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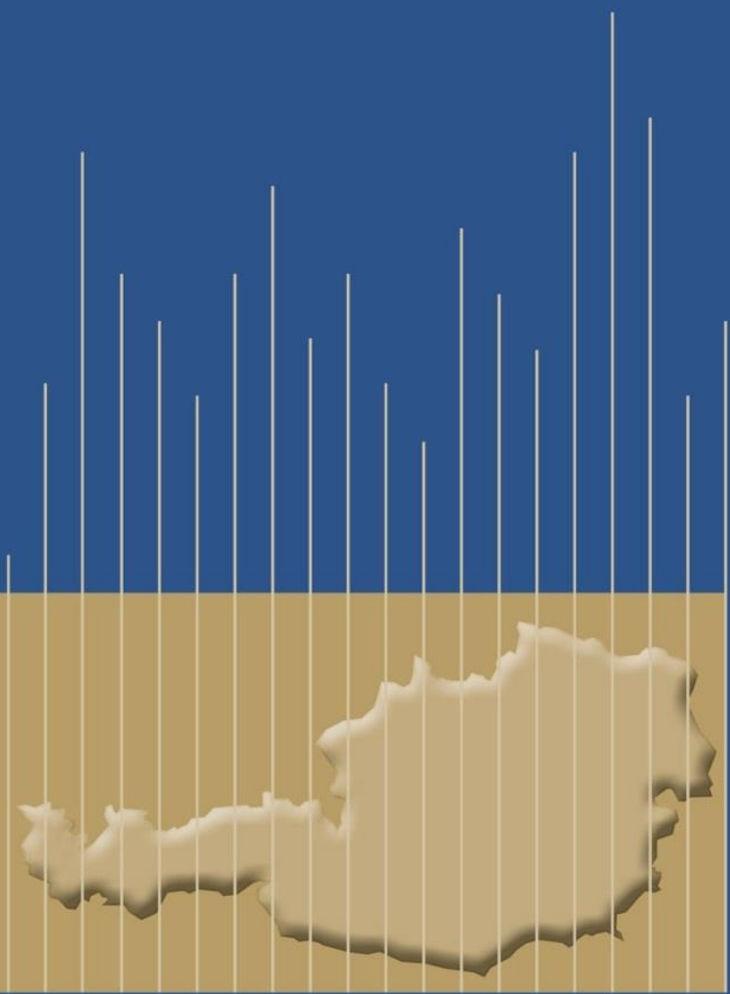


Security through stability.

2025

Contents

Cutoff date: June 12, 2025.

1 Overview

- *Austria experienced a long but mild recession from the third quarter of 2022 to the fourth quarter of 2024. At the beginning of 2025, its economy recorded positive GDP growth again. This means that Austria is emerging from its longest recession since 1945. According to the OeNB's June 2025 outlook, the economy will almost have returned to its pre-crisis level by the end of 2027.*
- *The Austrian labor market has proven resilient in the face of a challenging macroeconomic environment. Employment growth has stagnated and unemployment has risen moderately since mid-2022.*
- *The inflation shock came to an end in 2024, with HICP inflation falling to 2.9%. However, core inflation is still above HICP inflation. Inflation will remain at this above-average level in 2025 and, according to the OeNB's June 2025 outlook, will reach the 2% target in 2026 and 2027.*
- *Strong income growth coupled with a high level of uncertainty, poor sentiment and a decline in real wealth led to a renewed increase in the saving ratio in 2024. Growth in private consumption fell short of expectations. The saving ratio will fall slowly until 2027 but will remain above the long-term average.*
- *Austria's economy is currently facing a significant increase in unit labor cost, which is limiting price competitiveness. The comparatively favorable productivity trend only partially made up for the sharp rise in wage costs.*
- *In 2024, more than half of Austria's goods exports went to the euro area, which meant that they were not exposed to any direct foreign exchange risk. Overall, a current account surplus of EUR 11.7 billion or 2.4% of GDP was achieved in 2024.*
- *The Austrian budget balance was –4.7% of GDP in 2024, while government debt amounted to 81.8% of GDP. Despite an ambitious consolidation program, the European Commission will open an excessive deficit procedure against Austria.*
- *Banks accounted for slightly more than half of the Austrian financial system's total assets in Q4 2024 (totaling EUR 2.4 trillion at end-2024). The Austrian banking sector's size relative to GDP is above the EU average.*
- *Central, Eastern and Southeastern Europe (CESEE) is a very important market for Austrian banks in terms of size and profits, with 35 subsidiaries operating in 14 CESEE countries and total assets amounting to EUR 299 billion at the end of 2024.*
- *The profitability of domestic banks has continuously improved in recent years, primarily due to increased interest income. In 2024, Austria's banking sector achieved its second-highest net annual profit, EUR 11.5 billion, surpassed only by the record high reached in 2023.*
- *The cost-to-income ratio remained below 50% at the end of 2024.*
- *In 2024, CESEE subsidiaries reported an aggregate net profit (after taxes) of EUR 5.4 billion, which accounted for roughly half of the total profit of the Austrian banking sector.*
- *Following the surge in inflation, credit growth in Austria was significantly affected by developments in interest rates and the real economy. Demand for residential real estate financing increased in 2024, driven by rising real household income and falling interest rates.*
- *Since 2008, the Austrian banking sector has more than doubled its capital ratio in line with tighter prudential requirements, reaching a consolidated common equity tier 1 (CET1) ratio of 17.5% at end-2024. Hence, the CET1 ratio of the Austrian banking sector stood above the EU average of 16.6% at end-2024.*
- *The liquidity coverage ratio (LCR) of the Austrian banking sector remained at a solid 176% in 2024. This reflects the overall stable short-term liquidity position of the Austrian banking system.*

2 Austria's economy is emerging from a long but mild recession

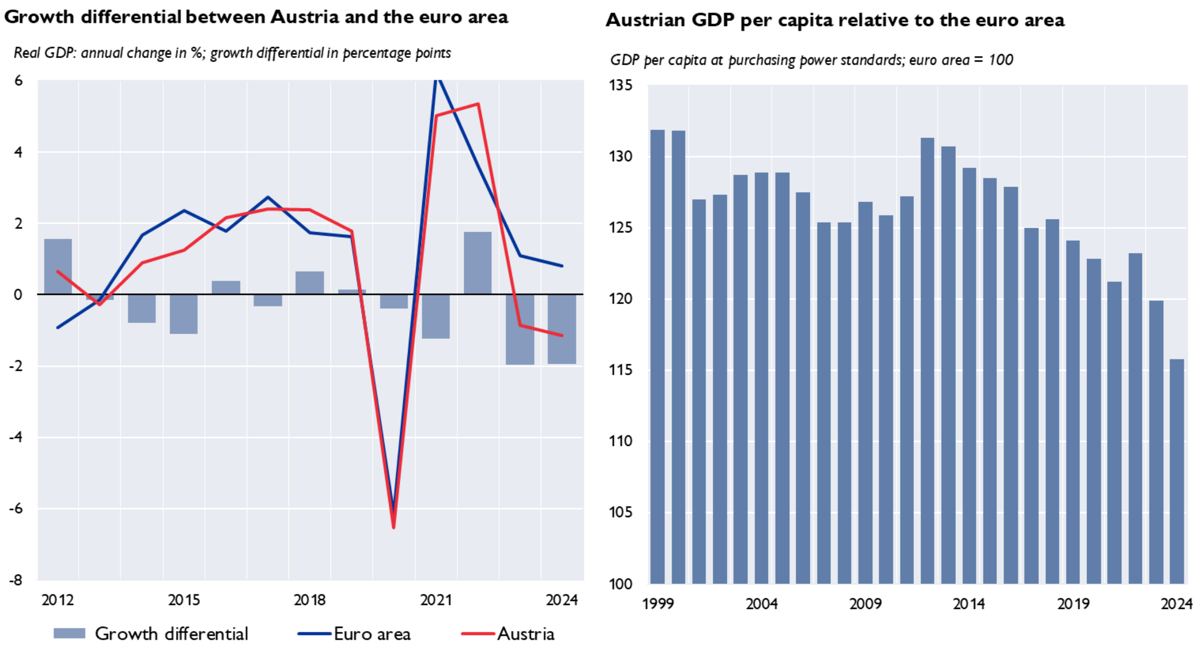
2.1 Aftermath of the inflation shock is still strongly affecting the economy

2.1.1 US tariffs and structural problems are preventing a stronger upswing

In the early 2000s, after the introduction of the euro as the common European currency, economic activity in Austria was characterized by a calm external environment and above-average growth. 2008 saw the global financial and economic crisis, which was followed by a catch-up process and then the European sovereign debt crisis. It was not until the mid-2010s that the Austrian economy returned to a longer period of growth, which again came to an end in 2019. Since then, the Austrian economy has been hit by a series of shocks, some of which have had a major impact on economic growth: Brexit, the trade conflict between the USA and China and its effects on uncertainty, the COVID-19 pandemic, Russia's war of aggression against Ukraine and the wars in the Middle East, as well as the soaring HICP inflation rates. From the second half of 2022 to the end of 2024, Austria was in the longest recession recorded since 1945, although the economic contraction was significantly less pronounced than in previous recessions. The recovery of the Austrian economy that started in 2025 is being dampened by several factors: price levels in the industrial sector that are making it hard to compete on an international market, which is also true for tourism; the necessary fiscal consolidation; and a still very uncertain and economically volatile international environment, especially with regard to the erratic US tariff policy.
Overall, this means that the Austrian economy will only recover gradually in 2025. Over the medium- and long-term horizon, demographic trends will increasingly dampen growth potential, leaving it at barely 1% in the medium term. Austria therefore needs far-reaching structural reforms in order to return to a robust and sustainable growth path in an increasingly challenging international environment that is undergoing political upheaval.

