostly owing to a further reduction in loan loss provisions.*
- *The measures taken by the Austrian supervisory authorities to curb foreign currency lending continue to have a positive impact, as reflected in the declining volume of outstanding foreign currency loans to households and nonfinancial corporations: since 2008, this amount has decreased by 65% (in exchange rate-adjusted terms) to EUR 23.4 billion in the second quarter of 2017. Given that foreign currency loans and loans with repayment vehicles continue to be associated with certain risks, the OeNB recommends that banks assess, together with borrowers, the latter's risk-bearing capacity and, if necessary, take measures to reduce these risks.*
- *Thanks to the sustainability package, the local funding base of Austrian banks' CESEE subsidiaries has improved. Their loan-to-deposit ratio fell from 117% in 2008 to 80% in June 2017.*
- *In June 2017, the Austrian parliament adopted a bill, creating a macroprudential toolkit for containing systemic risks in real estate financing. These instruments establish minimum requirements for lending standards and comprise, i.a., the possibility of imposing limits on the loan-to-value ratio, the debt service-to-income ratio, the debt-to-income ratio and on maturities. On the basis of an OeNB analysis, the Financial Market Stability Board may recommend that the FMA employ these instruments.*
- *The OeNB carries out annual stress tests for all Austrian banks; results for 2017 show an improvement in banks' risk-bearing capacity, but also that banks are exposed to risks arising from their interconnectedness. Banks are therefore compelled to enhance their cost structure, profitability and capital ratios.*
- *On November 4, 2014, the Single Supervisory Mechanism (SSM) became fully operational, with the ECB taking over the supervision of banks in the euro area. In fulfilling this mandate, the ECB cooperates closely with the national supervisory authorities, i.e. the FMA and the OeNB in the case of Austria. The national supervisory authorities share the day-to-day tasks in supervisory practice with the ECB. This decentralized approach to banking supervision has proved a success so far.*
- *A number of measures aimed at further harmonizing supervisory processes and promoting a joint supervisory culture under the SSM have already been implemented. The next few months will see the completion of the negotiation and implantation of most regulatory measures agreed in the wake of the financial crisis. In this context, the European Commission presented a comprehensive package of reforms in late November 2016*

1 Austria ranks among the top economies in the euro area

1.1 Austria is one of the best performing advanced economies worldwide

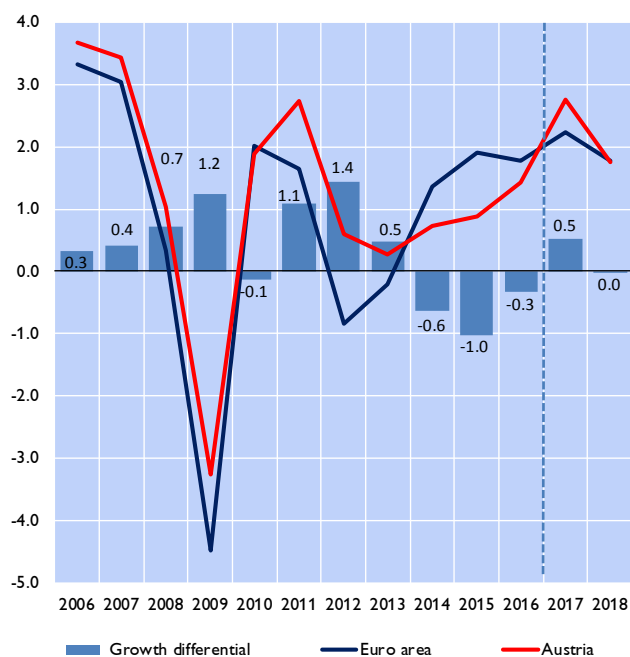
Austrian economic growth to reach 2¾% in 2017

Following four years of average growth rates below 1%, the Austrian economy started to gradually recover in early 2016. Buoyed by lively investment activity and healthy private consumption growth, domestic demand was the major driver of growth at first. From the second half of 2016 onward, export activity picked up markedly as global trade was recovering. The Austrian economy gained additional momentum in the first half of 2017, expanding at 0.9% and 0.8%, respectively, in the first two quarters (quarter on quarter) and thus at the fastest rate in the past six years. The broad-based upswing, which is underpinned by both domestic and foreign demand, is set to continue into the second half of 2017. The OeNB expects real GDP to expand by 0.7% and 0.6% (quarter on quarter) in the third and fourth quarters, respectively. For 2017 as a whole, growth is forecast to reach 2¾%.² Distinctly higher rates were last recorded in the boom period of 2006–07, when growth had accelerated to 3½%. In any case, economic growth in Austria will outpace that of the euro area (2.2%) in 2017.

Chart 1

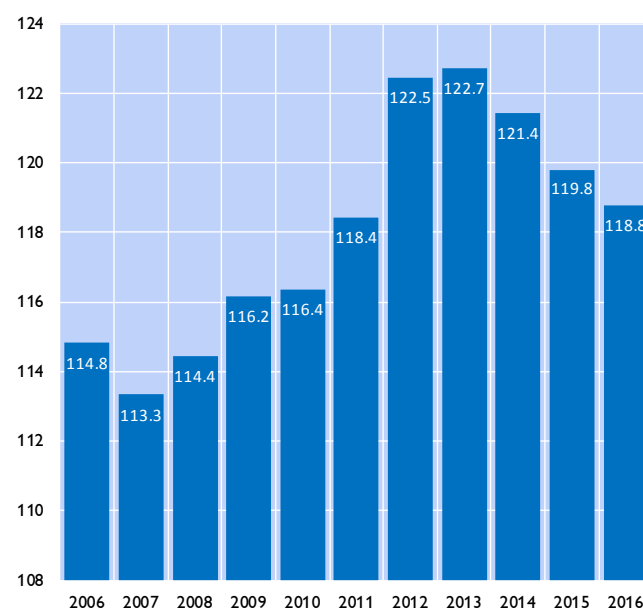
Growth differential between Austria and the euro area

Real GDP: annual change in %; growth differential in percentage points



Austrian GDP per capita relative to the euro area

GDP per capita at purchasing power standards; euro area = 100



Note: Euro area 2017 and 2018: ECB projection of September 2017. Austria 2017: OeNB's Economic Indicator August 2017; 2018: OeNB June 2017 Outlook.

Source: Eurostat, ESCB, OeNB.

² The IMF World Economic Outlook (WEO) of October 2017 forecasts a real GDP growth for Austria in 2017 of 2.3% and for 2018 of 1.9%. In the OeNB's opinion, the IMF is still underestimating growth in 2017 by around ½ percentage point.

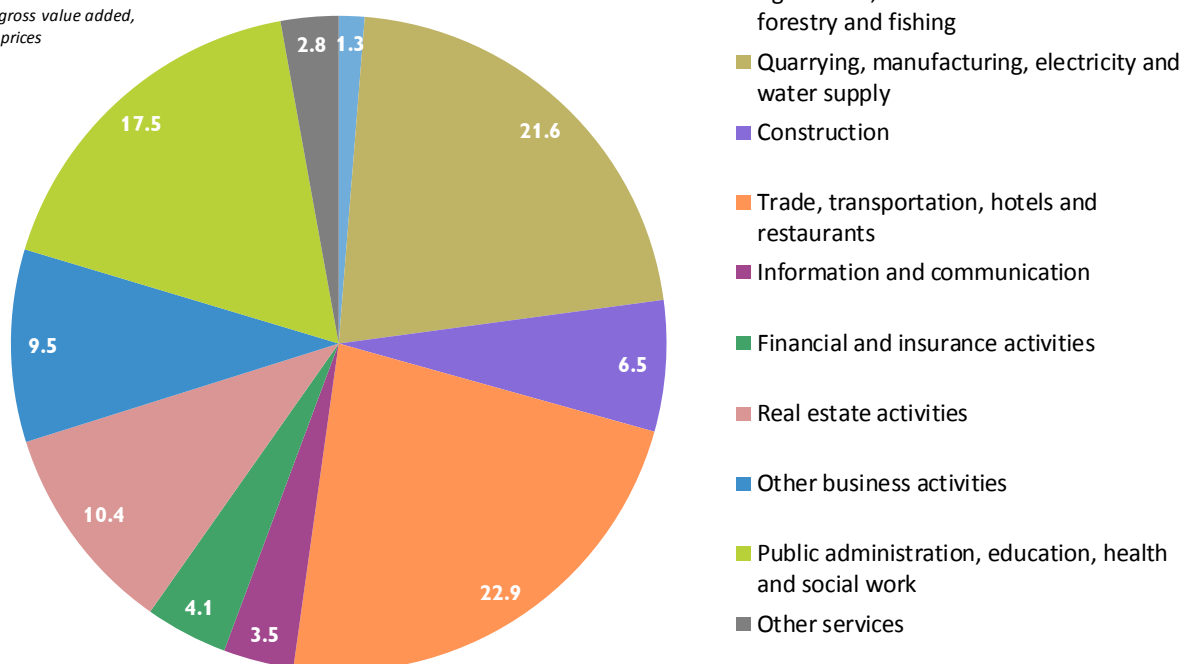
Sectoral structure of the Austrian economy is well balanced

Given that Austria is a highly developed economy, the tertiary sector plays a crucial role. Private sector services contribute the largest share – slightly above 30% – to gross value added, followed by activities classified under “quarrying, manufacturing, electricity and water supply” as well as “trade, transportation and hotels and restaurants,” which account for slightly more than 20% each. Furthermore, manufacturing in Austria is characterized by a high diversity of industries. At 6½%, construction’s contribution to gross value added is high by European standards.

