



AUSTRIA

FINANCIAL SYSTEM STABILITY ASSESSMENT

July 2026

This Financial System Stability Assessment on Austria was prepared by a staff team of the International Monetary Fund. It is based on the information available at the time it was completed in July 2026.

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International Monetary Fund
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June 23, 2026

KEY ISSUES

Context: Austria started to slowly recover in 2025 after two years of recession, but the energy shock due to the Middle East conflict is weighing on the outlook. A large and complex banking sector with significant exposure to Central Eastern and Southeastern European countries (CESEE) dominates the financial sector. Despite domestic and external headwinds and a rise in NPLs in recent years in commercial real estate (CRE), the banking sector continues to be well capitalized, highly profitable and liquid, with strong contributions from the CESEE subsidiaries. Key risks arise from subdued economic activity, exposure to CRE lending, and shocks in the CESEE region.

Findings: Short-term risks to the Austrian financial sector were low prior to the Middle East conflict and remain contained, with banks demonstrating resilience under severe adverse stress tests. CRE loans warrant monitoring, as a further rise in NPLs could have a more pronounced impact on banks' profitability. Recent improvements to Austria's already strong financial sector oversight are welcome, but further strengthening is warranted, particularly in the macroprudential framework. Risks to financial stability from Non-Bank Financial Intermediation (NBFI) seem limited, given the relative size of its sectors, but deserve attention due to their interconnectedness with the banking sector and CRE and CESEE exposures. The financial safety net is broadly robust but should be further aligned with international standards.

Policy advice: Supervision of less significant institutions (LSIs) is strong, but some institutional governance aspects, including supervisory funding and staffing, need improvement. The macroprudential framework should be enhanced by increasing the voting rights of the central bank in the Financial Market Stability Board, the ability to take precautionary measures, and reintroducing binding borrower-based measures. For insurance supervision, there is potential to strengthen supervision of key control functions and internal models. Key recommendations for the oversight of investment funds are related to liquidity risk management and to real estate investment funds. The financial safety net would benefit from stronger coordination during normal times and clearer operational arrangements.

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This report is based on the work of the Financial Sector Assessment Program (FSAP) missions that visited Austria in November 2025 and March 2026. The FSAP findings were discussed with the authorities during the Article IV consultation mission in May 2026.

- The FSAP team was led by Zsolia Arvai and included Cristina Cuervo (deputy mission chief), Ben Aldersey, Alexis Boher, Zoltan Jakab, Vasilika Kota, Adil Mohommad, Thierry Tressel, Zexi Sun, Suzette Vogelsang (all IMF staff), as well as David Farelus, and Jessica Reyes (external experts). Raadhika Vishvesh and Qirui Zhang (IMF staff) provided research analysis support and Massiah Butler, Kene Ndir and Margo Vandenbroucke (IMF staff) provided administrative support. Melanie Koch, from the IMF Office of the Executive Director joined some of the meetings.
- The mission met with senior officials at the Oesterreichische Nationalbank (OeNB), the Financial Markets Authority (FMA), Bundesministerium für Finanzen (Ministry of Finance, BMF), and other public agencies. The mission also met representatives from industry associations, private financial and research institutions, and professionals at auditing and accounting firms.
- FSAPs assess the stability of the financial system as a whole and not that of individual institutions. They are intended to help countries identify key sources of systemic risk in the financial sector and implement policies to enhance its resilience to shocks and contagion. Certain categories of risk affecting financial institutions, such as operational or legal risk, or risk related to fraud, are not covered in FSAPs.
- Austria is deemed by the Fund to have a systemically important financial sector according to the 2021 Financial Sector Assessment Program Review—Towards a More Stable and Sustainable Financial System (05/28/2021), and the stability assessment under this FSAP is part of bilateral surveillance under Article IV of the Fund’s Articles of Agreement.