Chart 1

Austria and the euro area: growth differential and GDP per capita



Source: Eurostat.

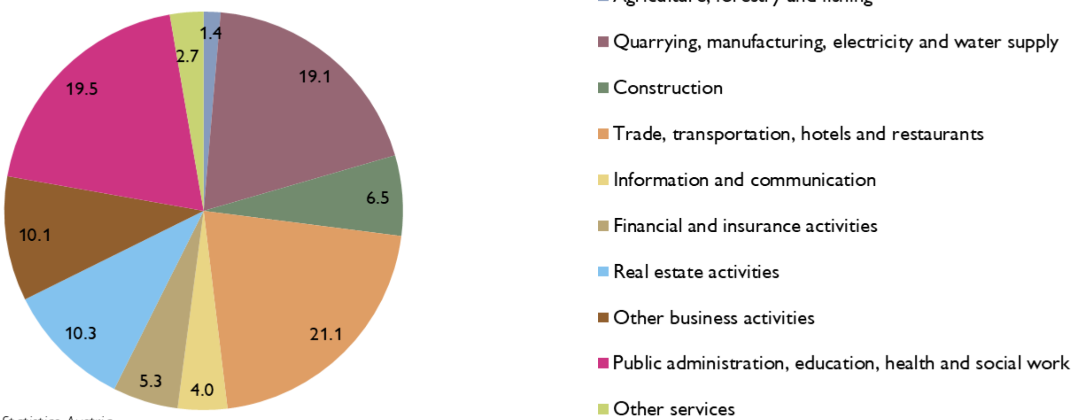
2.1.2 Sectoral structure of the Austrian economy is well balanced

Given that Austria is a highly developed economy, the tertiary sector plays a crucial role. Private sector services (information and communication, financial and insurance activities, real estate activities, other business activities and other services) made the largest contribution to gross value added in 2024, with a share of just over 30%, followed by activities classified under "quarrying, manufacturing, electricity and water supply" as well as "trade, transportation, hotels and restaurants," which accounted for around 20% each. Manufacturing is characterized by a large variety of industries in Austria.

Chart 2

Gross value added in Austria in 2024

% of total gross value added, at current prices



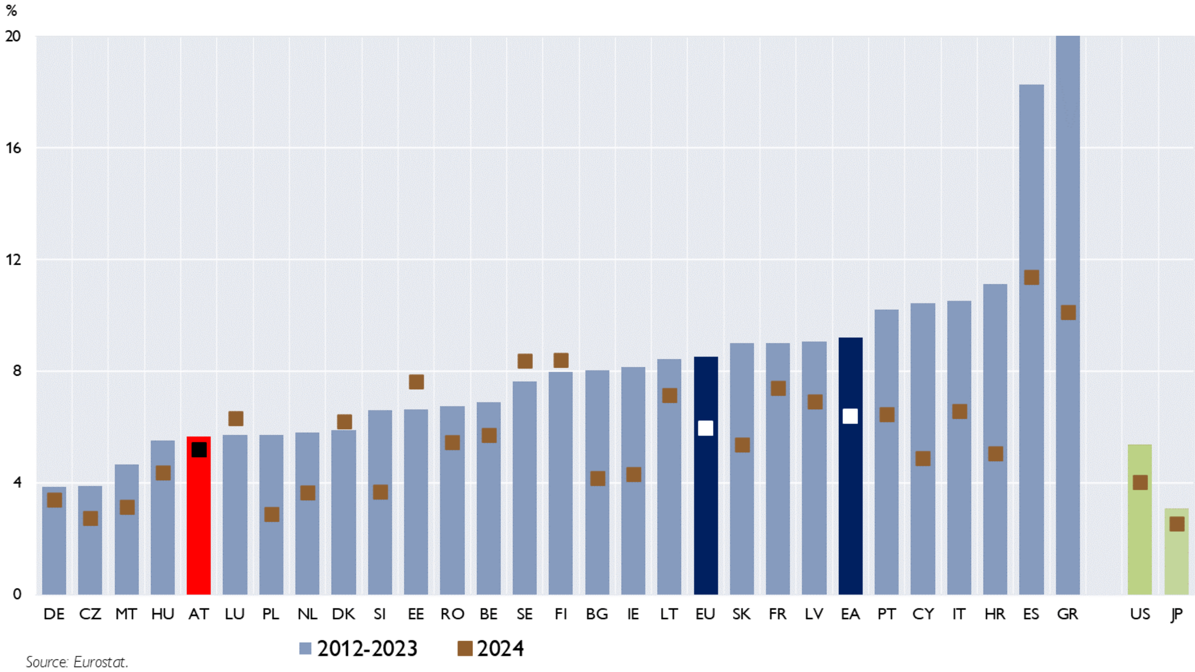
Source: Statistics Austria.

2.1.3 Recession had little impact on the labor market

In the face of the challenging macroeconomic environment seen over the last years, the Austrian labor market has proven resilient. Although employment expanded much more slowly in 2024 (in terms of the number of people employed), it still recorded modest growth (+0.1%). However, the recession is reflected in the number of hours worked, which fell significantly in 2024 (–1.6%).

Chart 3

Unemployment rates – international comparison



Source: Eurostat.

The unemployment rate according to the Eurostat definition has risen comparatively little in the last two years, i.e. by ½ percentage point. The labor market is increasingly characterized by labor shortages in different sectors due to demographic change. Rising participation rates are counteracting this trend, but their positive impact on labor supply has been dampened by a sharp increase in the share of part-time employment. Austria's unemployment rate is still low by international standards.

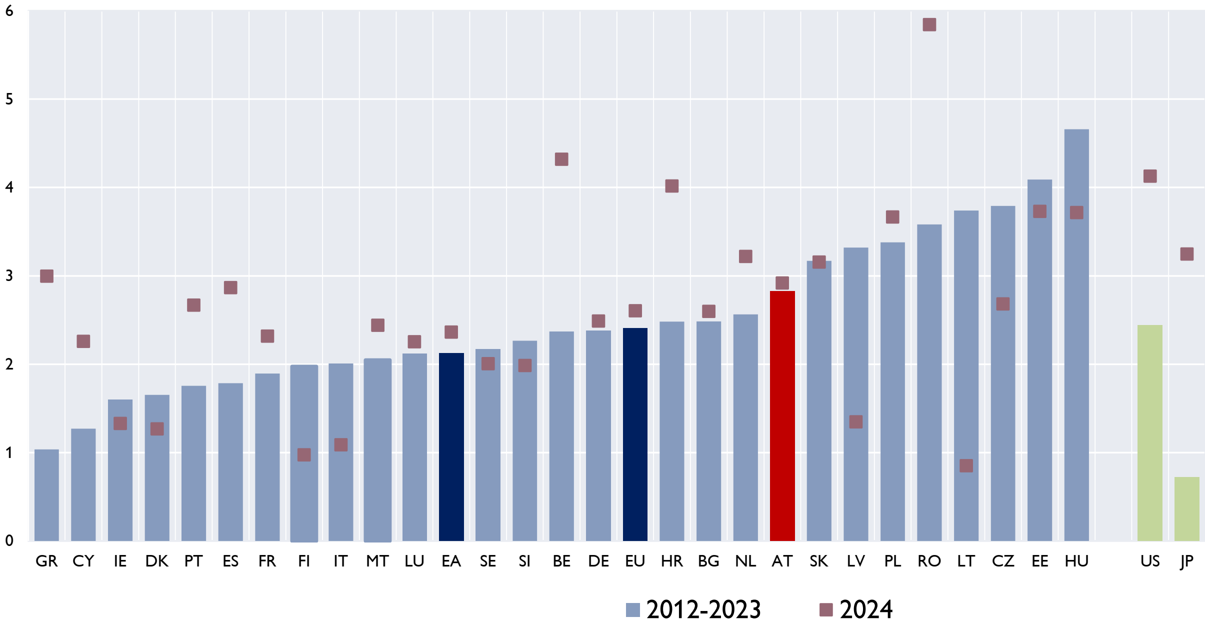
2.1.4 Inflation shock came to an end in 2024

Driven by increased energy prices, Austria's inflation rate as measured by the Harmonised Index of Consumer Prices (HICP) rose from 1.4% in 2020 to 8.6% in 2022. Initially, this was attributable to supply bottlenecks and strong catch-up effects in the aftermath of the COVID-19 pandemic; subsequently, Russia's war of aggression against Ukraine led to further sharp increases in many energy and commodity prices. Inflation in Austria became increasingly entrenched, also in the services sector, due to multiple upward adjustments of index-linked wages and prices. Thanks to substantial wage increases, it was possible to avoid greater real wage losses. On the other hand, this means that inflation in Austria is falling more slowly, still averaging 7.7% in 2023. Weak demand in Austria and lower energy prices caused inflation to fall to 2.9% in 2024, but core inflation remained at 3.9%. This means that inflation in Austria was higher than in the euro area (2.4%; core inflation: 2.8%). Inflation will remain at this above-average level in 2025 and, according to the OeNB's June 2025 outlook, will reach the 2% target in 2026 and 2027.