Chart 2

Gross value added in Austria in 2016

% of total gross value added,
at current prices

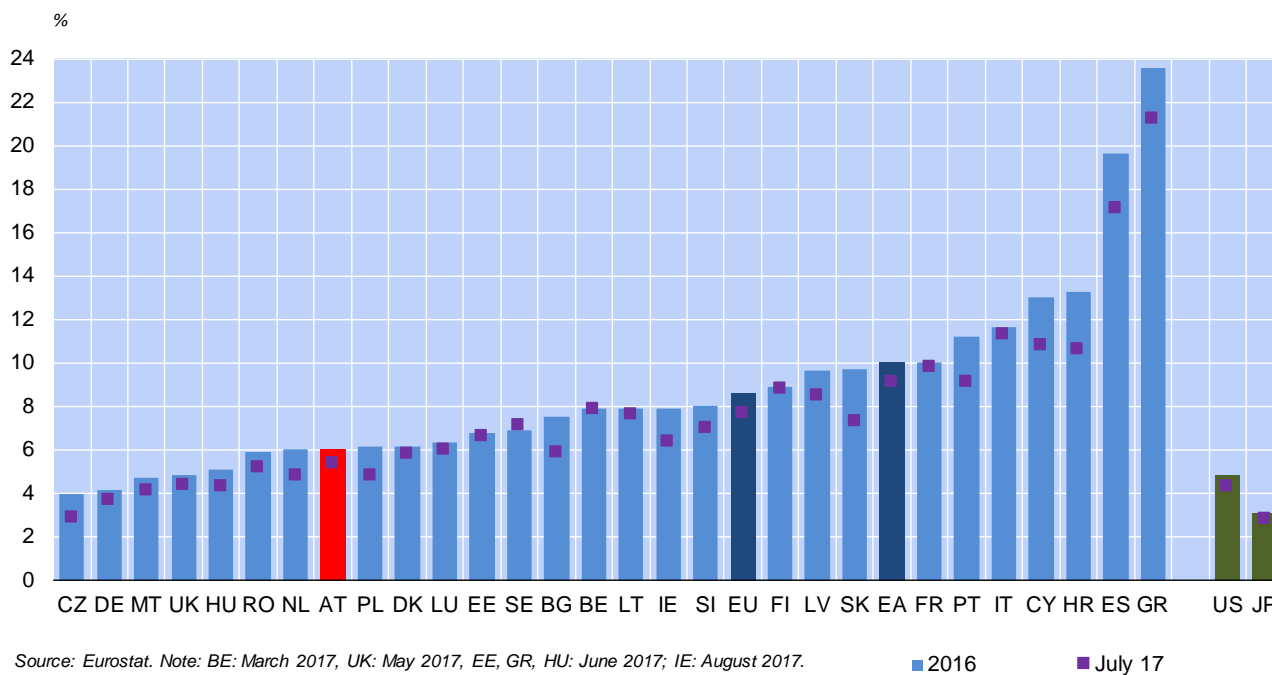


Source: Statistics Austria.

Upswing leads to sustained decrease in unemployment

The Austrian labor market has been characterized by strong employment growth over the past years, even when economic activity was weak. As the economy gathered momentum in 2016, employment growth accelerated further, reaching 1.8% in the first half of 2017 – its highest rate since 2011. However, up to mid-2016, the considerable expansion of labor supply was accompanied by a hike in unemployment. This increase was attributable to a markedly higher number of arrivals of foreign workers in Austria as well as rising labor force participation rates among women and older people. Since mid-2016, the economic upswing has been robust enough to keep unemployment firmly on a downward path even though labor supply keeps rising strongly. The jobless rate dropped from 6.3% to 5.4% between August 2016 and July 2017, and current forecasts expect it to decline further in the coming months. In an EU-wide comparison, Austria ranked among the Member States with the lowest unemployment rates in 2016. The Austrian labor market is characterized by a high level of flexibility (in European terms) and a balancing of interests between employers and employees. Hence, Austria is also among the best performers worldwide in rankings of alternative indicators that measure, for instance, social stability (such as the frequency of strikes).

Unemployment rates



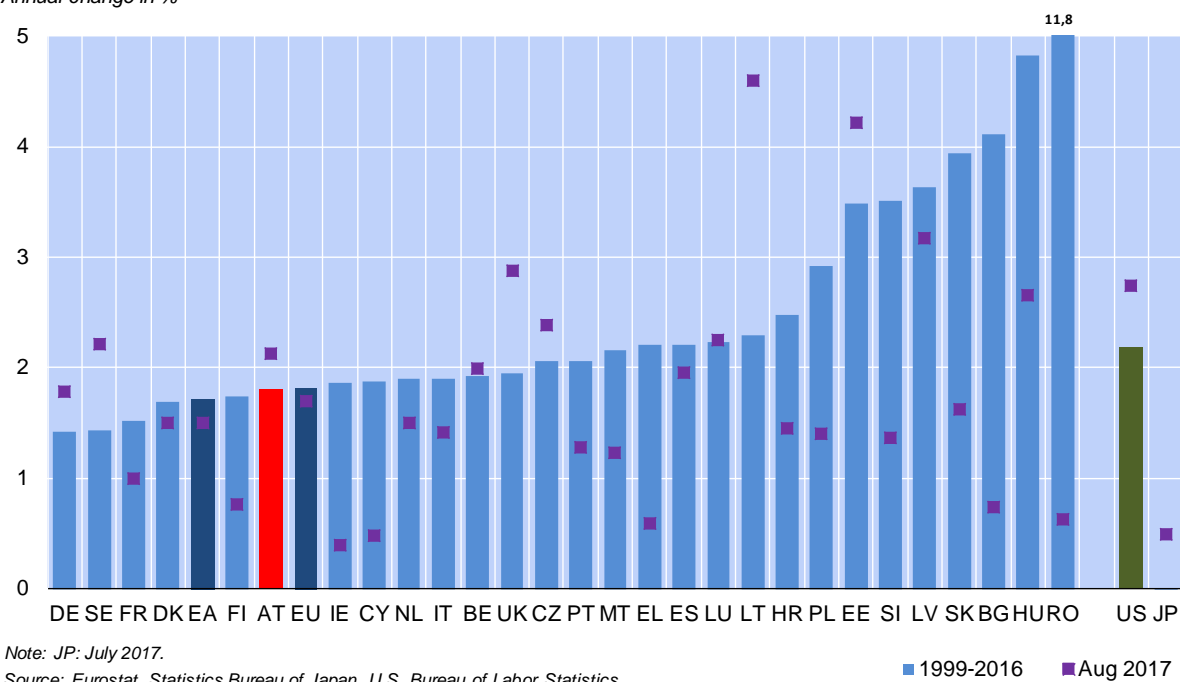
Inflation differential vis-à-vis the euro area narrowing gradually

Recording an average inflation rate of 1.8% since the introduction of the euro in 1999, Austria has been among those countries that have successfully maintained price stability in line with the euro area's definition (i.e. HICP inflation at a rate "below, but close to, 2% over the medium term").

Chart 4

HICP inflation rate

Annual change in %



Since 2011, the Austrian inflation rate has continuously been higher than the euro area average. This can be attributed mainly to developments in the services sector, which in Austria has seen a stronger increase in unit labor costs in market services on the one hand and higher public sector contributions to inflation (through indirect taxes and administered prices) than in the euro area. The inflation differential between Austria and the euro area reached its highest value (1.0 percentage point) in 2014; since then, it has been narrowing slowly. In the first half of 2017, HICP inflation in Austria was 2.2%, 0.5 percentage points higher than in the euro area. In the second half of the year, inflation is set to decelerate further. For 2017 as a whole, the OeNB expects an inflation rate of 2.0%.

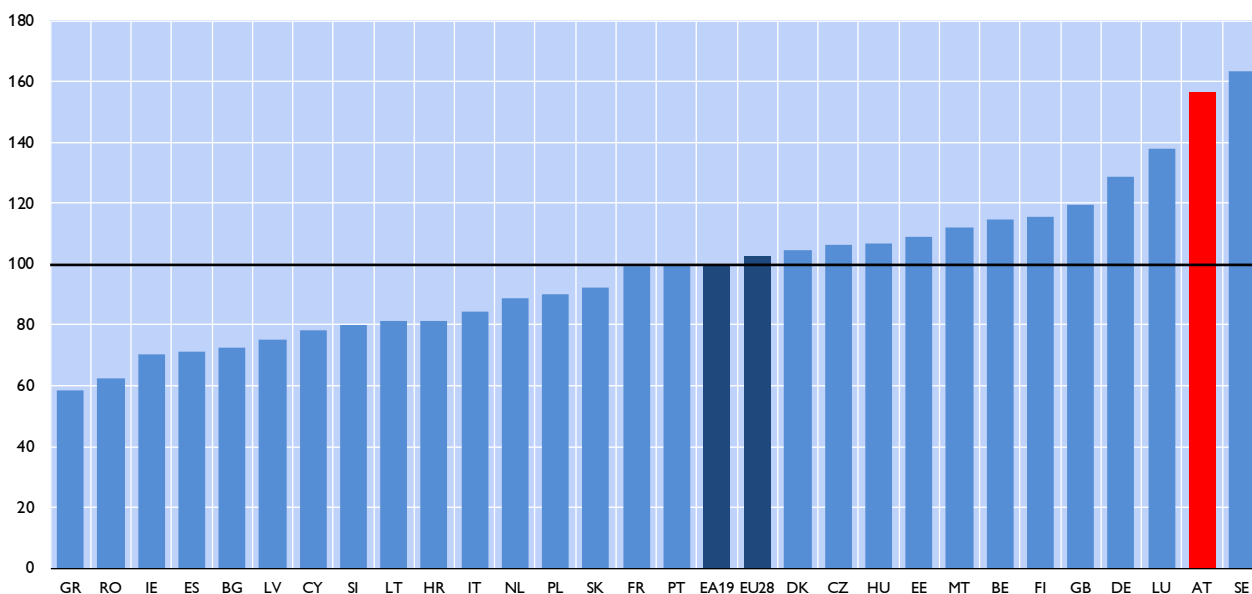
Strong growth of Austrian residential property prices but no signs of overheating

The Austrian residential property market has been buoyant since the mid-2000s. Starting from a comparatively low level, residential property prices rose by 56% between 2008 and 2016. However, current market developments in Austria are markedly different from the severe developments seen in some other euro area countries in the past, where residential property price growth went hand in hand with a surge in mortgage lending and the ensuing bursting of the real estate bubble caused disruptions in the financial sector.

Chart 5

Change in house prices in EU Member States between 2008 and 2016

Index: 2008=100



Source: ECB.

Note: Prices of new and existing dwellings (current prices).