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Glossary

AML/CFT	Anti-Money Laundering and Countering the Financing of Terrorism
Anacredit	Analytical Credit Database
BaSAG	Austrian Bank Recovery and Resolution Act
BaSaPV	Austrian Bank Recovery and Resolution Plans Regulation
BVAR	Bayesian Vector Autoregression
BBM	Borrower-Based Measure
BMF	Bundesministerium für Finanzen (Ministry of Finance)
BRRD	Bank Recovery and Resolution Directive
CCyB	Counter-cyclical Capital Buffer
CESEE	Central Europe and Southeastern Europe
CET1	Common Equity Tier 1
CMF	Crisis Management Forum
COREP	Common Reporting
CP	Core Principles
CRD	EU Capital Requirements Directive
CRE	Commercial Real Estate
CRAR	Country Risk Assessment Report
CRM	Credit Risk Mitigation Measures
CRR	EU Capital Requirements Regulation
DIS	Deposit Insurance Scheme
DORA	Digital Operational Resilience Act
DTI	Debt to Income Ratio
DSTI	Debt Service to Income Ratio
EBA	European Banking Authority
ECB	European Central Bank
ELA	Emergency Liquidity Assistance
ESA	Uniform Deposit Guarantee Scheme of Austria
ESRB	European Systemic Risk Board
EA	Euro Area
EAA	European Economic Area
EU	European Union
FAC	Fiscal Advisory Council
FATF	Financial Action Task Force
FINMA	Financial Stability and Macprudential Supervision Department
FINREP	Financial Reporting
FMA	Financial Market Authority
FMABG	Financial Market Authority Act
FMSB	Financial Market Stability Board
FSAP	Financial Sector Assessment Program
FSR	Financial Stability Report
GDP	Gross Domestic Product

IADI	International Association of Deposit Insurers
IAIG	Internationally Active Insurance Group
ICP	Insurance Core Principles
IF	Investment Funds
IPS	Institutional Protection Scheme
IRRD	Insurance Recovery and Resolution Directive
KIM-V	Kreditimmobilienmaßnahmen-Verordnung
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LSI	Less Significant Institution
LTC	Loan to Collateral
LTI	Loan to Income
LTV	Loan to Value
LVR	Loan to Value Ratio
MREL	Minimum Requirement for Own Funds and Eligible Liabilities
NBFI	Nonbank Financial Institutions
NCA	National Competent Authority
NPL	Non-performing Loans
NFC	Nonfinancial Corporates
NRA	National Resolution Authority
NSFR	Net Stable Funding Ratio
OeNB	Österreichische Nationalbank (Austrian National Bank)
ÖRS	Österreichische Raiffeisen-Sicherungseinrichtung
O-SII	Other Systemically Important Institutions
PNR	Positive Neutral Rate
PD	Probability of Default
REIFs	Real Estate Investment Funds
RRE	Residential Real Estate
SI	Significant Institution
SRB	Single Resolution Board
SREP	Supervisory Review and Evaluation Process
SSM	Single Supervisory Mechanism
SyRB	Systemic Risk Buffer
sSyRB	Sectoral Systemic Risk Buffer
TSCR	Total SREP Capital Requirements
WEO	World Economic Outlook

EXECUTIVE SUMMARY

The 2026 Financial Sector Assessment Program (FSAP) for Austria took place against a backdrop of a highly uncertain global geopolitical and economic environment and the slow recovery of the domestic economy. The economy started to recover from 2025 after two years of recession, but the pickup in 2026 growth has been revised downward as a result of the Middle East conflict. Key external downside risks to the economy include further escalation of geopolitical tensions, trade policy uncertainty and higher barriers to trade. A sustained energy shock could lead to resumed high inflation dynamics and put energy intensive industries under pressure. Domestically, there are two-sided risks to growth which hinge, in part, on whether currently high household savings rates normalize in a gradual manner as expected. A large and complex banking sector with significant exposure to CESEE countries dominates the financial sector, with the investment funds and insurance sectors playing a smaller but growing role.

Despite domestic and external headwinds and a rise in NPLs in recent years in commercial real estate, the banking sector continues to be well capitalized, highly profitable, and liquid. Bank credit growth has been low due to weak demand and tight monetary policy. Key risks to the financial sector arise from subdued economic activity, exposure to CRE lending, and shocks in the CESEE region. Disruptions in CESEE countries, primarily lower growth due to similar external factors as for Austria, could impact Austrian banks' profitability, but the banking system's broad geographic exposure also provides diversification benefits. Domestically, persistent weak sentiment among consumers and producers could weigh on household and corporate credit growth. A further rise in NPLs on CRE loans could have a more pronounced impact on banks' profitability. Risks to financial stability from relatively small Non-Bank Financial Intermediation (NBFI) seem contained, but deserve attention due to interconnectedness with the banking sector and CRE and CESEE exposures.