Chart 4

HICP inflation rate – international comparison

Annual change in %



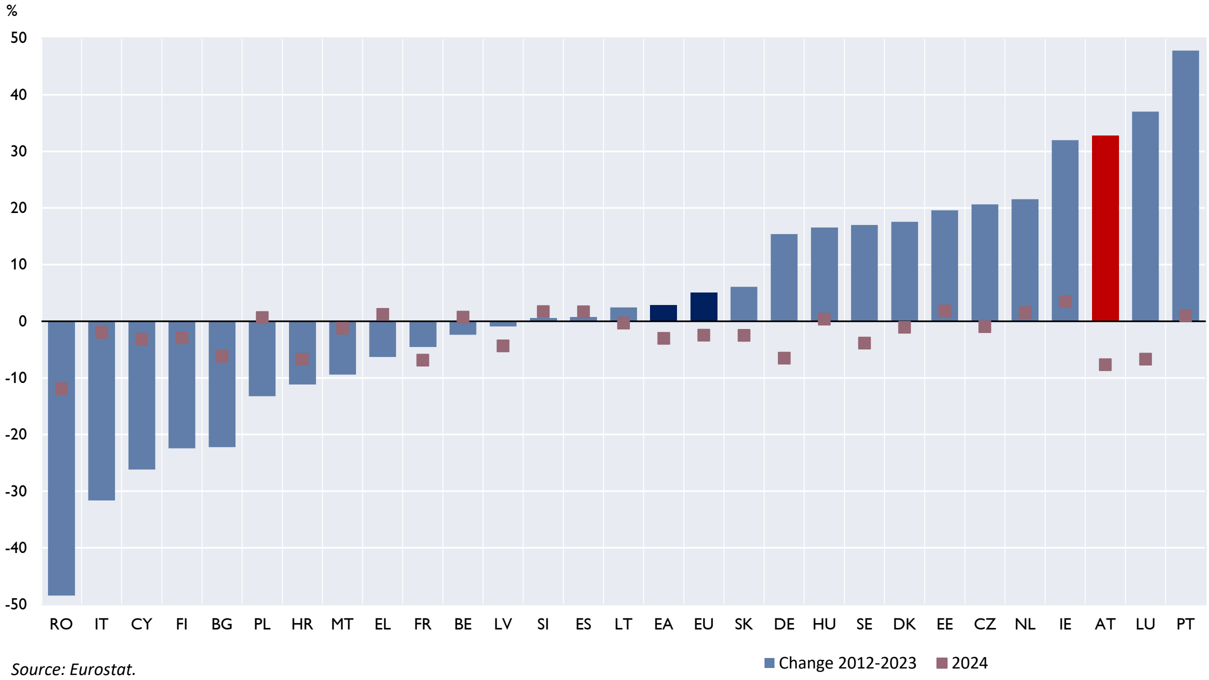
Source: Eurostat, Macrobond.

2.1.5 Real estate prices decreased in 2023 and 2024, as did house prices relative to income

The turnaround in interest rates in mid-2022 brought an abrupt end to the residential construction boom. In 2023 and 2024, residential construction investment fell by around 20% adjusted for inflation. Now, the number of building permits and survey data on lending business are indicating that the cycle bottomed out at the end of 2024. According to Eurostat data, real estate prices in Austria rose significantly from 2012 to 2022 (nominal: 94%; real: 54%). Compared to other European countries, Austria thus recorded above-average price increases, for the following reasons: (1) a housing shortage coupled with strong population growth, (2) a structural shift in the demand for housing (toward one-person households) and (3) initially low real estate prices in cities compared to the rest of Europe. In the course of the year 2022, we saw a trend reversal. From 2022 to 2024, prices fell in nominal and real terms (nominal: –3%; real: –13%). To make it easier to assess how real estate prices have evolved, we present affordability data in the chart below, specifically (average) house price-to-income ratios. From 2012 to 2023, the house price-to-income ratio rose more strongly in Austria than in the EU and euro area. A higher ratio indicates that an average household in Austria had to use more of its income (in relative terms) on purchasing an average house in 2023 (than in 2012). However, in 2023 and 2024, this ratio came down, as did house prices. Since the second quarter of 2022, residential real estate prices have decreased by 5% while income has increased by 22%. According to the OeNB fundamentals indicator for residential property prices, the overvaluation of residential real estate thus appears to have been largely corrected. At the beginning of 2025, prices started to rise slightly again quarter on quarter.

Chart 5

Change in house price-to-income ratio between 2012 and 2023 as well as in 2024



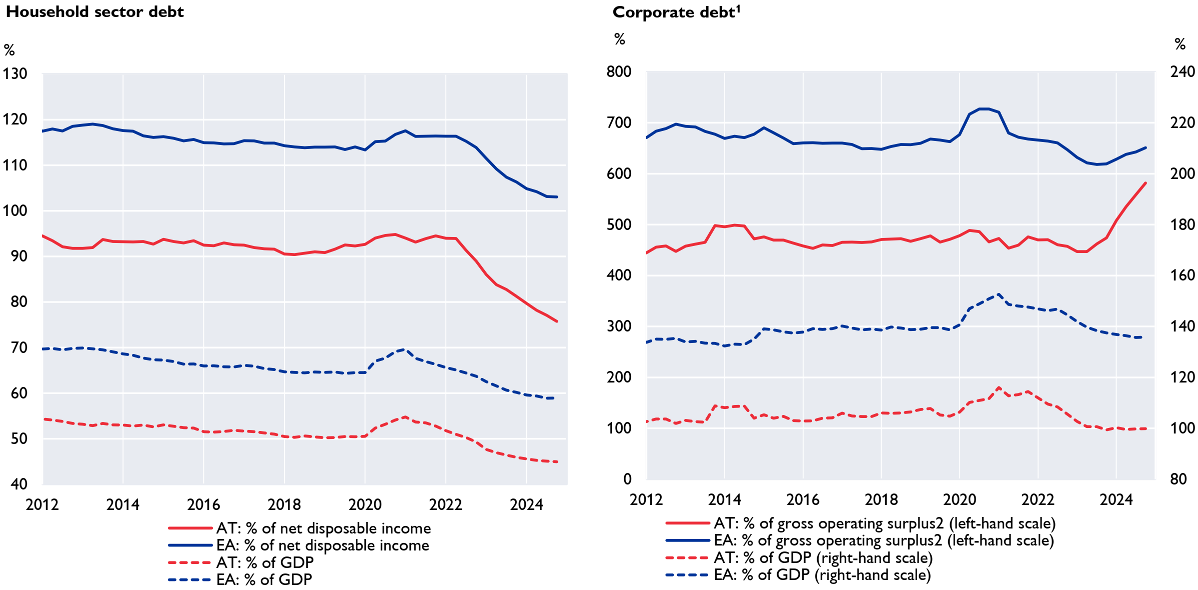
Source: Eurostat.

2.1.6 Saving ratio remains well above the long-term average

During the COVID-19 pandemic, people in Austria saved more because of restrictions on private consumption, especially consumption of services. After a brief decline, the saving ratio rose visibly again in 2024, reaching a level well above the average for the years 2012–2019. The main reasons cited for the persistently high saving ratio are the high level of uncertainty following the inflation shock and geopolitical tensions, poor economic sentiment and future consolidation measures. However, the inflation shock in Austria also led to a significant reduction in real financial assets, which were around 10% below the long-term trend at the beginning of 2025. With gross total financial assets of around EUR 880 billion (182% of GDP) at the end of 2024, the household sector is an important source of capital for other sectors in Austria. Household debt, as a percentage of disposable income, was 76% at the end of 2024, well below the 92% recorded in 2019 prior to the crisis. Corporate debt expressed as a percentage of GDP has fallen slightly over the past two years and stood at 99.9% at end-2024. Relative to aggregate gross operating surplus, corporate debt has increased sharply because profits have visibly declined over the last two years. Both household and corporate debt levels in Austria are below the euro area average.

Chart 6

Household and corporate debt levels in Austria and the euro area



Source: ECB.
Note: Data up to and including Q4 24.