In Austria, residential property price growth in 2016 reached 7.3%, exceeding the growth rates of the previous three years, when prices rose by an average 4.1%. In the first half of 2017, however, price growth slowed to 3.0%. The increase in residential property prices in Austria is largely attributable to fundamentals, as reflected in the OeNB's fundamentals indicator for residential property prices. The demographic developments seen of recent years have driven up housing demand. Furthermore, due to low interest rates residential property has become a more popular form of investment. At the same time, lending growth has been moderate in Austria. Housing loans to households expanded by 4.0% in 2016 and only marginally faster – by 4.2% – in the first half of 2017. Austrian households' debt is low (2016: 52.4% of GDP) by international standards, and stable. In the past decade, a large part of housing

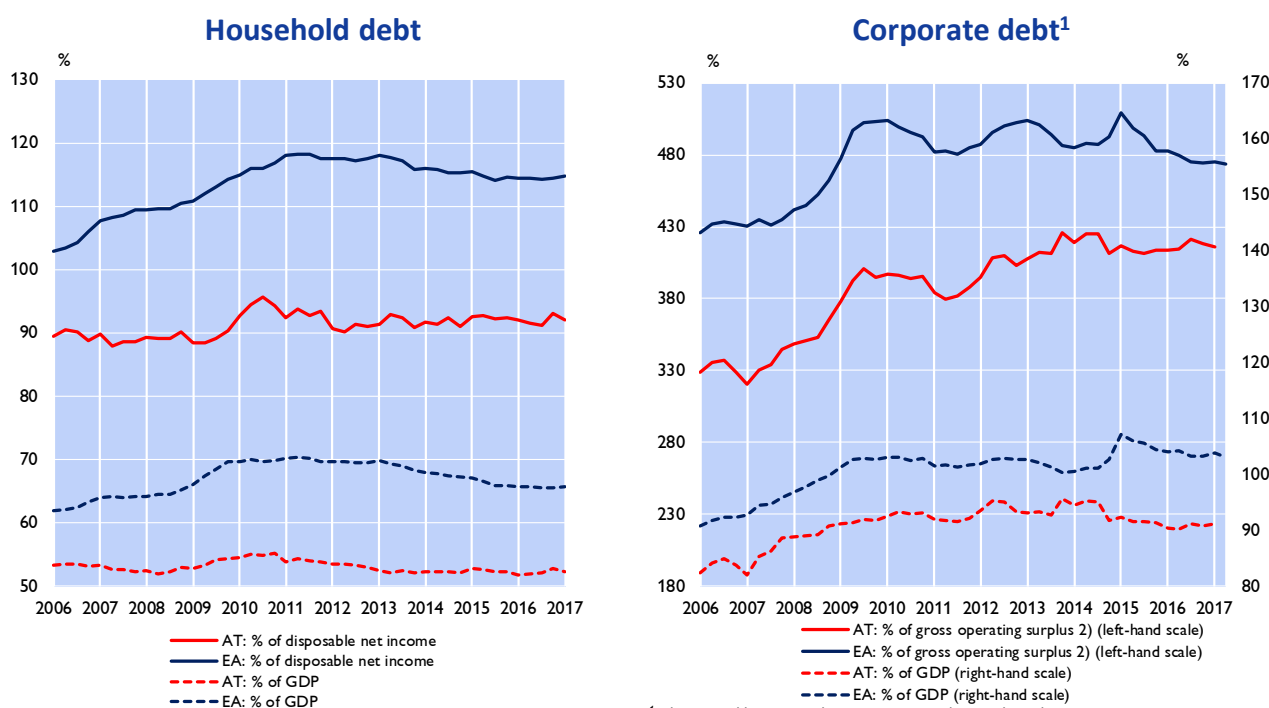
loans was taken out in foreign currency (especially in Swiss francs). The foreign exchange risk associated with such loans is declining now, however, as the share of foreign currency loans in total housing loans has also diminished significantly recently. At the same time, the interest rate risk of new housing loans has been decreasing. The share of variable rate loans (with an initial rate fixation period of up to 1 year) in new loans dropped from 84% in 2014 to 53% in the first half of 2017. Also, Household Finance and Consumption Survey (HFCS) data show that Austrian households' debt-servicing capacity is strong by international standards. Finally, owing to the high share of rental accommodation in total housing in Austria, households are less affected by residential property price developments than those in other EU countries.

Household and corporate sectors: high levels of financial assets, low debt

In 2016, households saved about 7.9% of their net disposable income. With total financial assets amounting to some EUR 625.1 billion (177% of GDP) at the end of 2016, the household sector is a key supplier of capital to other sectors in Austria.

Households' debt totaled 51.9% of GDP in the first quarter of 2017, which is below the euro area average of 65.7%. Likewise, at 416% of gross operating surplus or 91.2% of GDP, corporate debt in Austria was lower than the euro area average (475.3% and 103.1%, respectively) in the first quarter of 2017.

Chart 6



¹ Short- and long-term loans, money and capital market instruments.

² Including mixed income of the self-employed.

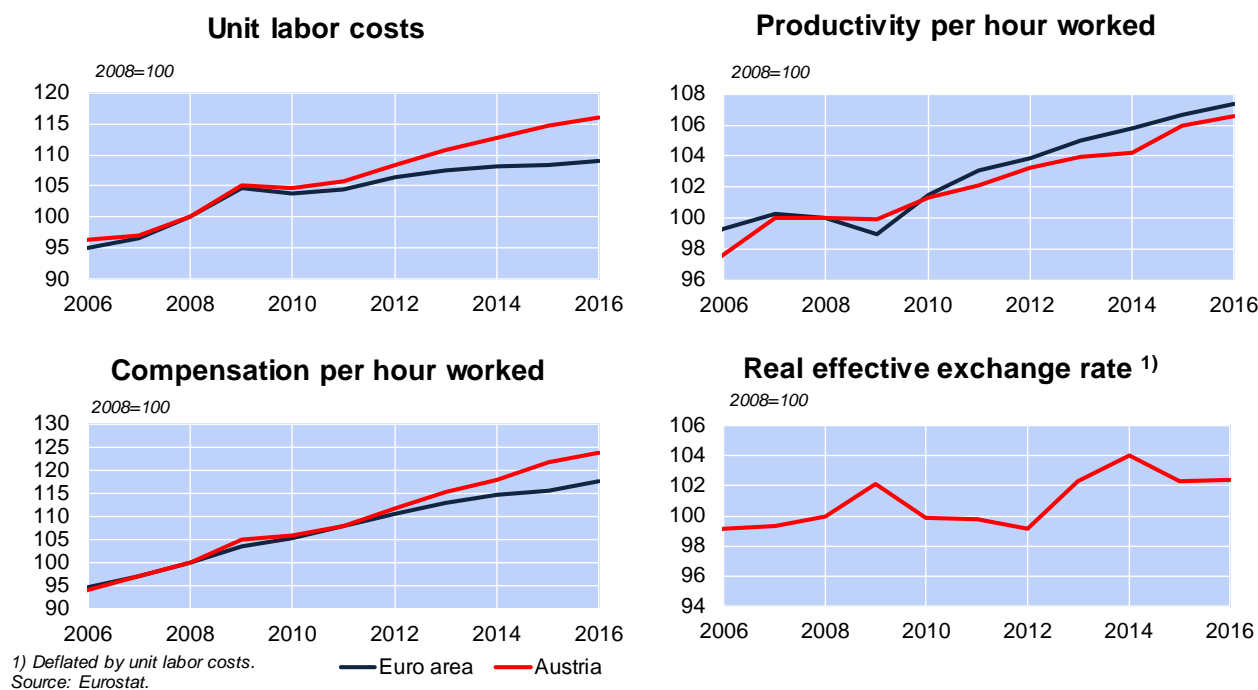
1.2 Continued current account surpluses confirm international competitiveness of Austrian economy

Price competitiveness of Austrian economy stable

The Austrian economy's price competitiveness as measured by the real effective exchange rate (deflated by unit labor costs for the total economy) has hardly changed over the past ten years. The real effective exchange rate has appreciated by only 3% since 2006. This must be seen against the backdrop of unit labor costs having increased slightly more in Austria than in its trading partner countries in the euro area. While productivity per hour in Austria and the euro area expanded almost at the same pace, hourly wage growth in the euro area was slower than in Austria. Given the stable level of price competitiveness, Austrian exporters benefited greatly from the current pickup in global trade. On the back of robust growth in important export markets like Germany and CESEE, in the first half of 2017, Austrian nominal goods exports expanded by 8.5% year on year.

Chart 7

International competitiveness



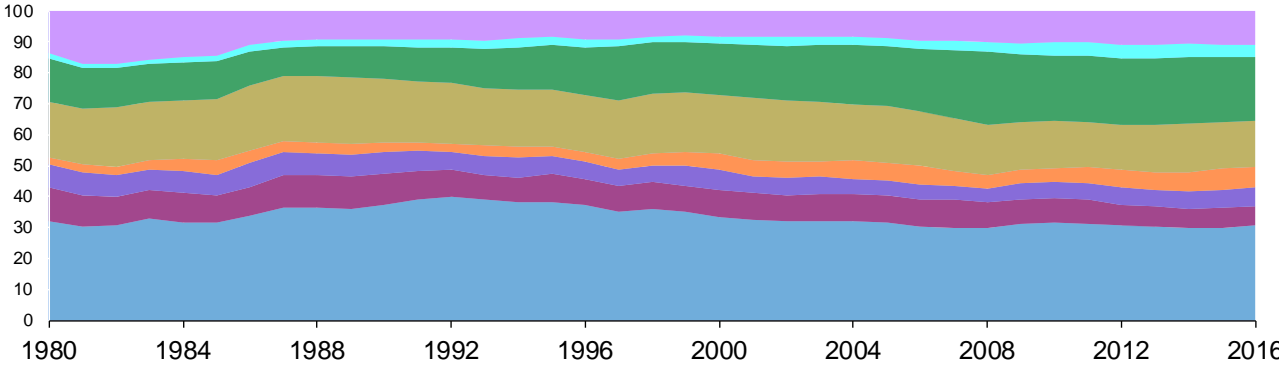
Austria's external trade is regionally diversified, exposure to foreign exchange risk is low

In 2016, more than half of Austria's goods exports went to the euro area, which meant that they were not exposed to any direct exchange rate risk. Among Austria's trade partners in the euro area, Germany is still the most important one by far, with a share of 31% in Austria's total goods exports, followed by Italy, which accounts for a share of 6.4%. Furthermore CESEE is a very important export market for Austria. The region as a whole ranks second to Germany. Exports to the region have expanded rapidly in the past years. While the share of goods exported to the euro area has declined since 1996, the share of goods exported to CESEE has steadily increased (1996: 15%, 2016: 21%). Given that CESEE's growth differential vis-à-vis the euro area has recently widened again (to 1½ percentage points), the region will definitely remain a central growth market for Austrian exporters in the near future. Next to CESEE, the U.S.A., Switzerland and Asia rank among Austria's most important export markets outside the euro area.

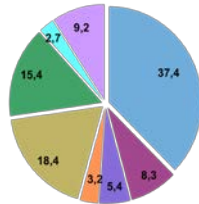
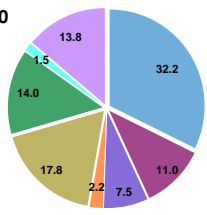
The sectoral structure of Austria’s external trade follows the pattern typically observed in highly industrialized nations. At 40%, machinery and transport equipment make up the lion’s share of Austria’s goods exports. Other important pillars of Austrian export activity include manufactured goods, chemicals and commodities and transactions not classified elsewhere, which together account for some 47% of goods exports.

Regional pattern of Austrian goods exports 1980-2016

% of total nominal exports of goods



1980



Source: Statistics Austria.
 Note: Asia: CN, JP, KR;
 EU-12: BE, DK, FI, FR, GR, IE, LU, NL, PT, ES, SE, UK;
 CESEE countries: BG, EE, LV, LT, PL, RO, SK, SI, CZ, HU, AL, BA, HR, ME, RS, BY, MD, RU, UA.