Bank solvency stress tests indicate that banks are resilient under severe but plausible adverse macroeconomic scenarios, with the aggregate capital ratio of the banking system remaining above the capital requirements. The capital ratio decline is smaller in the inflationary geopolitical shock scenario than in the severe recession scenario, and the decline in capital ratios is larger for significant institutions (SIs) than for LSIs. There are, however, pockets of vulnerabilities. While the core assessment is based on information available prior to the recent Middle East conflict, the FSAP's evaluation of underlying vulnerabilities remains valid as the stress tests scenarios are more severe than the recent downgrade of economic forecasts.

The banking system maintains high liquidity buffers and can withstand significant liquidity outflows. Standard liquidity metrics are above regulatory requirements and remain so under stress scenarios, both for SIs and LSIs. Cash-flow stress tests show that banks can withstand significant liquidity outflows by drawing down their counterbalancing capacity over extended horizons exceeding 30 days under a generalized risk aversion scenario and an idiosyncratic bank run scenario.

Additional sensitivity and contagion analysis confirms the banking system’s resilience. The decentralized sector’s Institutional Protection Schemes (IPS) ex-ante funds appear sufficient to recapitalize banks to minimum requirements under the adverse scenarios. While large banks have significant large exposures to NBFIs, concentration risks are mitigated thanks to credit risk mitigation measures. Counterfactual analysis of mortgage lending standards confirms that borrower-based measures (BBMs) notably reduce credit risk over time, confirming the effectiveness of the macroprudential policy measures. The contagion stress test suggests that Austrian interbank exposures are highly concentrated, but the system can absorb most of the hypothetical defaults, and only a limited number of large banks would create interconnectedness risks.

To strengthen the macroprudential framework, the authorities should increase the formal influence of the central bank in macroprudential policy decisions, expand the power to set precautionary policies in the law, and reintroduce BBMs as a permanent tool. Macroprudential decision-making of the Financial Market Stability Board (FMSB) should be enhanced by reducing the voting power of the Fiscal Advisory Council (FAC) and increasing the voting power of the OeNB, as a minimum. While the institutional framework has well defined objectives and capacity to take macroprudential policy actions, the ability to take certain precautionary actions is precluded in the law, requiring clear evidence of risk build-up. The law should be amended to enable a more forward-looking approach to macroprudential policy implementation. This would allow reintroducing BBMs as a permanent tool and enhance stability in the system. Recently introduced comprehensive real estate data dashboards are welcome improvements. Austria is encouraged to consider adopting a positive neutral rate (PNR) countercyclical buffer (CCyB) so that banks have adequate releasable buffers and are well-positioned to respond to financial shocks.

Risk-based supervision of LSIs strengthened since the previous FSAP, but there are governance, resourcing and legal gaps that could constrain supervisory independence and effectiveness. The FSAP found that the supervisory strategy by the FMA and OeNB appropriately prioritized credit risk and operational resilience, and the authorities made an effective use of proportionality to focus resources on the highest risks. The composition of the FMA Supervisory Board raises concerns relative to international standards on operational independence, particularly given the Board’s role in budget approval and senior appointments. While a February 2026 legal amendment increased the FMA’s budget cap, resource constraints persist, especially for on-site inspections, and the OeNB has seen its industry-funding reduced. A forward-looking, joint assessment of staffing and budget needs across both the FMA and OeNB is recommended to preserve supervisory effectiveness and crisis readiness. Additional recommendations focus on addressing gaps in prudential requirements and supervision of LSIs’ major acquisitions and related-party transactions and phasing out the system of state commissioners on banks’ boards.

Insurance supervision could be further strengthened by enhancing resources, governance, and supervisory tools to address rising risks and upcoming regulatory demands. The evolving macrofinancial environment and major regulatory reforms will and have significantly expanded the FMA’s responsibilities, underscoring the need for resources. Close cooperation with the government on the effective implementation of legislative changes from Insurance Regulatory and Recovery

Directive (IRRD) and Solvency II review will be required. While the FMA has reinforced its risk-based framework, more structured reviews of control functions in smaller insurers, upgraded assessment tools for board members and key functions, and the introduction of model drift analysis are recommended. Strengthening the supervision of internationally active groups, enhanced cross-border information-sharing, and broader macroprudential reporting for the sector are needed.