[1] *Short- and long-term loans, money and capital market instruments.*
[2] *Including mixed income of the self-employed.*

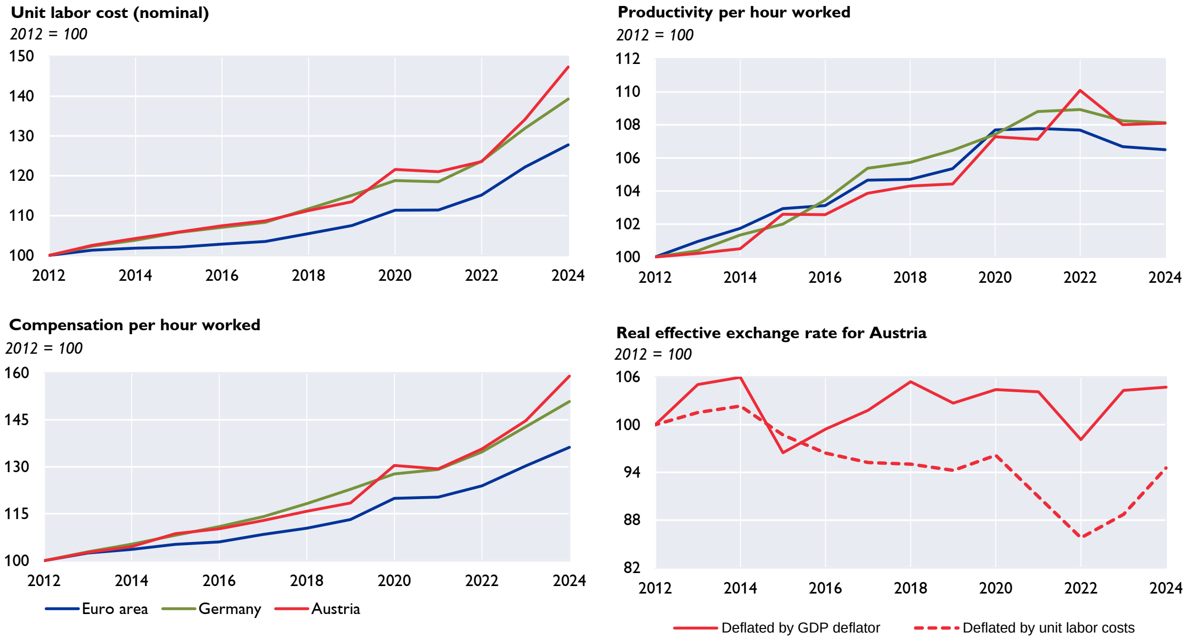
2.2 Aftermath of the inflation shock is holding back economic growth

2.2.1 Unit labor cost rose faster in Austria than for major trading partners

For several years, inflation in Austria has been higher than in the euro area and Germany. This was also true during the inflation shock in 2022 and especially in 2023. The loss of purchasing power resulting from the inflation shock was fully compensated for in the Austrian wage-setting process, which means hourly wages in Austria rose faster in the last two years than in Germany and the euro area. As a result, unit labor cost has developed in a way that leaves Austria at a cost disadvantage compared to its most important trading partners.

Chart 7

International competitiveness



Source: Eurostat; real effective exchange rate: ECB.

Though productivity growth was comparatively favorable, this only partially made up for the sharp rise in wages. In the past, the Austrian economy was able to successfully compensate for the sharper rise in unit labor cost – this could be seen in the positive development of the current account. In the coming years, this challenge will become even greater.

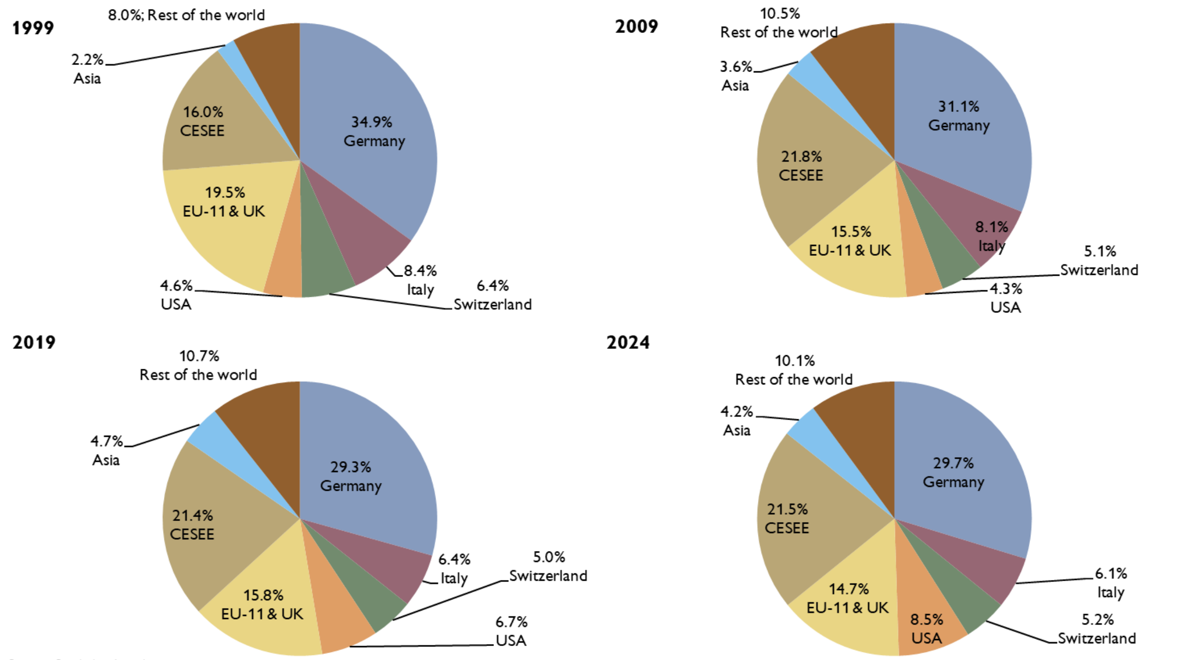
2.2.2 External trade is regionally diversified, exposure to foreign exchange risk is low

In 2024, 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 risks. Among Austria's trading partners, Germany is still the most important by far, accounting for a share of close to 30% in Austria's total goods exports, followed by the USA, Italy and Switzerland. The countries of Central, Eastern and Southeastern Europe (CESEE) remain a very important export market for Austria as well, together accounting for a share of more than 20%. Roughly 30% of total Austrian exports are services, of which travel and tourism account for one-third.

The sectoral structure of Austria's external goods trade follows the pattern typically observed in highly industrialized nations. The biggest share of Austria's goods exports is made up by machinery and transport equipment, ranging from 35% to 40%. Other important pillars of Austrian export activity include manufactured goods (around 20%) and chemicals (around 15%).

Chart 8

Regional pattern of Austrian goods exports



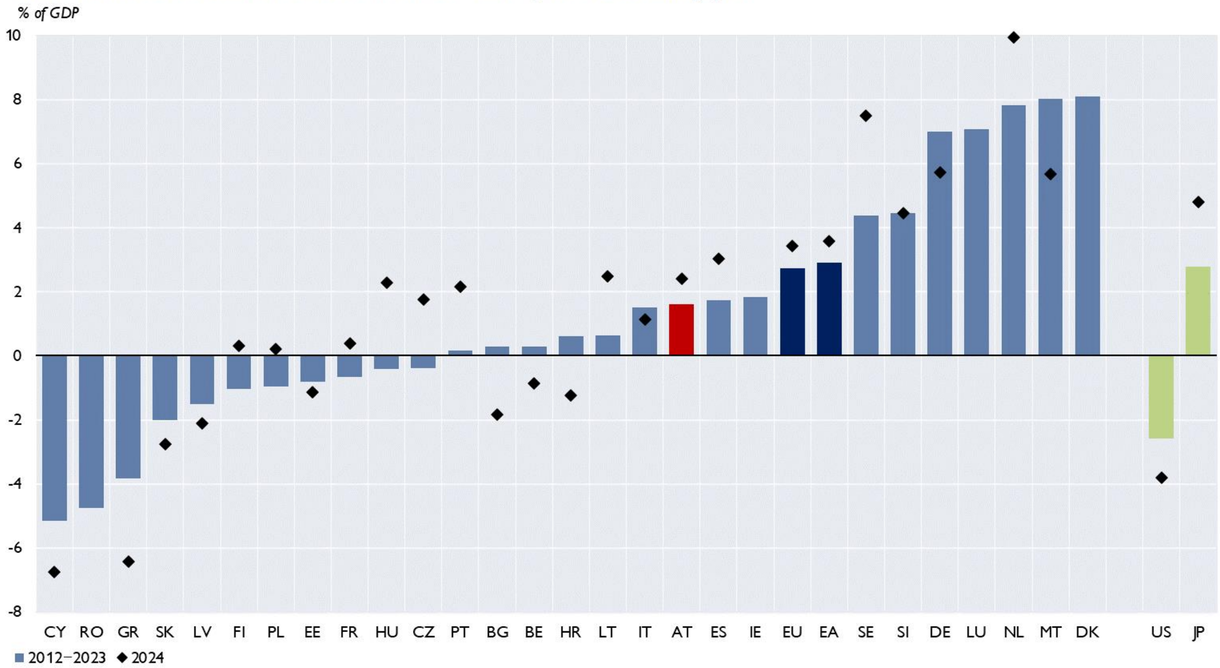
Source: Statistics Austria.
Note: Asia: CN, JP, KR; EU-11&UK: BE, DK, FI, FR, GR, IE, LU, NL, PT, ES, SE, UK; CESEE countries: BG, EE, LV, LT, PL, RO, SK, SI, CZ, HU, AL, BA, HR, ME, RS, BY, MD, RU, UA.