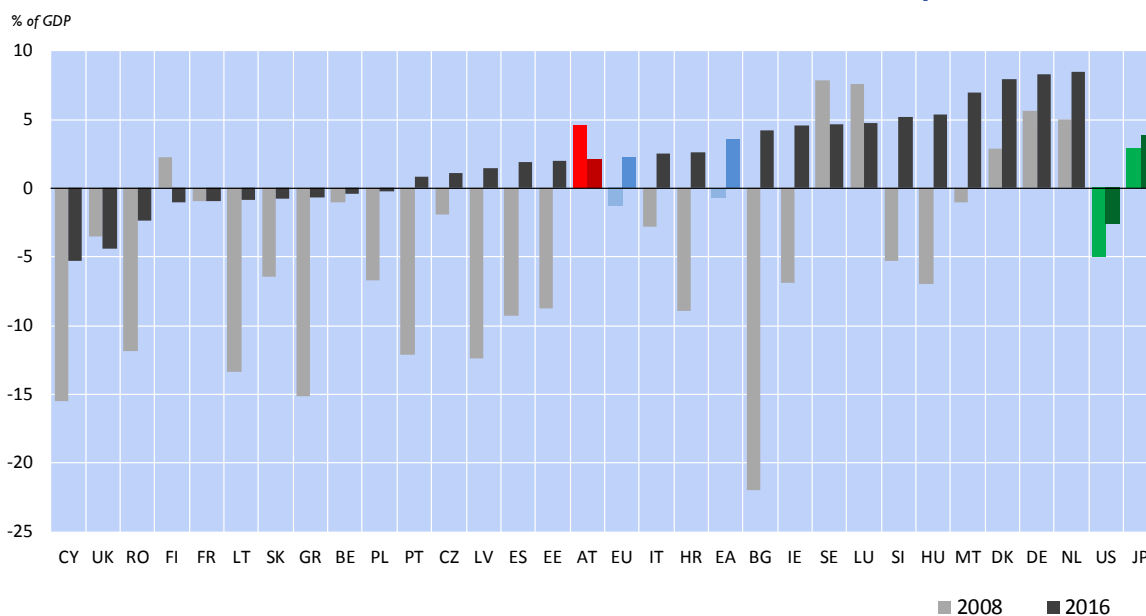
Germany Italy Switzerland U.S.A.
 EU-12 CESEE countries Asia Rest of the world

Next to goods exports, which make up 70% of total exports, services exports (30%) also play an important role for the Austrian economy. In recent years, services exports have grown more strongly than goods exports. This was substantially driven by the tourism sector: In the past two and a half years, overnight stays – both by Austrians and non-Austrians – have seen new record highs. Other services exports, e.g. exports of business-related services, expanded even more vigorously: According to the technology balance of payments, Austria has turned into a net exporter of technology-related know-how transfers of about EUR 3 billion or 1% of GDP.

Current account surpluses confirm Austria’s international competitiveness

Austria has constantly recorded current account surpluses since 2002. In 2016, the current account surplus amounted to EUR 6 billion or 1.7% of GDP. This positive result was mostly driven by a plus in the balance of services, whereas the goods account was almost balanced. In light of the strong competitiveness of the Austrian economy and the recently observed significant pickup in global trade, all forecasts currently predict that Austria will continue to post current account surpluses in the coming years.

Current account balances of EU Member States, the U.S.A. and Japan



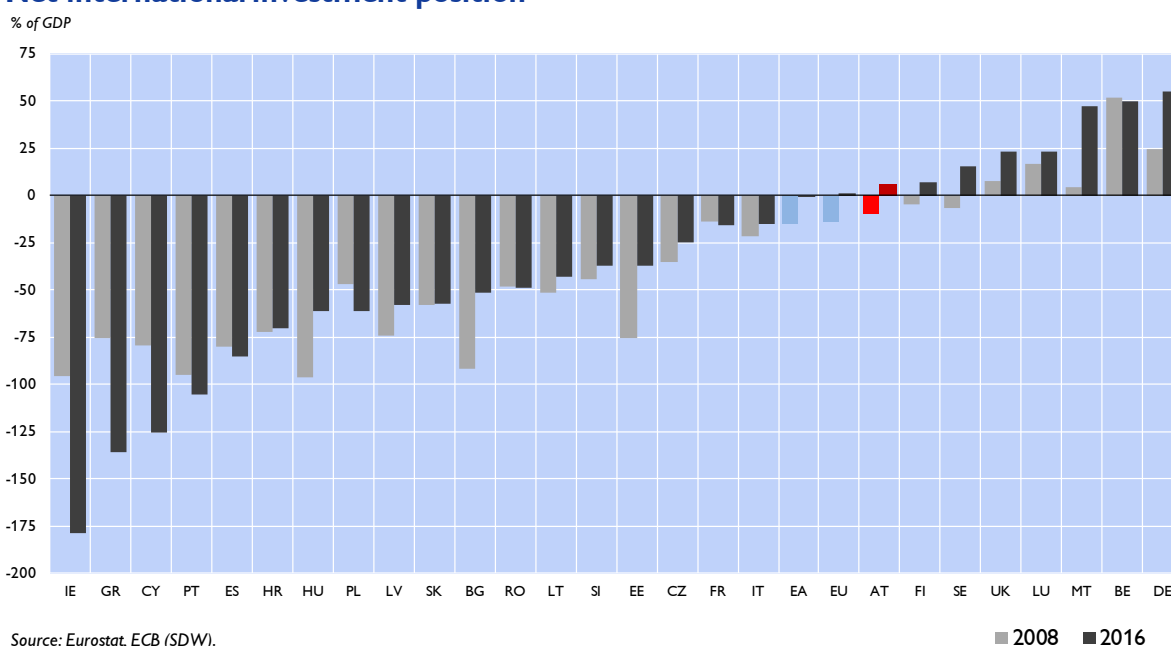
Source: Eurostat.

Note: U.S.A. and Japan: averages derived from European Commission and IMF data.

Austria's net international investment position positive since 2013

Due to its sustained current account surplus – since 2002 Austria has recorded a cumulated surplus of just above EUR 100 billion – Austria has steadily improved its net international investment position (IIP) in recent years. In 2013, its net IIP entered positive territory for the first time. In 2016, Austria's net IIP came to EUR 19.8 billion (5.6% of GDP). This compares with a negative net IPP of 1.2% of GDP for the euro area and a positive net IPP of 1.1% for the EU.

Net international investment position



Source: Eurostat, ECB (SDW).

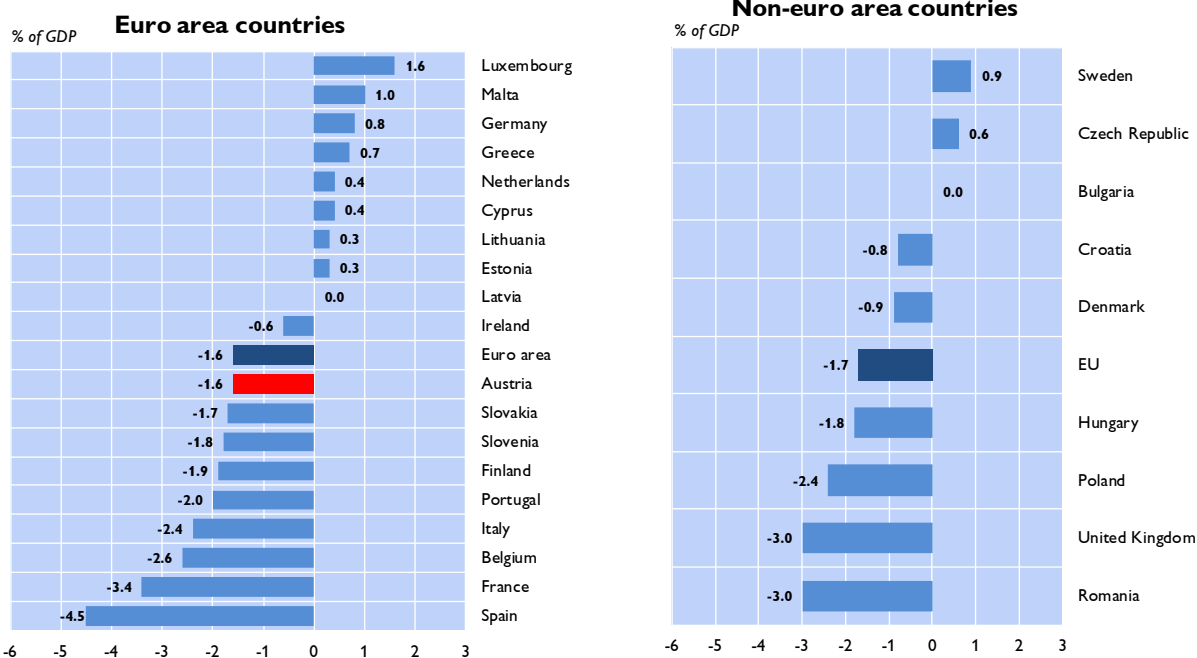
Note: EU data for 2008 do not include BG. For BG, 2010 data are shown instead of 2008 data.

1.3 Austria's general government deficit and debt ratios largely driven by special factors

In 2016, the general government budget balance deteriorated to -1.6% of GDP (2015: 1% of GDP). This was mainly driven by the income tax reform which entered into force at the beginning of 2016. In contrast, the government debt ratio improved to 83.6% of GDP in 2016 (2015: 84.3% of GDP), which was primarily due to higher GDP growth in 2016 as well as a bail-in of the “bad bank” HETA’s creditors.