The regulatory and supervisory framework for investment funds (IFs) would benefit from further improvements on liquidity risk management and particularly for Real Estate IFs. The IF sector is overall adequately supervised by the FMA, with recent increased focus on liquidity risk management, but lags behind European peers on the adoption and use of Liquidity Risk Management Tools (LMTs). As changes on LMTs are introduced, the authorities should work closely with the industry to ensure clear communication to investors. Over the medium term, the introduction of anti-dilution tools is recommended, particularly for daily-dealing funds exposed to liquidity stress. Despite the modest size of the sector, Real Estate IFs deserve attention as they have significant liquidity mismatches. The introduction of mandatory 12-month notice periods for these funds is welcome, and authorities should refrain from introducing a redemption hurdle rate.

The FSAP reflects the findings of the recently adopted Financial Action Task Force (FATF) Mutual Evaluation Report of Austria. The review reported progress in increasing the improvement of the effectiveness of the Anti-Money Laundering (AML) and counter-terrorist financing (CFT) framework, both through enhancing the legal and regulatory framework and strengthening supervision of the financial sector and provided targeted recommendations to further improve risk identification and mitigation.

The financial safety net and crisis preparedness framework is broadly robust but would benefit from stronger coordination during normal times and clearer operational arrangements. Crisis management responsibilities are well defined across the FMA, OeNB, and BMF, supported by handbooks, recovery and resolution planning, and regular crisis simulations, while recovery planning for LSIs is risk-based and proportionate and the resolution regime is comprehensive and increasingly operational. Nevertheless, the FSAP recommends establishing a permanent crisis management forum at senior level, strengthening the deposit insurance system by introducing quarterly contributions, eliminating member placements and use of DIS funds for preventive measures, and establishing a credible BMF public backstop. The legal framework should also explicitly provide for purchase and assumption transactions in bankruptcy as an alternative to depositor payouts.

The Institutional Protection Schemes in place are aimed at safeguarding member liquidity and solvency and preventing insolvency. At the same time, the combination of extensive mutual support arrangements and preferential prudential treatment increases financial interdependence within the IPS and between members and the central institution. While this interconnectedness may enhance stability in a going-concern context, it also gives rise to material contagion risks in stress scenarios. A dedicated mitigation framework within resolvability assessments to address contagion

risks in the IPS arising from solvency and liquidity channels as well as MREL cross-holdings is needed.

Much of the work of the FSAP was conducted prior to the outbreak of the Middle East conflict. Given the FSAP's focus on medium-term challenges and vulnerabilities, its findings and recommendations for strengthening policy and institutional frameworks remain relevant. In addition, the conclusions of the systemic risk analysis remain valid given that the shocks under the geopolitical scenario of the stress tests are significantly more severe than the new forecasts including the impact of the conflict.

Table 1. Austria: Key Recommendations

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Recommendation		Agency	Timing ¹
Systemic Risk Analysis and Stress Testing			
1	Include IPS channels in solvency and liquidity stress tests and contagion analysis, and integrate liquidity channels in the contagion analysis	OeNB	ST
2	Broaden the use of the OeNB stress testing framework for scenario analyses beyond classical stress tests, including for macroprudential and sector-wide analyses and impact assessments	OeNB	ST
3	Enhance risk monitoring of banks' large exposures to NBFIs	OeNB	MT
4	Enhance monitoring of CESEE large exposures and further improve surveillance and reporting	OeNB, FMA	ST
Macroprudential Framework and Policies			
5	Strengthen the macroprudential framework by increasing the voting power of the OeNB and reducing the voting power of the Fiscal Advisory Council	BMF	ST
6	Amend the Banking Act to allow FMA to set macroprudential policy regulations on a precautionary basis for capital and borrower-based measures	BMF	ST
7	Make the borrower-based measures (LTC, DSTI and loan term limit) a permanent regulation	BMF	ST
LSI Regulation and Supervision			
8	Review existing legislation to narrow the BMF's role in oversight of the FMA and remove both ministry and industry participation in its Supervisory Board	BMF	I
9	Reconsider the restrictive staffing and funding strategy that has impacted LSI supervision at the FMA and OeNB, further to a forward-looking review of resource needs for both authorities	BMF FMA OeNB	I
10	Substitute the state commissioner function with an enhanced FMA and OeNB engagement with LSIs' supervisory boards	BMF FMA	ST
11	Introduce legal or regulatory provisions requiring supervisory approval or notification of major acquisitions of non-financial companies by LSIs, upgrade the prudential regulation on transactions with related parties, and adapt risk-based supervision accordingly	BMF FMA OeNB	ST
Insurance Regulation and Supervision			
12	Implement European legislative changes, notably the Solvency II review and Insurance Regulatory and Recovery Directive, which will add macroprudential tools such as liquidity risk management plans and improve the resolution and recovery framework, especially for domestically systemically important insurers and groups	BMF FMA	ST
13	Continue with the in-depth assessment of control functions including smaller Solvency II insurers that are regarded as low risk, and develop a structured risk-based proportionate approach in this regard	FMA	I
14	Expand the regular insurance sector macroprudential reporting to include analysis of broad trends that could have short- or long-term implications for the functioning of the insurance market and related financial sectors	FMA	I
¹ I: Immediate (I): less than one year; Short-term (ST): 1–2 years; and Medium-term (MT): 3–5 years			