2.2.3 Current account balance remains positive

Following the COVID-19 pandemic and the energy import price shock, Austria recorded a small current account deficit in 2022. As both factors became less relevant, a surplus could be achieved again as early as in 2023. This surplus grew to EUR 11.7 billion or 2.4% of GDP in 2024, also due to the low demand for imports as a result of the recession. Austria's current account surplus averaged 1.6% of GDP between 2012 and 2023 and was therefore slightly below the euro area and EU average.

Chart 9

Current account balances of EU member states, the USA and Japan



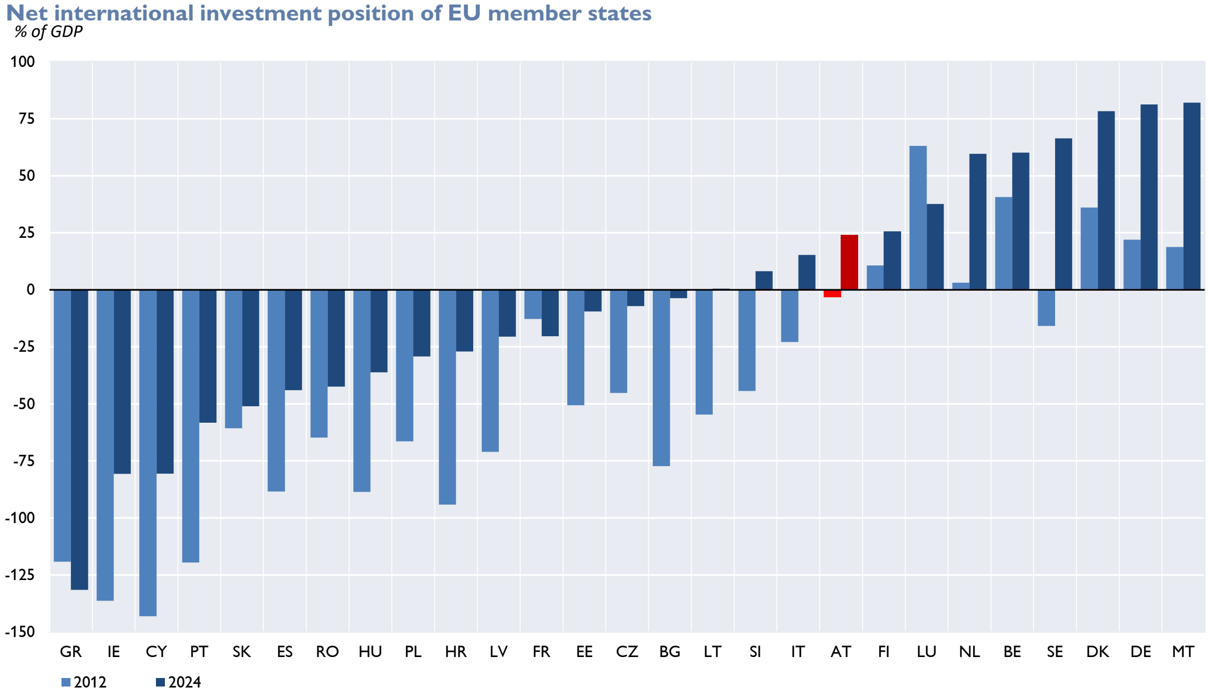
Source: Eurostat, OeNB.
Note: USA and Japan: averages derived from European Commission and IMF data.

2.2.4 Austria's net international investment position continues to improve

Thanks to the current account surpluses recorded in recent years, Austria has gradually improved its net international investment position (IIP). In 2013, its net IIP entered positive territory for the first time. In 2024, it came to EUR 117 billion (24% of GDP). Overall, Austria's net IIP is fairly balanced, compared to countries with large deficits, such as Greece, Ireland and Cyprus, and countries with large surpluses, like Germany, Denmark and the Netherlands.

Chart 10

Net international investment position of EU member states



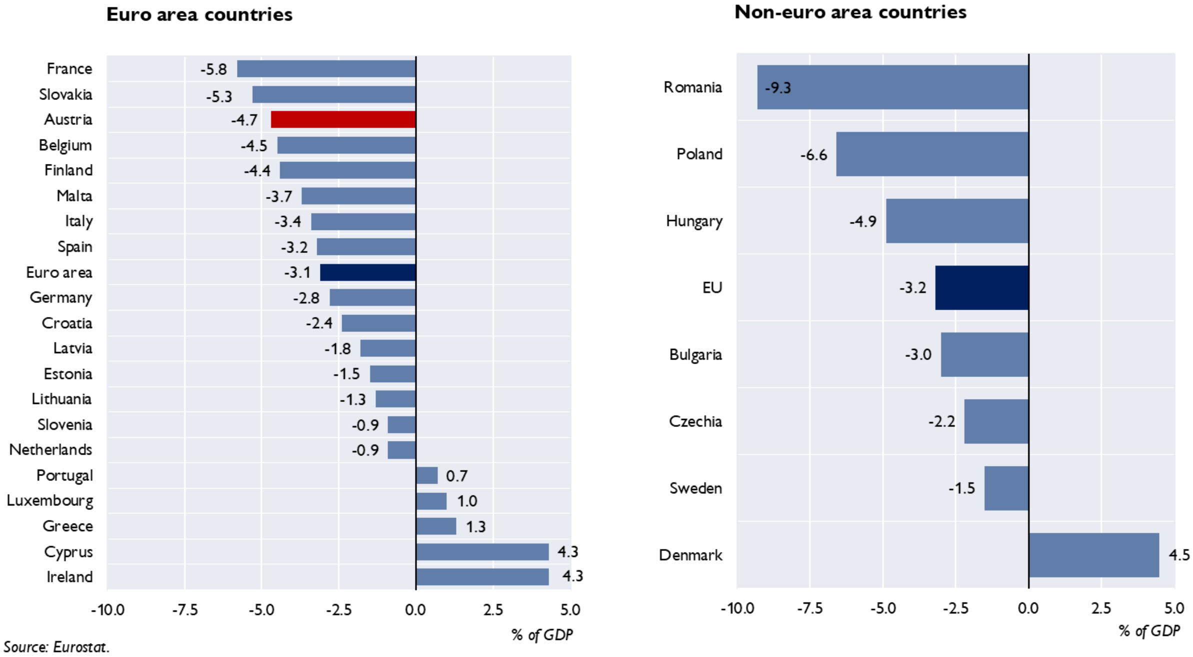
Source: Eurostat, ECB (Statistical Data Warehouse).

2.2.5 Budget deficit much worse in 2024 – extended period of consolidation ahead

In 2024, the Austrian budget balance stood at –4.7% of GDP (2023: –2.6%). The fact that the deficit was much worse than in 2023 was mainly due to much higher spending on public-sector wages and salaries as well as social benefits. These spending positions were each increased by nearly 10% in 2024 because of previously recorded high inflation. Spending also rose because of one-off effects from changes in the recognition of previous service credit for public employees and from flood damage. Interest expenses also increased.

Chart 11

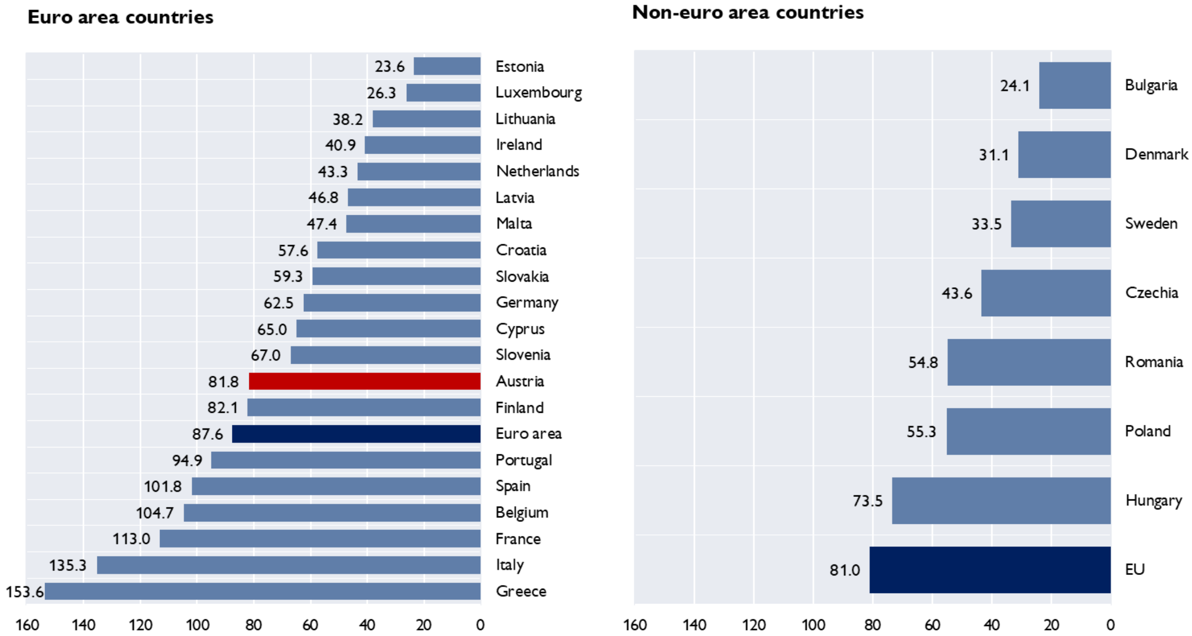
Budget balances of EU member states in 2024



Source: Eurostat.