Chart 11

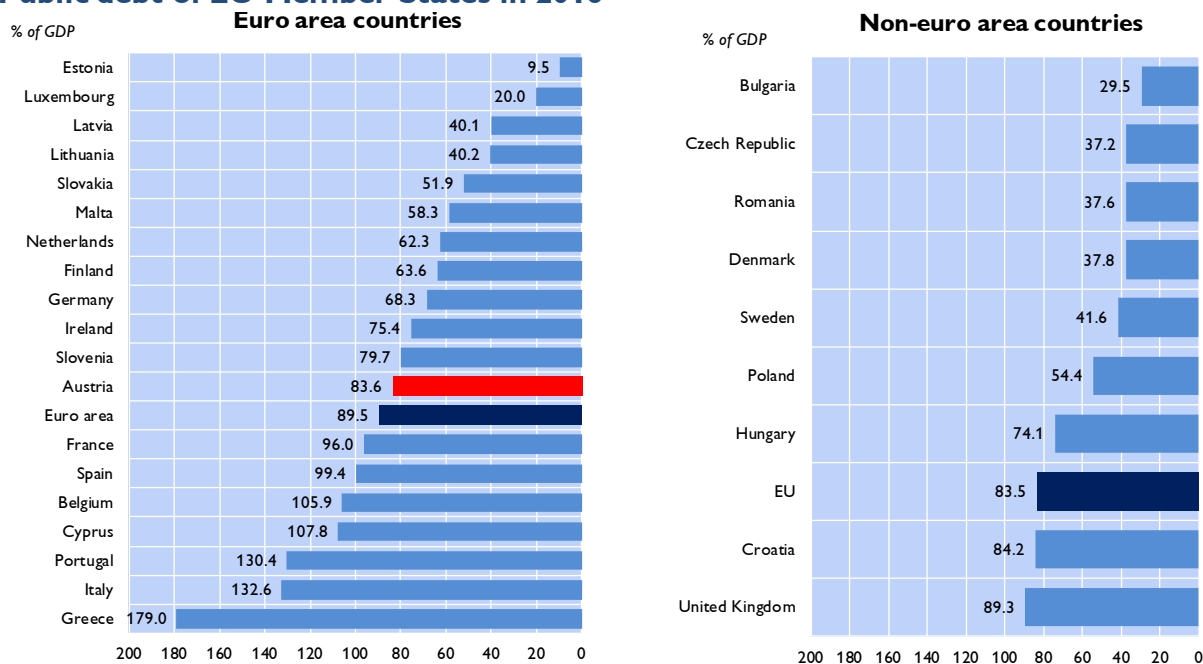
Budget balances of EU Member States in 2016



Source: Eurostat.

Chart 12

Public debt of EU Member States in 2016



Source: Eurostat.

Austria achieved a structural budget balance of –1% of GDP in 2016

With the excessive deficit procedure abrogated in spring 2014, Austria is now subject to the rules of the preventive arm of the Stability and Growth Pact. The preventive arm defines the medium-term objectives (MTO) countries must meet to reach a balanced budget position. For Austria, this translates into a structural balance of –0.45% of GDP (–0.5% of GDP from 2017 onward). In 2016, Austria missed this target. However, when taking into account the increase in expenditure related to refugee migration, the deviation from the MTO was not deemed significant by the European Commission.

The “1/20 rule” stating that debt in excess of 60% of GDP must be reduced by at least one-twentieth per year on average became binding for Austria only in 2017 because Austria had been subject to an excessive deficit procedure when this rule was enacted (end-2011). In the transition phase, Austria had to take measures to achieve a structural balance consistent with fulfilling the 1/20 benchmark in 2016. According to the European Commission’s assessment based on available data, Austria has met this requirement.

Table 1

EU fiscal governance requirements

	Release	2012	2013	2014	2015	2016	Source	Requirement
		<i>in % of GDP</i>						
Budget balance	Sep 2017	–2.2	–2.0	–2.7	–1.0	–1.6	Statistics	>= –3% of GDP
Public debt	Sep 2017	81.7	81.0	83.8	84.3	83.6	Statistics	from 2017: Reduction of difference to 60%
Structural balance	May 2017	–1.9	–1.2	–0.8	–0.3	–1.0	EC, Statistics	MTO (target value) is –0.45% of GDP

Source: Statistics Austria, European Commission (EC).

Austria doing well compared with European peer countries

Due to difficult (mainly external) economic conditions, most European countries have lost their AAA ratings. Austria continues to maintain an AAA rating with Moody’s and DBRS and an AA+ rating with Standard & Poor’s and Fitch. The high confidence in the Austrian economy among international investors is reflected in the fact that Austrian government bonds currently have a negative yield up to a duration of six years.

Table 3

Austria and selected European countries in comparison

	DE	FR	IT	NL	CH	SE	BE	AT	FI	CZ
<i>Real GDP growth, annual change in %</i>										
2017	2.0	1.6	1.5	3.1	1.4	3.1	1.6	2.3	2.8	3.5
2018	1.8	1.8	1.1	2.6	1.6	2.4	1.6	1.9	2.3	2.6
<i>Consumer price index, annual change in %</i>										
2017	1.6	1.2	1.4	1.3	0.5	1.6	2.2	1.6	0.8	2.3
2018	1.5	1.3	1.2	1.4	0.6	1.6	1.5	1.8	1.2	1.8
<i>Unemployment rate, in % of employees</i>										
2017	3.8	9.5	11.4	5.1	3.0	6.6	7.5	5.4	8.7	2.8
2018	3.7	9.0	11.0	4.9	3.0	6.3	7.3	5.3	8.1	3.0
<i>Current account balance, in % of nominal GDP</i>										
2017	8.1	–1.1	2.7	10.0	9.9	3.9	–0.3	2.1	0.4	0.6
2018	7.7	–0.8	2.3	10.0	9.5	3.7	0.0	2.2	0.4	0.1
<i>Budget balance, in % of GDP</i>										
2015	0.5	–3.8	–2.7	–2.1	–0.2	–1.4	–2.8	–2.0	–3.2	–1.8
2016	0.3	–3.4	–2.0	–1.8	–0.2	–0.7	–2.3	–1.7	–2.8	–1.1
<i>Government debt, in % of GDP</i>										
2014	70.7	97.1	133.1	67.6	46.2	43.9	106.7	86.7	61.9	40.6
2016	68.2	98.0	132.3	65.6	45.5	42.6	106.2	85.6	64.0	40.0

Source: IMF WEO of October 2017.

Based on the current IMF outlook, Austria is compared with the three largest euro area economies (Germany, France and Italy) and six countries inside and outside the euro area (the Netherlands, Switzerland, Sweden, Belgium, Finland and the Czech Republic) that resemble Austria in terms of economic size and structure. The IMF World Economic Outlook (WEO) of October 2017 anticipates higher GDP growth for Austria in 2017–18 than for most of its peer countries. In the OeNB’s opinion, the IMF is still underestimating growth in 2017 by around ½ percentage point. By comparison to most of its peers, Austria is expected to post higher inflation levels – in relative terms; Austria’s unemployment rate is projected to reach 5.4%, which is in line with the average peer values. Austria and most of its peers continue to record positive current account balances.

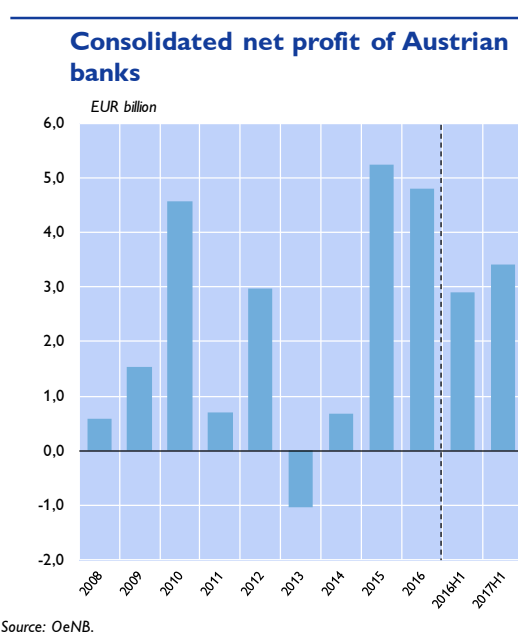
2 Austrian banks: necessary adjustment processes are gaining momentum in challenging environment

2.1 Profitability and capitalization need to be strengthened further

Consolidated profitability improved while challenges remain

Supervisory measures and banks' increased efforts have succeeded in significantly strengthening financial stability in Austria. Still, the Austrian banking sector continues to face major challenges such as the low interest rate environment. At the same time, many macroeconomic indicators have improved. In the first half of 2017, Austrian banks' end-of-period profit came to EUR 3.4 billion, up 16% year on year (first half of 2016: EUR 2.9 billion). This result is traceable to a rise in fee-based income and other operating income and reduced depreciations of tangible and intangible fixed assets. Moreover, the marked decrease in loan loss provisions had a positive effect on profits. The trading result went down, however.³

Chart 13



The OeNB recommends (i.a. in its semiannual Financial Stability Report) that in the current favorable macroeconomic environment, Austrian banks consistently push ahead with the structural reforms they have already initiated to improve profitability and efficiency in the long run. In the currently favorable macroeconomic environment banks should be able to further improve their operating profits (including risk provisions) – which went up in the previous period – instead of relying mostly on lower loan loss provisions for achieving positive results.

³ The comparability of year-on-year data is limited due to the transfer of UniCredit Bank Austria AG's CESEE business to its Italian parent UniCredit S.p.A. in October 2016. Adjusted for this effect, in mid-2017 Austrian banks' end-of-period profit went up by 32% against June 2016.

Table 4

Aggregated profit and loss account of Austrian banks

	2010	2011	2012	2013	2014	2015	2016	2016Q2	2017Q2	
	<i>EUR billion</i>									
Net interest income	20.4	20.4	19.3	18.6	19.3	18.3	14.6	7.2	7.3	
Fee and commission income	7.7	7.6	7.3	7.6	7.7	7.7	6.6	3.2	3.4	
Trading income	1.0	0.8	1.1	0.7	0.4	-0.0	0.1	0.1	0.0	
Operating profit	13.5	10.4	12.1	8.0	8.8	10.5	5.7	3.1	4.0	
Net result after tax	4.6	0.7	3.0	-1.0	0.7	5.2	5.0	2.9	3.4	

Source: OeNB.

Note: For figures as of end-2016 comparability with previous figures is limited due to the restructuring of UniCredit Bank Austria in 2016.

Banks' capitalization has improved, also compared with the European average

The capitalization of the Austrian banking sector has improved over the past years through a combination of increased capital and reduced risk-weighted assets. By international comparison, Austrian banks' consolidated common equity tier 1 (CET1) ratio even was above the European average in March 2017. The same goes for the CET1 ratio of Austrian banks classified as significant institutions (SIs) under the Single Supervisory Mechanism (SSM). A comparison of banks with high market shares in CESEE shows that the capitalization of Austrian institutions is below that of their European competitors. Investors and rating agencies had been calling for improved capitalization, which was also demanded and supported by national supervisory measures.