Table 1. Austria: Key Recommendations (Concluded)

Investment Funds Regulation and Supervision			
15	Continue to monitor the adoption of liquidity management tools (LMTs) by asset managers and their effective implementation by depositaries, including manager's communication strategy to investors on the use of the LMTs	FMA	ST
16	Encourage and support industry adoption of anti-dilution LMTs, where appropriate	FMA	MT
17	Refrain from introducing a hurdle rate or any other kind of exemption to the application of the notice period for Real Estate Investment Funds (REIFs)	BMF	ST
Financial Integrity			
18	Address recommendations set out in the 2026 FATF Mutual Evaluation Report, including to strengthen risk-based supervision of financial groups' activities in the CESEE region and significantly enhance oversight of gatekeepers (e.g., lawyers, accountants and real estate agents) of the financial system	BMF	MT
Bank Resolution, Crisis Management, and Financial Safety Net			
19	Designate a standing interagency crisis management forum at a senior level, tasked with overseeing contingency planning at the national level and coordinating crisis preparedness activities	BMF, FMA, OeNB	ST
20	Strengthen the DIS payout capacity by (i) shifting to quarterly contributions, (ii) prohibiting placements with member institutions, (iii) establishing a public backstop from the BMF, and (iv) removing provisions that allow the DIS fund to be used for preventive measures ("open bank assistance")	FMA, BMF, DISs	ST
21	Provide for purchase and assumption transactions in the bankruptcy regime, as an alternative to costly payouts	FMA, MoJ, BMF	MT
22	Develop a dedicated mitigation framework for the resolvability assessment of the IPS to cover contagion risk arising from solvency and liquidity, and MREL cross holdings	FMA	MT

BACKGROUND

A. Macrofinancial Developments

1. The Austrian economy experienced two years of recession in 2023–24, triggered by the energy-price shock, subsequent EA monetary tightening, and weak growth in Germany, and growth has significantly underperformed compared to the EA. The downturn in activity was broad-based, with declines in manufacturing, construction, and key services. At the same time, core inflation remained high and wages rose rapidly adjusting to past high inflation. As a result of strong policy responses to the shocks, the fiscal deficit rose significantly, with public debt rising to nearly 82 percent of GDP in 2025.

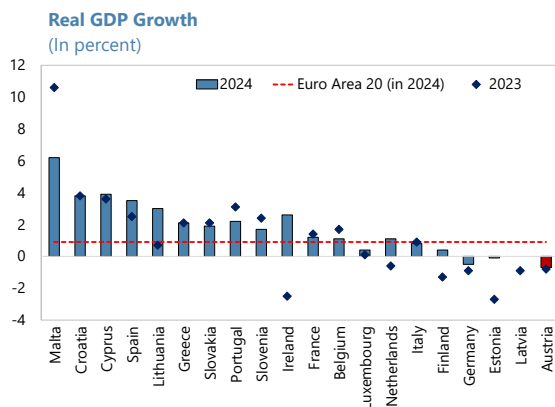
2. Growth staged a modest recovery in 2025, but the near-term outlook faces significant risks, in particular from continued trade and geopolitical uncertainty. The Middle East conflict resulted in a downward revision of economic growth by 0.5 percentage points for 2026. A somewhat stronger recovery is projected from 2027 onwards as domestic demand strengthens in the wake of monetary policy normalization and exports gradually recover. Key external downside risks include further escalation of geopolitical tensions, trade policy uncertainty and higher barriers to trade which could reduce demand for Austrian exports and for sectors that supply exporters.¹ A *sustained* energy price shock from the Middle East conflict could set off resumed high inflation dynamics and put energy intensive industries under pressure. Domestically, risks to growth are two-sided, hinging in part on whether elevated household savings rates normalize gradually as expected. On the upside, sustained fiscal reforms could increase space to deal with downside risks and create room for structural reforms needed to lift weak medium term potential growth.