Chart 12

Public debt of EU member states in 2024



Source: Eurostat.

In 2025 and 2026, the Austrian government will pursue a very tight fiscal stance. The temporary reductions in energy taxes and the electricity price cap will expire in 2025. Several investment subsidies introduced by the previous government will also end in the years 2025 to 2027. What is more, the new government has adopted a comprehensive consolidation package. Some of its main elements include: the abolition of the "climate bonus" (an annual lump-sum payment to households to compensate them for the CO2 tax), cuts in environmental subsidies and some smaller increases in taxes and fees. As the economy will more or less stagnate in 2025, and we

will only see a modest macroeconomic recovery in 2026, the budget deficits in each of these two years will be around 4% of GDP.
Government debt increased to 81.8% of GDP in 2024. Without additional consolidation steps, it will continue to rise in the years to come.

3 Austrian banking system resilient amid challenging environment[1]

3.1 Structural overview

3.1.1 Structural specificities of the Austrian banking sector

Banks account for slightly more than half of the Austrian financial system.[2] The Austrian banking sector is characterized by a large, steadily decreasing number of banks, whose total assets equal about EUR 1.3 trillion[3]. The top three Austrian banking groups[4] hold around 50% of the total banking sector assets, which shows that the sector is quite concentrated. Banks are grouped into seven sectors;[5] the majority belongs to the cooperative sector. At the end of 2024, a total of 68,184 employees worked in the Austrian banking sector, accounting for 1.5% of the total working population[6] in Austria. In the last decade, the size of the Austrian banking sector relative to GDP has consistently been above the euro area average (259% vs. 221% in Q3 2024).[7] Loans and deposits make up more than two-thirds of the sector's assets and liabilities. This balance sheet structure is a reflection of Austrian banks' retail business model, in which trading activities play a rather minor role. Market risk is not very important in banks' total capital requirements, accounting for only 3%, while credit risk accounts for the lion's share of 85%.[8]

In the past decades, but especially after the financial crisis of 2008–2009, the Austrian banking sector went through a consolidation process, which resulted in the overall number of credit institutions declining by more than 47%[9] to 458 at end-2024 (head offices). This shows that the Austrian banking sector has been following a consolidation trend that surpasses the overall trend seen across Europe for many years now. Compared to other European countries, Austria has a banking sector that is characterized by a large number of small institutions[10] and a high density of bank branches[11] (3,151 at end-2024). Banks in Austria make up 10% of all banks in the euro area. Moreover, the Austrian banking sector operates through a large network of European subsidiaries (35, of which 21 were located in EU member states at end-2024).

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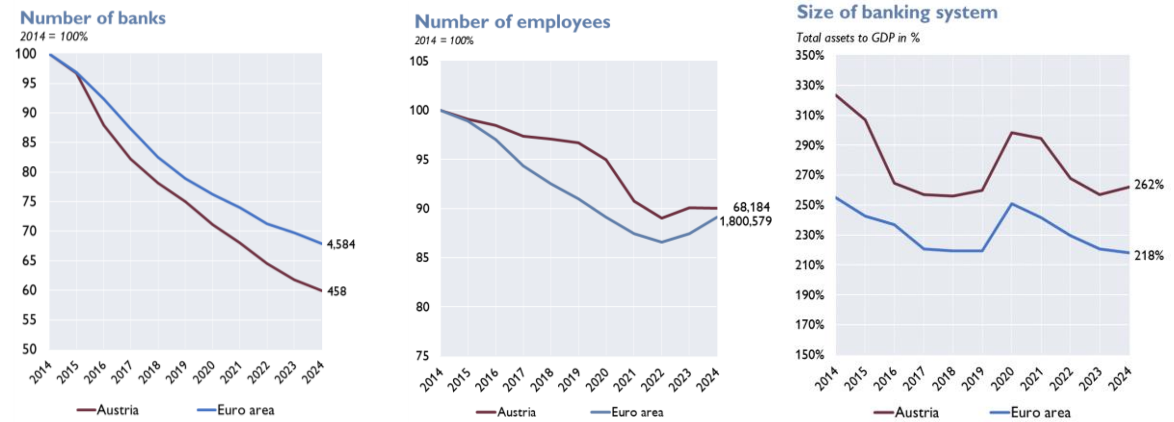
[1] The charts in this section show the period from 2014, the year in which the Single Supervisory Mechanism (SSM) and the Financial Market Stability Board (FMSB) were established.
[2] In terms of total assets (i.e. EUR 2.4 trillion in Q4 2024); the nonbank sector most notably comprises the securities market with EUR 777 billion (32%), investment funds with EUR 228 billion (9%), insurance companies with EUR 134 billion (6%) and pension funds with EUR 29 billion (1%).
[3] +4% compared to end-2023.
[4] The top three banking groups, starting from the largest: Erste Group, Raiffeisen Bank International, UniCredit Bank Austria.
[5] Joint stock banks and private banks, savings banks, state mortgage banks, Raiffeisen credit cooperatives, Volksbank credit cooperatives, building and loan associations, and special purpose banks.
[6] 4.49 million people in employment at end-2024. Source: Statistics Austria.
[7] Austria: –1 percentage point, euro area: –4 percentage points in comparison to Q3 2023.
[8] Data as at end-2024.
[9] End-2008: 867 head offices.
[10] Total assets divided by the number of banks (Austria: EUR 2.8 billion, EU: EUR 7.4 billion).
[11] Bank branches per 100,000 inhabitants (Austria: 34.4, EU: 23.3).

Chart 13

Structure of the Austrian banking sector



Source: OeNB, ECB.

3.1.2 The importance of CESEE for the Austrian banking system

Central, Eastern and Southeastern Europe (CESEE) is a very important market for Austrian banks in terms of size and profits, with 35 subsidiaries operating in 14 CESEE countries[12] and total assets amounting to EUR 299 billion[13] at the end of 2024. Around 85% of Austrian banks' CESEE exposure is within the EU: The most relevant subsidiaries are located in Czechia and Slovakia and account for almost 54% of Austrian banks' total assets in CESEE. Other CESEE EU subsidiaries operate in Romania, Croatia, Hungary and Slovenia (listed in the order of subsidiaries' total assets). In 2024, subsidiaries operating in CESEE EU countries contributed 71% to the Austrian banking sector's profits earned in CESEE.[14] An acquisition in Poland is expected to further strengthen Austrian banks' presence in the CESEE region.[15]

Importantly, Austrian banking subsidiaries' risk-bearing capacity has remained sound and their business locally funded. This is especially attributable to the proactive implementation of micro- and macroprudential measures (such as the systemic risk buffer and the Austrian Sustainability Package), which has significantly reduced contagion risks.

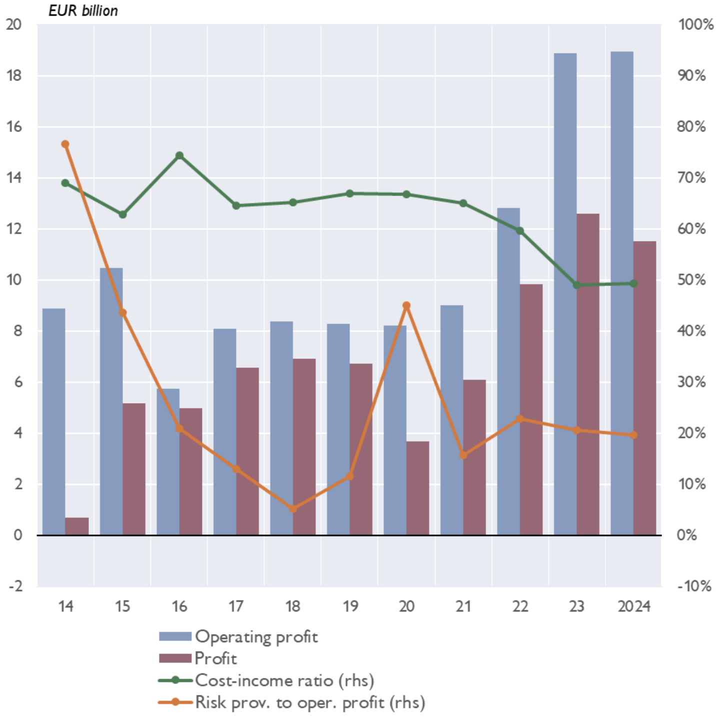
[12] Two fewer subsidiaries in CESEE compared to 2023 (affected countries: Romania and Belarus).
[13] This corresponds to 24% of the consolidated total assets of the entire banking sector.
[14] Mainly attributable to profit increases of subsidiaries in Czechia (+28%).
[15] At the time of publication, the acquisition was not final.

