

7 AUSTRIAN BANKING INDUSTRY

7.1 INDUSTRIAL FRAME CONDITIONS IN AUSTRIA

7.1.1 Overview

- The profitability of the Austrian banking sector declined significantly in the first half of 2013. The reduction in operating profits was, however, mainly due to positive one-off effects in early 2012.
- The capital positions of domestic banks, while having improved further in the past year, remain below international averages.
- The liquidity conditions of Austrian banks improved further in the first half of 2013.
- The exposure of the majority Austrian-owned domestic banks to Central, Eastern and Southeastern Europe (CESEE) came to € 209.7 billion in June 2013. This exposure, while still high compared with other European countries, is broadly diversified across the region.
- Compared with Austrian banks' domestic banking business, the operations of their CESEE subsidiaries are fraught with higher risks, as is reflected above all by the comparatively higher loan loss provisions. At the same time, the CESEE-related operations have also been generating higher profits than the domestic banking operations and thus remained a key profit driver for the Austrian banking system in the first half of 2013.
- Foreign currency lending by Austrian banks has been curbed sharply in Austria and has also gone down in the CESEE area. Moreover, the amounts of outstanding foreign currency loans that Austrian banks hold in their books have been brought down significantly through conversions.
- In March 2012 the OeNB and the Financial Market Authority (FMA) published supervisory guidance on how to strengthen the sustainability of the business models of large and internationally active Austrian banks. The relevant banking groups have been called upon to increase their capital buffers, rebalance the refinancing portfolios of exposed subsidiaries, and prepare adequate recovery and resolution plans. First results have shown a positive trend.

Source: FriedlResearch Data as of May 1, 2014. <http://www.oenb.at/en/Publications/Financial-Market/Facts-on-Austria-and-Its-Banks.html>.

7.1.2 Structural features of the Austrian banking market

Number of banking offices	5,186
Inhabitants per banking office	1,634
Number of employees (headcount)	79,110
Number of employees (full-time equivalents)	66,312
Annual growth rate of loans to households	0.8%
Annual growth rate of loans to nonfinancial corporations	0.5%

Table 20: Raiffeisen Bank International AG – Structural Features Austrian Banking Market.