3. The recovery in demand is projected to be subdued in both the household and corporate sectors, but the persistently high household savings rate helped reduce household indebtedness significantly. Unlike in many European countries, strong wage growth has not led to a consumption-driven recovery in Austria. Household debt relative to net disposable income declined from 94 percent in 2019 to 74 percent at end-June 2025, and it is relatively low in international comparison. In terms of investment growth, gradual strengthening is anticipated from 2026 onwards with monetary policy normalization.

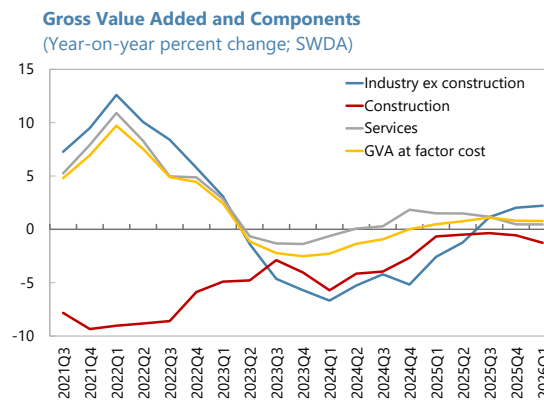
¹ See the Risk Assessment Matrix (Table 10).

Figure 1. Austria: Macro-financial Developments

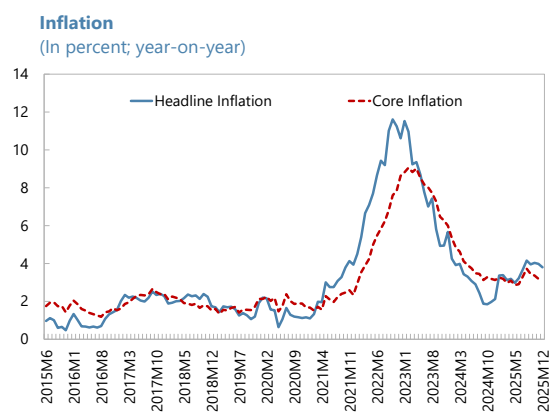
GDP growth contracted in 2023 and 2024



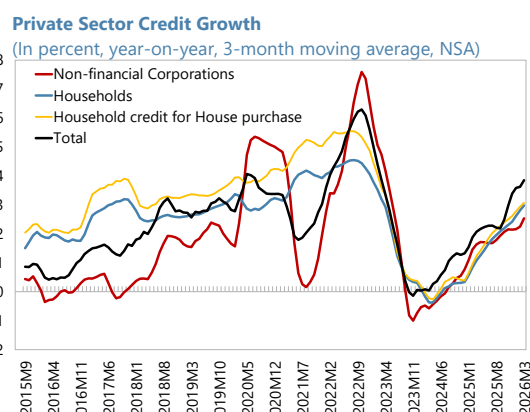
.... but a modest broad-based recovery started in 2025.



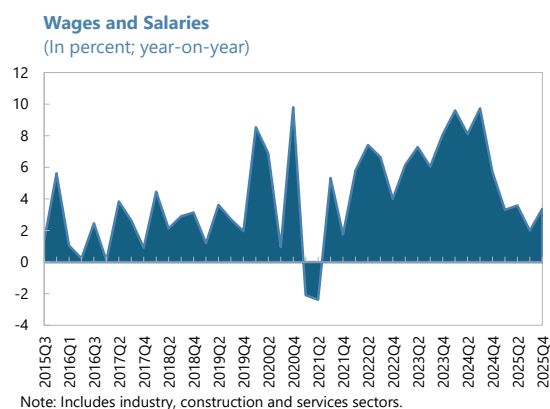
The marked decline of inflation from its peak in 2022 halted in 2025.