Table 5

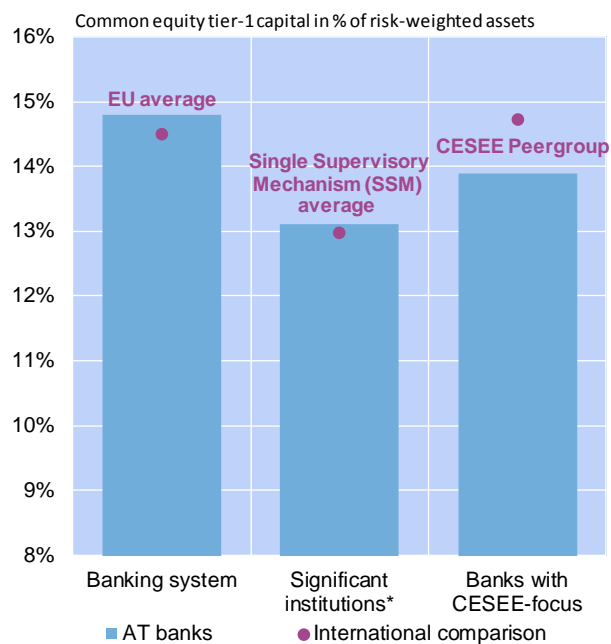
Capital ratios of Austrian Banks on a consolidated basis

	2010	2011	2012	2013	2014	2015	2016	2017Q2	
	<i>% of risk-weighted assets</i>								
Total capital adequacy ratio	13.2	13.6	14.2	15.4	15.6	16.3	18.2	18.5	
Tier-1 capital ratio	10.0	10.3	11.0	11.9	11.8	12.9	14.9	15.3	
Common equity tier-1 ratio (as from 2014)	9.4	9.8	10.7	11.6	11.7	12.8	14.9	15.1	

Source: OeNB.

Capital ratios are based on CRD IV definitions from 2014 onward, which limits the comparability with earlier measures.

CET-1 Ratio



* Under the SSM significant institutions are directly supervised by the ECB in cooperation with the national supervisory authorities.

Source: OeNB, ECB, S&P Global Market Intelligence. Data as of march 2017

Austrian banks' credit quality picked up significantly in the first half of 2017, after UniCredit Bank Austria AG's CESEE segment had been transferred to its Italian parent institution UniCredit S.p.A. in 2016 and banks had sold loan portfolios. As a result, Austrian banks' consolidated nonperforming loan (NPL) ratio, which stood at 4.6% in June 2017, has already fallen by 4.8 percentage points from its record high of 2012.

The 2017 OeNB stress test

2017 OeNB stress test assumes global economic recession against backdrop of low interest rates

The OeNB conducts annual stress tests for all Austrian banks under its mandate for banking supervision and financial stability assessment. The OeNB's 2017 stress test scenarios make the following assumptions: Coupled with geopolitical uncertainty and heightened risk aversion in the financial markets, a significant reduction in international trade hits export-oriented economies, affecting the CESEE region through strong intraregional trade links in particular. Over a three-year horizon, Austrian GDP drops by 6.3 percentage points, GDP in the Central and Eastern European (CEE), Southeastern European (SEE) and CIS countries drops by 8.7 percentage points, 10.5 percentage points and 12.5 percentage points, respectively. In addition to this hypothetical adverse scenario, we analyze a baseline scenario based on the current economic outlook.

Overall resilience of Austrian banks satisfactory, but vulnerabilities remain

Overall, the OeNB stress test mirrors the improved resilience of the Austrian banking system. Positive aggregate results are driven by an improved initial capitalization compared with the previous year, which is, however, supported by historically low loan loss provisions. In addition, the stress test also highlights structural and idiosyncratic weaknesses banks must address.

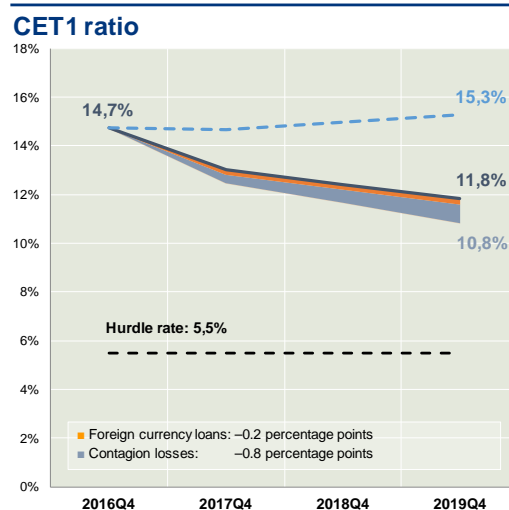
- Banks' aggregate CET1 ratio⁴ improves from **14.7% to 15.3%** in the **baseline scenario**.
- In the **adverse scenario**, the CET1 ratio drops to **11.8%**, down 3.9 percentage points.
- Reduced risks **from foreign currency loans** result in an **-0.2 percentage point** impact on the CET1 ratio.
- **Contagion effects** cause an additional impact of **-0.8 percentage points** on the CET1 ratio.
- Liquidity stress tests show that banks have **adequate liquidity buffers**.

Low interest rate environment puts pressure on banks' profitability

The OeNB stress test results for 2017 show that even in the baseline scenario, i.e. under normal economic conditions, current low interest rates cause a significant erosion in banks' net interest income through the rollover of longer-term loans at lower rates, resulting in a 7% reduction in aggregate operating profit over three years. However, rising interest rates do not necessarily improve profitability, as higher credit risk losses partially offset increases in net interest income.

Challenging environment leaves no room for complacency

The 2017 OeNB stress test confirms that against the backdrop of the low interest rate environment, technological change and increased competition, Austrian banks need to sustainably increase their operating efficiency and further strengthen their capitalization.



⁴ Differences in the level of the CET1 ratio quoted in this publication result from the adaptation of data owing to ex post reporting made after the stress test was performed.

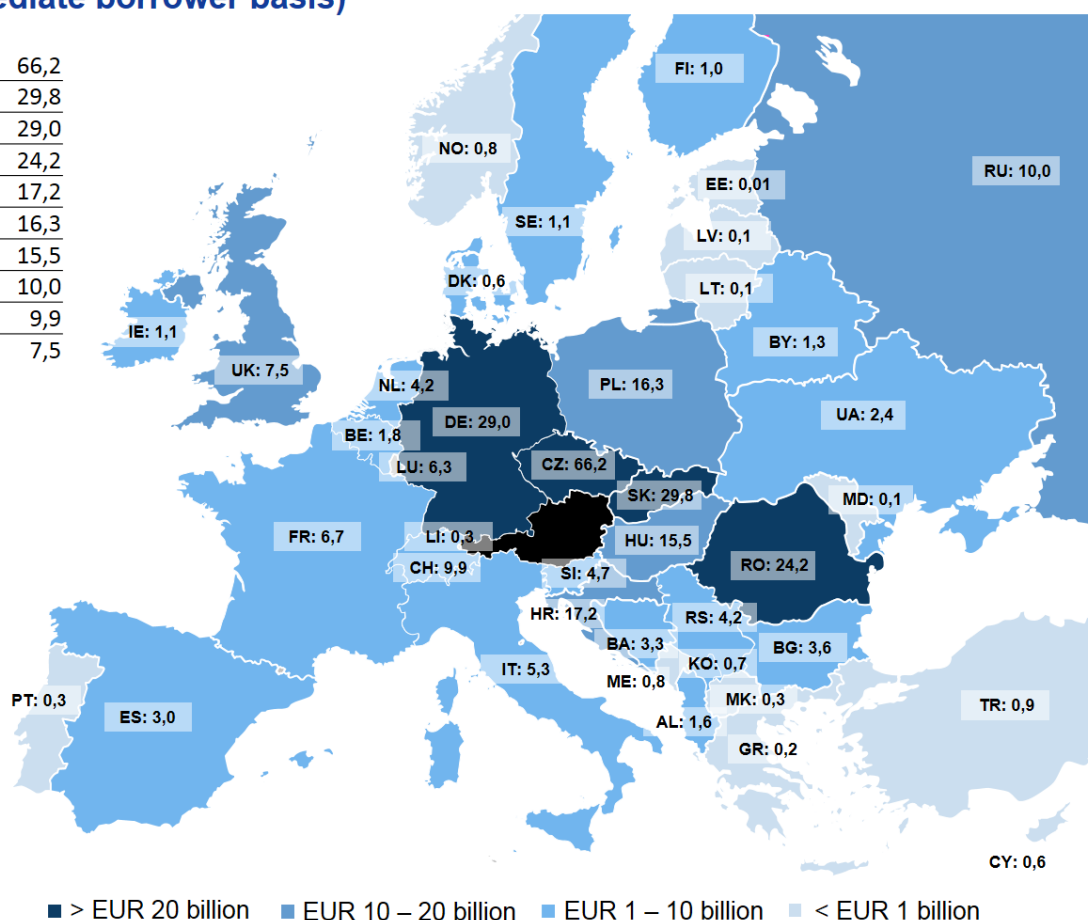
2.2 Austrian banks' foreign business continues to focus on CESEE, restructuring caused changes in exposure

At the end of March 2017, the consolidated foreign claims⁵ of banks in Austrian majority ownership totaled approximately EUR 308 billion (see Chart 15), with claims on CESEE accounting for some two-thirds thereof. At end-2016, Austrian banks had a share of close to one-fourth in the aggregate claims on CESEE of EU-15 banks (see Chart 16).

Chart 15

Austrian banks' consolidated foreign claims (immediate borrower basis)¹

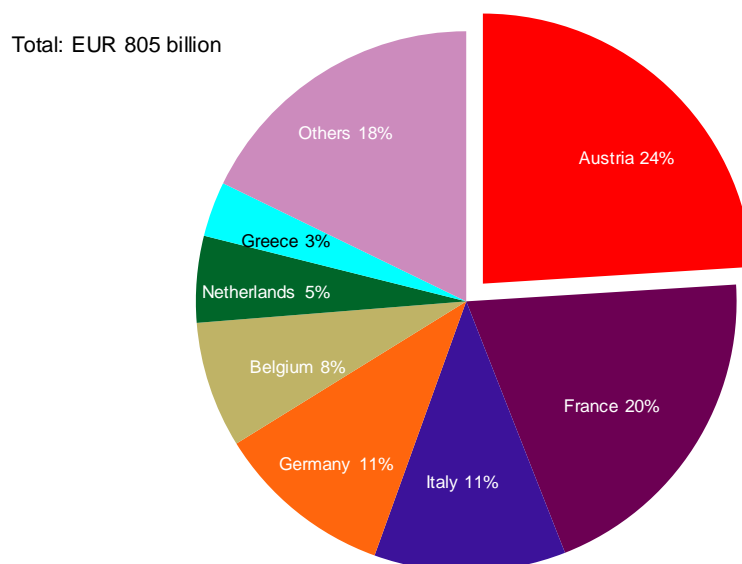
1	CZ	66,2
2	SK	29,8
3	DE	29,0
4	RO	24,2
5	HR	17,2
6	PL	16,3
7	HU	15,5
8	RU	10,0
9	CH	9,9
10	UK	7,5



Source: OeNB, 2017Q2.
¹ In majority domestic ownership.