3.2 Developments and indicators at a glance

3.2.1 Robust development despite geopolitical and economic challenges

Chart 14

Profitability indicators of the Austrian banking system



Source: OeNB.

Over the past few years, and especially since 2021, the net profit of Austrian banks has risen constantly, mainly driven by a sharp rise in net interest margins. In 2024, Austrian banks recorded the second-highest profit in the country's banking history, EUR 11.5 billion, which represented an 8.7% decline compared to the record year 2023.[16] The positive performance in recent years was characterized by steadily rising net interest income[17]. The high interest income recorded in 2024 was primarily driven by operations with central banks, which amounted to EUR 2.8 billion[18] in 2024, significantly exceeding the long-term average of EUR 300 million. This development was accompanied by a declining cost-to-income ratio, which remained below 50% for the second consecutive year in 2024.

Operations in CESEE have also made a significant contribution to this development over the past decades. In 2024, CESEE subsidiaries reported net profit of EUR 5.4 billion,[19] only slightly below the record result of the previous year. The profit in CESEE accounted for roughly half of the total profit of the Austrian banking sector. High profitability was mainly driven by interest income, while credit risk did not materialize, despite muted economic growth, elevated inflation and high geopolitical risks. For the first time, the ratio of nonperforming loans (NPL ratio) fell below the Austrian level, reaching 1.9%.

In contrast, the consolidated NPL ratio of the Austrian banks (including CESEE) rose to 3.0% at the end of 2024. The deterioration in credit quality was mainly driven by defaults by companies in specific sectors (real estate and construction)[20] while the NPL ratio for loans for residential real estate (RRE) remained largely stable at 1.3%.

Austrian banks are more exposed to commercial real estate (CRE) loans than banks in other EU banking markets. 43% of all corporate lending in Austria was granted as CRE loans, putting Austria among the top three countries in the euro area, where the average was 27% at year-end 2024. Austria's high level of CRE financing reflects a private rental market that is substantial by

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[16] This includes risk provisions amounting to EUR 3.7 billion.
[17] In 2024, interest income accounted for 70% of the total income of the Austrian banking sector.
[18] 11% of consolidated net interest income.
[19] Aggregated result after taxes.
[20] At the end of 2024, half of the NPLs in corporate lending were concentrated in these two sectors.

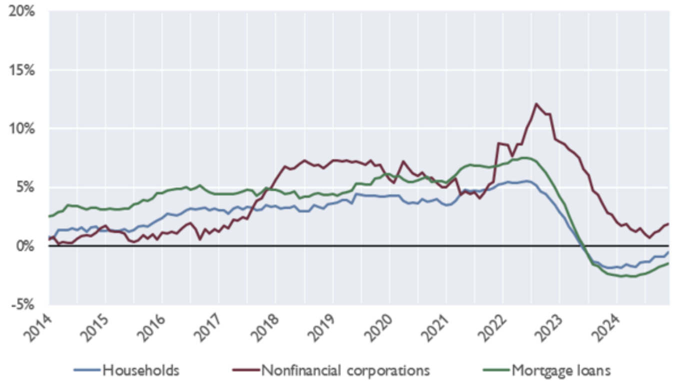
European standards, with 46% of the population living in rented housing, compared to an average of 31% across the EU.[21] Accordingly, the share of owner-occupied dwellings in Austria stands at just 54%, well below the EU average of 69%.[22]

Over the past decade, credit growth has been mainly driven by RRE loans as well as loans to corporates. As at the end of 2024, outstanding RRE loans stood at EUR 130 billion (+47% since 2014) while outstanding corporate loans came to EUR 209.4 billion (+53% since 2014).[23] Since mid-2022, rising interest rates and high inflation have led to a significant reduction in growth rates of all segments (see chart 15). The ongoing recession and weak growth outlook noticeably impacted Austrian banks' lending business: Demand for corporate loans remained subdued in 2024. Demand for residential real estate financing, on the other hand, increased sharply in 2024, driven by rising real household income and falling interest rates.[24] To address systemic risks from RRE loans, the Austrian Financial Market Authority (FMA) issued borrower-based measures in 2022 (KIM-V regulation for sustainable lending standards for residential real estate financing), which have led to a significant improvement in lending standards for new RRE loans.[25] Systemic risks associated with residential real estate financing have been effectively reduced and a notable improvement in lending standards has been achieved.[26] Unused exemption buckets under the KIM-V regulation stood at EUR 600 million in 2024. In light of increased capitalization of the Austrian banking system and lower lending volumes, the Financial Market Stability Board (FMSB) noted in a December 2024 statement that no systemic risks from residential real estate financing with

Chart 15

Loan growth in Austria

Year-on-year changes in %, adjusted for FX effects, write-downs and reclassifications

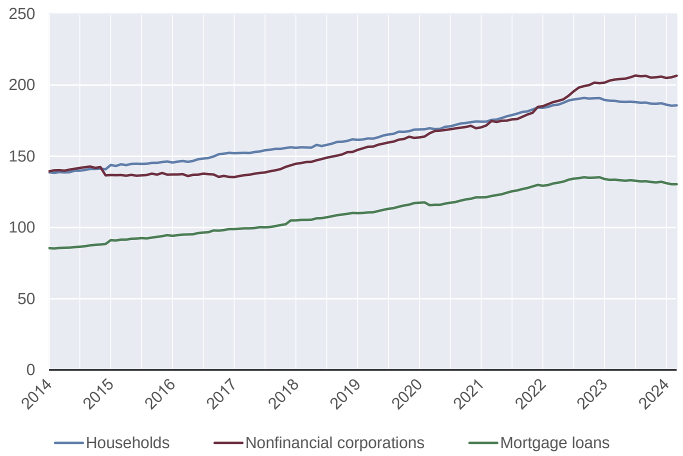


Source: OeNB.

Chart 16

Total lending in Austria

EUR million



Source: OeNB.

[21] Eurostat, Housing in Europe, 2024.

[22] With a homeownership rate of 54%, Austria ranks second-lowest in the EU, just above Germany at 48%.

[23] See chart 16.

[24] Q4 2024: EUR 1 billion, Q3 2025: EUR 1.6 billion (+119% since the beginning of 2024), new lending in Q3 2025 comparable to Q2 2019.

[25] As recommended by the Financial Market Stability Board (FMSB). See FMSB – Recommendations FMSB/2/2022, FMSB/1/2023, FMSB/2/2024.

[26] Between August 2022 (when the KIM-V regulation took effect) and the end of 2024, the share of sustainable new RRE loans rose by 75 percentage points to 87%.

serious negative consequences for financial stability could be identified. In this case, the legal framework provides for the KIM-V regulation to expire in 2025. To ensure that credit institutions keep applying sustainable credit standards, the FMSB supported a guideline in 2025.[27]

Unlike RRE financing, commercial real estate (CRE) financing has continued to record increasing risk. To address the elevated exposure and the steep increase in the NPL ratio (particularly compared to other European countries), a sectoral systemic risk buffer of 1% will be implemented as of July 1, 2025. The measure aims to enhance the resilience of banks exposed to CRE-related risks.[28]

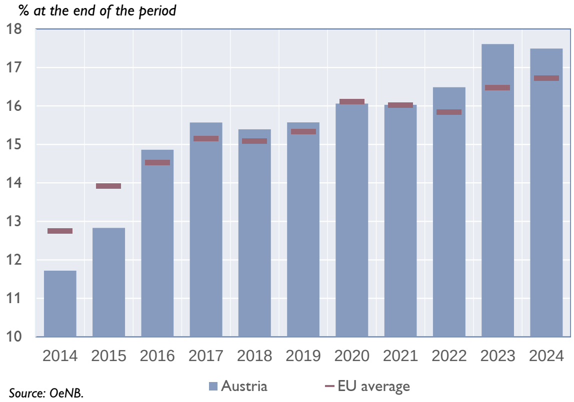
3.2.2 Higher resilience thanks to steadily improving capitalization over the past decade

The capitalization of the Austrian banking sector has improved significantly since the financial crisis of 2008–2009. Compared with levels recorded before 2008, the Austrian banking sector has more than doubled its capital ratio in line with tighter prudential requirements, reaching a consolidated common equity tier 1 (CET1) ratio of 17.5% at end-2024. Hence, the CET1 ratio of the Austrian banking sector stood above the EU average of 16.6% at end-2024.

Chart 17

Common equity tier 1 (CET1) ratio of the Austrian banking sector

% at the end of the period



Source: OeNB.