⁵ Consolidated foreign claims (immediate counterparty basis) according to the definition of the Bank for International Settlements (BIS)

EU-15 banks' shares in total exposure to CESEE (2016Q4)



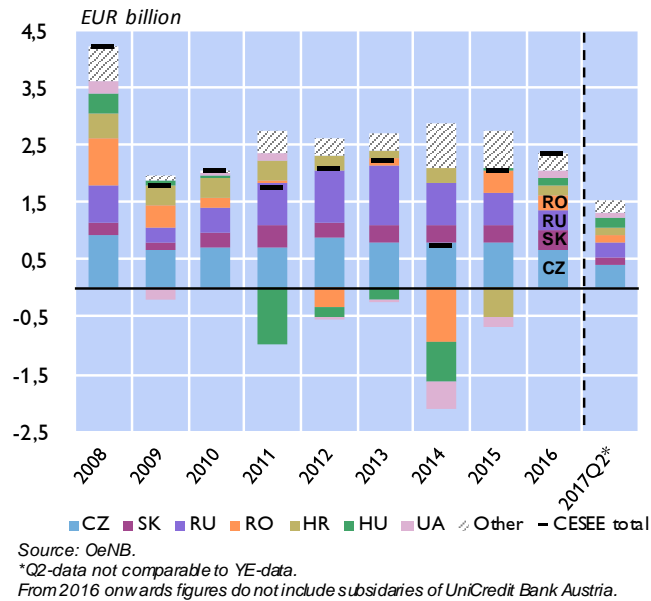
Source: BIS.
Data include banks in majority domestic ownership.

As regards the CESEE subsidiaries of all Austrian banks (i.e. in majority domestic and foreign ownership) the transfer of the CESEE segment of UniCredit Bank Austria AG to its Italian parent institution UniCredit S.p.A. in October 2016 led to a change in banks' geographical risk profile. In this regard, the aggregate total assets of the Austrian subsidiaries in CESEE went down by almost 40%, hence, the banks' exposure in particular to Turkey, the Czech Republic, Russia and Croatia decreased.

Profitability of Austrian banks' subsidiaries in CESEE improves

The aggregate end-of-period profit of Austrian banks' CESEE subsidiaries came to EUR 1.5 billion in the first half of 2017 (second quarter of 2016: EUR 2.2 billion, see chart 17). Adjusted for the figures for UniCredit Bank Austria AG's CESEE subsidiaries, which have no longer been included in these data since the fourth quarter of 2016, profitability went up by almost 8% year on year. This rise was mainly attributable to the further reduction in loan loss provisions – in particular by subsidiaries in Russia and the Czech Republic. The highest profit contributions came from subsidiaries in the Czech Republic, Russia, Hungary and Slovakia. The CESEE business helps Austrian banks compensate for the direct effects of the low interest rate environment in the euro area and the low profitability in the home market.

Net results of Austrian banks' subsidiaries in CESEE



2.3 Macprudential measures contribute to financial stability

New FMA Minimum Standards in force since June 2017; foreign currency loans continue to contract substantially

Austria implemented macroprudential measures early on. In 2003, the FMA established Minimum Standards for the granting of foreign currency loans and loans with repayment vehicles, which were reviewed in early 2017. The new FMA Minimum Standards, which entered into force in June 2017, substantially expand banks' obligations to provide sufficient information to borrowers; they also include new requirements aimed at improving market transparency and a new chapter on risk provisions to be made by banks.⁶

In October 2008, the FMA published a recommendation to Austrian banks to stop issuing foreign currency loans to households that do not have income in the loan currency. Since then, the amount of outstanding foreign currency loans has decreased by 65% (exchange rate adjusted), standing at EUR 23.4 billion in June 2017. Nevertheless, the risks to households arising from foreign currency loans and repayment vehicle loans remain high. Around three-quarters of foreign currency loans to households are bullet loans linked to repayment vehicles. A survey on foreign currency loans and loans with repayment vehicles that the OeNB conducted in spring 2017 in cooperation with the FMA showed that at end-2016 the shortfall⁷ had equaled around 32% of the outstanding volume of repayment vehicle loans. In light of the risks that still exist, the OeNB recommends that banks advise borrowers about their risk-bearing capacity and, if necessary, take measures to reduce borrowers' exposure to these risks.

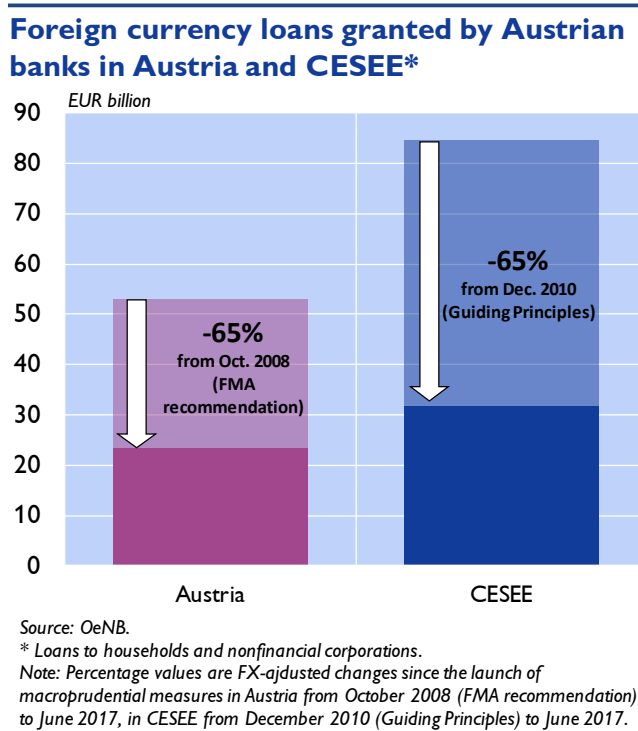
The amount of foreign currency loans issued by Austrian banks' CESEE subsidiaries also continues to decline. Between end-2010 and June 2017, the volume of outstanding foreign currency loans contracted by 65% (exchange rate adjusted) to EUR 32 billion. These figures show that the supervisory measures

⁶ The first version of the FMA Minimum Standards was published in October 2003. It was expanded and amended in 2010 and 2013. The FMA Minimum Standards in force since June 2017 are accessible via the following link: <https://www.fma.gv.at/download.php?d=2885>.

⁷ The shortfall is the difference between the outstanding loan amount in euro and the forecast value of the repayment vehicle upon maturity.

taken (FMA Guiding Principles of December 2010) had a positive impact. The restructuring of UniCredit Bank Austria AG also contributed to the above contraction.

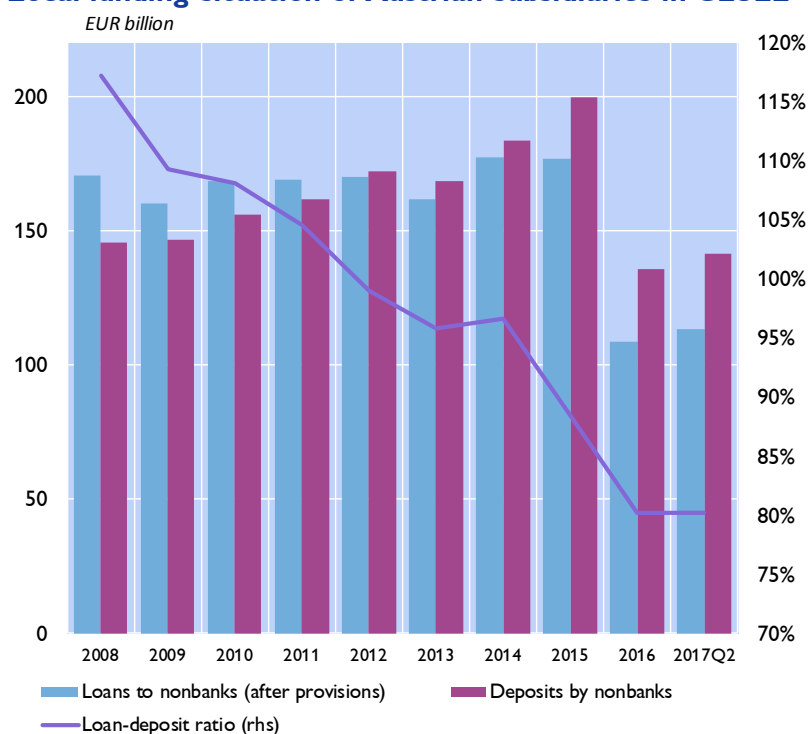
Chart 18



Austrian banking subsidiaries in CESEE strengthen local funding base

In March 2012, the OeNB and the FMA published a “Supervisory guidance on the strengthening of the sustainability of the business models of large internationally active Austrian banks” (“[sustainability package](#)”). The sustainability package is aimed, i.a., at achieving a more balanced funding structure at Austrian banks’ foreign subsidiaries by strengthening stable local funding. In this context, the loan-to-deposit ratio of Austrian banks’ CESEE subsidiaries decreased from 117% in 2008 to 80% in June 2017, reflecting above all a relative increase in local deposits.

Local funding situation of Austrian subsidiaries in CESEE



Source: OeNB. From 2016/06 onwards excl. subsidiaries of UniCredit Bank Austria.

Introduction and regular evaluation of macroprudential capital buffers

Since January 1, 2016, the systemic risk buffer (SRB), which aims at reducing or preventing long-term, noncyclical systemic risks, has been in effect; its activation had been proposed by the OeNB and recommended by the FMSB and applies to credit institutions that are exposed to specific systemic risks. The level of the SRB, which is evaluated annually, will come to up to 2% of risk-weighted assets at the end of the phasing-in period (January 1, 2019).

Furthermore, the FMSB recommended that the FMA leave the countercyclical capital buffer (CCB) rate at 0% of risk-weighted assets beyond January 1, 2018; this recommendation is based on regular OeNB analyses, which did not point to excessive credit growth. The CCB is intended to counteract risks arising from the credit cycle and from excessive credit growth.

New instruments for limiting systemic risks in real estate funding increase macroprudential supervisors' ability to take action

Residential property prices increased markedly in Austria in the past few years after having remained broadly stable for a long time (unlike in a number of other EU countries). Overall, systemic risks arising from real estate financing remain limited in Austria. However, results from an OeNB survey on new mortgage lending point to rising challenges to financial stability.

With regard to preventing a move toward riskier lending standards and to effectively addressing systemic risks in the residential property market, on June 29, 2017, the Austrian parliament adopted a bill, creating a macroprudential toolkit for containing systemic risks in real estate financing. These instruments establish minimum requirements for lending standards and comprise, i.a., the possibility of imposing limits on the loan-to-value ratio, the debt service-to-income ratio, the debt-to-income ratio and

on maturities. On the basis of an OeNB analysis, the FMSB may recommend that the FMA employ these instruments. The legislator thus followed the FMSB's advice to the Federal Minister of Finance issued in June 2016.⁸

At present, the FMSB sees no immediate need for using macroprudential instruments but decisively calls on banks to continue to pay particular attention to sustainability in new lending. The OeNB continues to closely monitor loan-to-value ratios, loan-to-income ratios and debt service-to-income ratios for mortgage loans and identify the need for action if necessary.

2.4 External assessments positively reflect adjustment process launched by Austrian banks

Banks' efforts to adapt their business models and strengthen their risk-bearing capacity as well as supervisory measures taken in Austria have had a positive impact on external assessments of the Austrian banking sector. In August 2017, Moody's raised the outlook for Austria's banks from "stable" to "positive." Between 2009 and 2016, their outlook for Austrian banks had been "negative;" in 2016, it was changed to "stable." The main drivers of this improved assessment were the drop in NPLs, the stable low level of loan loss provisions and the improvement capital ratios of Austrian banks. These developments are supported by accelerating economic growth in Austria and CESEE. Despite ongoing challenges posed by the low interest rate environment and the banking sector's weak operational efficiency, Moody's assessed Austrian banks' profitability for 2017 and 2018 as "stable" – mainly because of reductions in the bank tax and a declining need for writedowns.

2.5 Integrated approach to banking supervision in the euro area has proved successful

Sharing of responsibilities within a decentralized supervisory system

Since November 4, 2014, the ECB – in close cooperation with the national competent authorities (i.e. the FMA and the OeNB in the case of Austria) – has been responsible for the integrated supervision of banks in the euro area under the Single Supervisory Mechanism (SSM)⁹. In day-to-day supervisory practice, the ECB is in charge of the direct supervision of significant institutions (SIs). As of 1 July 2017 the number of SIs¹⁰ in the SSM was 120, thereof eight SIs are Austrian.¹¹ Less significant institutions (LSIs) are supervised by the respective national supervisory authorities. Together with the FMA, the OeNB is closely involved in the operational oversight of some 500 Austrian LSIs, carrying out all off-site analyses of individual banks and all on-site inspections. This decentralized approach to euro area supervision has proved a success so far. Under the SSM, internationally active euro area banks are subject to harmonized supervision, which is particularly beneficial for smaller countries like Austria, whose large cross-border banks are mainly operating internationally (mostly in CESEE).

⁸ Financial Market Stability Board, June 2016, Advice on the establishment of a legal basis for additional macroprudential instruments, https://www.fmsg.at/dam/jcr:72815182-8653-43ff-93e7-52532521dca4/Advice-2-2016_additional-macroprudential-instruments.pdf.

⁹ ECB, Guide to banking supervision, November 2014: <https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssmguidebankingsupervision201411.en.pdf>.

¹⁰ The list of supervised entities is updated by the ECB regularly; please see: <https://www.bankingsupervision.europa.eu/banking/list/who/html/index.en.html>

¹¹ Erste Group Bank AG, Raiffeisen Bank International AG, Raiffeisenbankengruppe OÖ Verbund eGen, Raiffeisen-Holding Niederösterreich-Wien reg.Gen.m.b.H., Promontoria Sacher Holding N.V. ("BAWAG P.S.K."), Volksbank Wien AG, Sberbank Europe AG, VTB Bank (Austria) AG.

Harmonization of supervisory practices and processes well under way

A number of measures aimed at further harmonizing supervisory processes and at promoting a joint supervisory culture under the SSM have already been implemented. The annual conduct of the Supervisory Review and Evaluation Process (SREP) and the ensuing definition of bank-specific capital ratios rank among the SSM's most important supervisory activities. The SREP capital ratios are meant to ensure that the supervised institutions hold the minimum capital required to adequately cover their total risk given the type, scope and complexity of their activities; they exceed the minimum ratios required by law. Currently, the SREP results are discussed intensely by the SSM Supervisory Board (SB). The Governing Council of the ECB will, by end-December at the latest, adopt a decision laying down the 2018 SREP capital ratios for the banks in question. The SREP capital ratios (excluding structural capital buffers) for SIs under the SSM are likely to remain stable, on average, against the previous year. This should also hold for the eight Austrian SIs.

By implementing the guidelines of the European Banking Authority (EBA), the FMA and the OeNB have committed themselves to applying the SREP methodology also when reviewing and evaluating Austrian LSIs. Against this backdrop, a harmonized SREP methodology for LSIs was developed to ensure uniform supervisory processes and a level playing field. The OeNB and the FMA have already completed their SREP analyses for a number of LSIs and sent them the first set of administrative decisions. In line with the principle of proportionality, SREPs for LSIs are required every one to three years.

Regulatory response to financial crisis about to be completed

The next few months will see the completion of the negotiation and implantation of most regulatory measures agreed in the wake of the financial crisis. In this context, the European Commission presented a comprehensive package of reforms in late November 2016.¹² The far-reaching proposals target, for instance, the elimination of weaknesses and the introduction of additional provisions in legal acts related to own funds and bank resolution. All these efforts will be complemented by measures that have yet to be fully implemented, such as the leverage ratio (LR) and net stable funding ratio (NSFR) requirements defined by the Basel Committee on Banking Supervision. Finally, bail-in tools are to be implemented to ensure the orderly resolution of failing banks. These tools are based on recommendations by the Financial Stability Board and the corresponding resolution framework of the EU.

The Austrian Federal Ministry of Finance represents and negotiates Austrian positions, tapping the expertise of the OeNB and the FMA. From the Austrian perspective, four areas are particularly relevant in this context: (1) ensuring the credibility and feasibility of the Pillar 2 process, (2) addressing additional guidance on the minimum requirement for own funds and eligible liabilities (MREL), (3) introducing the principle of proportionality without reducing the reporting frequency for smaller institutions and (4) extending regulatory requirements to also cover financial holding companies.

¹² This is without prejudice to the proposals made during the recalibration of the Basel III framework that are still under discussion (revised standardized approach for credit risk, review of the internal ratings-based (IRB) approach, introduction of a floor ("output floor") to the internal model method, new standardized approach for operational risks).

3 Annex of tables

Table A-1

Real GDP¹											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	Annual change in %										
Austria	1,5	-3,8	1,9	2,8	0,7	0,1	0,6	1,0	1,5	2,3	1,9
Euro area	0,4	-4,5	2,1	1,6	-0,9	-0,2	1,3	2,0	1,8	2,1	1,9
EU	0,4	-4,4	2,1	1,7	-0,5	0,3	1,7	2,2	1,9	2,3	1,9

Consumer price indices¹											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	Annual change in %										
Austria	3,2	0,4	1,7	3,6	2,6	2,1	1,5	0,8	1,0	1,6	1,8
Euro area	3,3	0,3	1,6	2,7	2,5	1,4	0,4	0,0	0,2	1,5	1,4
EU	3,7	1,0	2,1	3,1	2,6	1,5	0,5	0,0	0,3	1,6	1,8

Unemployment rates¹											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	% of labor force										
Austria	4,1	5,3	4,8	4,6	4,9	5,4	5,6	5,7	6,0	5,4	5,3
Euro area	7,6	9,6	10,2	10,2	11,4	12,0	11,6	10,9	10,0	9,2	8,7
EU	7,0	9,0	9,6	9,7	10,5	10,9	10,2	9,4	8,6	x	x

Current account balances¹											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	% of GDP										
Austria	4,5	2,6	2,9	1,6	1,5	2,0	2,5	1,9	2,1	2,1	2,2
Euro area	-0,6	0,4	0,4	0,6	1,9	2,4	2,5	3,3	3,4	3,0	3,0
EU	-1,3	-0,1	-0,0	0,3	0,9	1,4	1,4	1,9	2,1	2,3	2,1

Budget balances¹											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	% of GDP										
Austria	-1,5	-5,3	-4,4	-2,6	-2,2	-2,0	-2,7	-1,0	-1,6	x	x
Euro area	-2,2	-6,3	-6,2	-4,2	-3,6	-3,0	-2,6	-2,1	-1,5	-1,4	-1,1
EU	-2,5	-6,6	-6,4	-4,6	-4,3	-3,3	-3,0	-2,4	-1,7	x	x

Government debt ratios¹											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	% of GDP										
Austria	68,4	79,6	82,4	82,2	81,7	81,0	83,8	84,3	83,6	x	x
Euro area	68,6	78,4	83,9	86,1	89,5	91,4	92,0	90,3	89,2	x	x
EU	60,7	72,8	78,4	81,1	83,8	85,7	86,7	84,9	83,5	x	x

Source: Eurostat, OeNB, ECB.

¹ The data for 2017 to 2018 are based on the IMF World Economic Outlook forecast (October 2017). Note: x = data not available.

Table A-2

General government interest payments

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	% of GDP									
Austria	3,1	2,9	3,1	2,9	2,8	2,7	2,6	2,4	2,3	2,1

Source: Statistics Austria.

Household debt

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	% of disposable net income									
Austria	88,6	90,2	90,4	94,2	93,5	91,1	90,8	91,1	92,5	93,0
Euro area	109,4	110,5	114,2	116,8	117,6	117,5	115,9	115,3	114,6	114,5
	% of GDP									
Austria	52,4	53,0	54,3	55,3	53,9	53,0	52,1	52,0	52,2	52,8
Euro area	64,2	65,3	69,6	69,8	69,7	69,5	68,2	67,3	65,9	65,6

Source: ECB, OeNB.

Corporate debt¹

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	% of gross operating surplus ²									
Austria	345,0	365,5	395,0	395,2	388,1	403,0	425,7	411,7	413,4	418,1
Euro area	435,0	462,3	502,9	492,7	485,1	502,7	486,7	492,9	482,4	474,7
	% of GDP									
Austria	88,7	90,8	91,8	93,1	92,2	93,2	95,7	91,8	91,3	90,8
Euro area	95,9	99,7	102,6	102,9	101,7	102,7	100,4	102,6	104,4	103,2

Source: ECB, OeNB.

¹ Short- and long-term loans, money and capital market instruments.

² Including mixed income of the self-employed.

Residential property price index

	2012	2013	2014	2015	2016	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17
	Index 2000=100									
Austria Excluding Vienna	137,4	141,1	145,4	152,9	166,7	169,3	167,4	166,5	169,3	176,5
Vienna	180,7	196,3	204,6	209,2	217,2	215,0	214,2	219,4	220,0	220,1
	Annual change in %									
Austria Excluding Vienna	10,8	2,7	3,1	5,1	9,1	12,8	9,5	5,2	3,5	4,2
Vienna	15,7	8,7	4,2	2,2	3,8	3,1	2,5	3,4	-0,1	2,4

Source: OeNB, Austria Immobilienbörse, Prof. Wolfgang Feilmayr, Department of Spatial Planning, Vienna University of Technology.

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