Profit retention and capital-based macroprudential measures have contributed to this very positive development.[29] The buffer for other systemically important institutions (O-SII buffer) aims to increase the risk-bearing capacity of large institutions, and the systemic risk buffer (SyRB) addresses structural systemic risks. Maintaining sound capital levels and sustainable lending standards is important for positive external assessments, which is why Austria is among the globally highest-rated banking systems (S&P BICRA Rating 2).

3.2.3 Austrian banks have sound liquidity profiles

Austrian banks benefit from a high and stable share of retail and corporate deposits, which is also a reflection of their business model. They have a strong deposit base both in Austria and abroad. The consolidated loan-to-deposit ratio (including foreign business) amounted to about 99% in December 2024.

The liquidity coverage ratio (LCR) of the consolidated Austrian banking sector remained broadly stable at 176% at end-2024. This suggests an overall solid short-term liquidity position of the Austrian banking system. The consolidated net stable funding ratio (NSFR), which measures the ability of the banking sector to resist funding shocks in the medium term, increased slightly in 2024. At the end of the year, it stood at 137%. Hence, LCR and NSFR levels are comfortably above the respective regulatory minima. The liquidity position is also favorable when making comparisons with other European countries.

[27] See FMSB – 44th meeting of the Financial Market Stability Board.
[28] See Recommendation FMSB/6/2024.
[29] See Recommendation FMSB/4/2024.

4 Key indicators[30]

Macroeconomic indicators for Austria

Table A1

Macroeconomic indicators for Austria	2019	2020	2021	2022	2023	2024
Real GDP growth (annual change in %)	1.8	-6.5	5.0	5.4	-0.8	-1.1
Current account balance (% of nominal GDP)	2.4	3.4	1.7	-0.9	1.3	2.4
HICP inflation (annual change in %)	1.5	1.4	2.8	8.6	7.7	2.9
Saving ratio (% of nominal disposable household income)	7.2	13.6	11.4	8.8	8.7	11.7
Unemployment rate, Eurostat (% of labor supply)	4.8	6.1	6.2	4.7	5.1	5.2
Budget balance (% of nominal GDP)	0.5	-8.2	-5.7	-3.4	-2.6	-4.7
Government debt (% of nominal GDP)	71.0	83.2	82.4	78.4	78.5	81.8

Source: OeNB.

Economic outlook for Austria
Economic indicators
Selected economic measures
Interest rates and exchange rates
Consumer prices
Economic sector breakdown of households
Economic sector breakdown of nonfinancial corporations
OeNB housing dashboard
CESEE Property Market Review

Table A2

Bank lending	2019	2020	2021	2022	2023	2024
	%					
Loan growth (year on year): households	4.2	3.6	5.3	3.5	-1.9	-0.6
Loan growth (year on year): residential real estate	6.1	5.5	6.9	5.0	-2.4	-1.5
Loan growth (year on year): corporations	6.2	5.0	8.7	9.2	2.7	1.9
	% of total loans					
Share of variable rate loans (outstanding): households	73	69	64	59	51	47
Share of variable rate loans (outstanding): corporations	77	75	75	75	74	70
Share of variable rate loans (new lending): households	51	46	47	59	51	40
Share of variable rate loans (new lending): corporations	82	77	86	85	78	68

Source: OeNB.

Table A3

Debt ratios	2019	2020	2021	2022	2023	2024
	%					
Household debt (relative to net disposable income)	92	95	94	89	81	76
Corporate debt[1] (relative to gross operating surplus[2])	471	466	476	457	473	582

Source: OeNB.

[1] *Short- and long-term loans, money and capital market instruments.*
[2] *Including mixed income of the self-employed.*

[30] For more detailed analyses, please refer to the following publications: OeNB Reports and the OeNB's Financial Stability Report.

Indicators for the Austrian banking sector

[Structural indicators](#)

[Banks' business structure](#)

Table A4

Consolidated banking data

	2019	2020	2021	2022	2023	2024
	EUR billion					
Total assets	1,032	1,136	1,197	1,200	1,216	1,265
Loans	744	752	787	814	819	859
Shares and debt instruments	137	143	147	155	173	196
Cash balance and deposits at central banks	75	164	186	161	152	136
Deposits by nonbanks	615	656	686	709	717	751
Deposits by credit institutions	101	102	106	106	113	122
Debt instruments issued	150	153	152	163	195	216
Profit	6.7	3.7	6.1	9.8	12.6	11.5
Operating income	25.0	24.8	25.8	31.7	37.0	37.4
Operating costs	16.7	16.5	16.8	18.9	18.1	18.4
Operating profit[1]	8.3	8.2	9.0	12.8	18.9	18.9
Risk costs	1.0	3.7	1.4	2.9	3.9	3.7
Key ratios	%					
Common equity tier 1 (CET1) ratio	15.6	16.1	16.0	16.5	17.6	17.5
Leverage ratio	7.6	7.4	7.7	8.0	8.4	8.4
Return on assets (annualized)	0.7	0.4	0.6	0.9	1.1	1.0
Cost-to-income ratio	67	67	65	60	49	49
Nonperforming loan (NPL) ratio[2]	2.2	2.4	2.1	2.1	2.6	3.0
Coverage ratio	49	49	48	46	40	37
Liquidity coverage ratio (LCR)[3]	146	181	176	163	172	176
Net stable funding ratio (NSFR)[3]	n.a.	n.a.	135	131	134	137

Source: OeNB.

[1] *Difference between operating income and operating costs may not equal operating profit due to rounding errors.*

[2] *As of 2020, the NPL ratio excludes cash balances at central banks and other demand deposits.*

[3] *Historical data calculated using the March 2024 banking sample at the highest consolidation level.*

Table A5

Unconsolidated banking data[1]

	2019	2020	2021	2022	2023	2024
	EUR billion					
Total assets	885	974	1,024	1,014	1,010	1,035
Loans	654	669	700	730	702	719
Shares and debt instruments	94	95	93	104	130	144
Cash balance and deposits at central banks	50	123	141	102	98	89
Deposits by nonbanks	444	474	496	505	516	529
Deposits by credit institutions	166	217	240	213	173	163
Debt instruments issued	137	140	140	160	190	206
Profit	4.8	2.7	6.5	5.0	11.0	10.6
Operating income	19.7	19.3	21.2	23.7	26.5	27.9
Operating costs	14.2	13.6	14.2	14.0	11.7	13.9
Operating profit[2]	5.5	5.7	6.9	9.7	14.8	14.0
Risk costs	0.2	2.5	-0.4	3.6	2.3	2.2
Key ratios	%					
Return on assets (annualized)	0.6	0.3	0.7	0.5	1.2	1.2
Cost-to-income ratio	72	71	67	59	44	50
Nonperforming loan (NPL) ratio (Austria)	2.2	2.0	1.8	1.7	2.4	3.1
Coverage ratio (Austria)[3]	61	68	70	74	62	53
Liquidity coverage ratio (LCR)	142	174	171	155	168	174
Net stable funding ratio (NSFR)	n.a.	n.a.	129	124	127	129

Source: OeNB.

[1] *As of 2023 and due to reporting changes, comparability to previous years' data is limited.*

[2] *Difference between operating income and operating costs may not equal operating profit due to rounding errors.*

[3] *Total loan loss provisions as a percentage of NPLs in domestic business.*

Table A6

CESEE subsidiaries

	2019	2020	2021	2022	2023	2024
	EUR billion					
Total assets	223	234	271	279	288	300
Loans	161	165	186	184	188	201
Shares and debt instruments	38	42	48	49	55	62
Cash balance and deposits at central banks	18	22	30	39	39	30
Deposits by nonbanks	167	178	205	211	214	221
Deposits by credit institutions	22	16	18	18	17	19
Debt instruments issued	5	11	15	12	19	19
Profit	2.8	1.9	3.0	5.2	5.5	5.4
Operating income	8.4	8.2	8.9	12.8	12.7	13.1
Operating costs	4.4	4.4	4.6	5.1	5.5	5.4
Operating profit[1]	4.1	3.8	4.3	7.7	7.2	7.6
Risk costs	0.5	1.3	0.5	1.0	0.3	-0.0
Key ratios	%					
Return on assets (annualized)	1.3	0.8	1.2	1.9	1.9	1.8
Cost-to-income ratio	52	54	52	40	43	42
Nonperforming loan (NPL) ratio[2]	2.4	2.6	2.2	2.1	2.0	1.9
Coverage ratio	67	67	64	64	64	64

Source: OeNB.

[1] *Difference between operating income and operating costs may not equal operating profit due to rounding errors.*

[2] *As of 2020, the NPL ratio excludes cash balances at central banks and other demand deposits.*

Table A7

Financial stress indicators

	2019	2020	2021	2022	2023	2024
	Indicator value					
Austrian financial stress indicator (AFSI)	-0.72	-0.57	-0.66	0.67	-0.29	-0.59
Composite indicator of systemic stress (CISS)	0.02	0.10	0.05	0.33	0.06	0.03

Source: OeNB, ECB.

Indicators for other financial intermediaries in Austria

Mutual funds
Pension funds
Insurance corporations

"Facts on Austria and Its Banks" is published once a year to provide a brief snapshot of Austria's economy based on a range of real and financial variables and corresponding international measures.

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