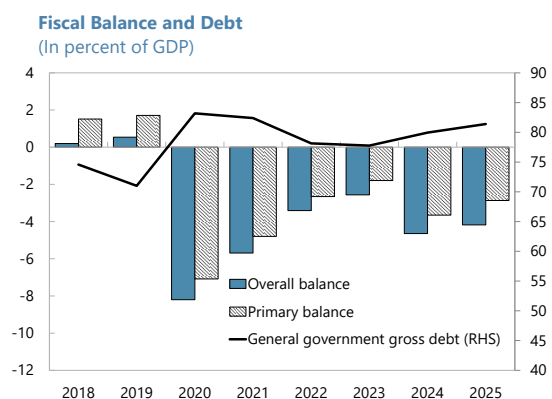
Credit growth to NFCs and households has been picking up.



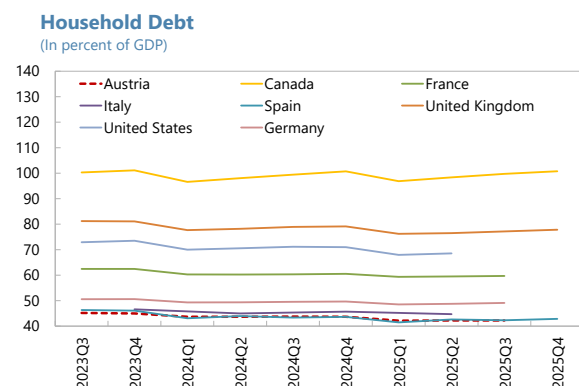
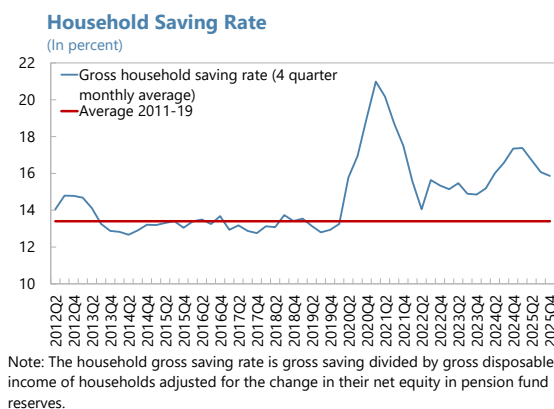
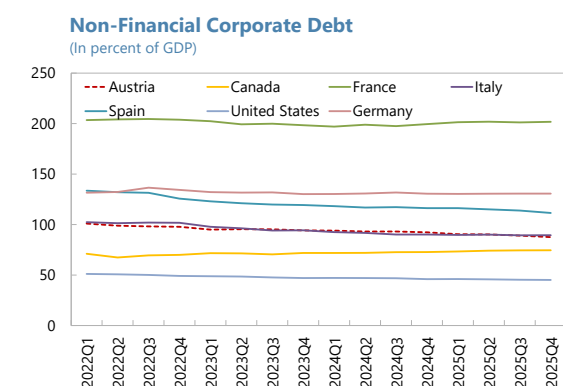
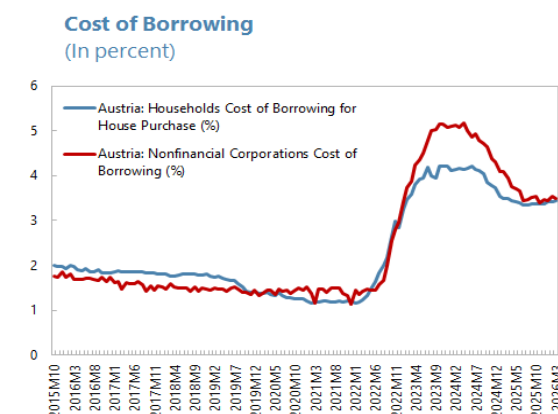
Wage growth moderated in 2025.



Public debt has been rising since 2023.



Sources: Haver, Eurostat, Ministry of Finance, IMF's World Economic Outlook database, and IMF staff calculations.

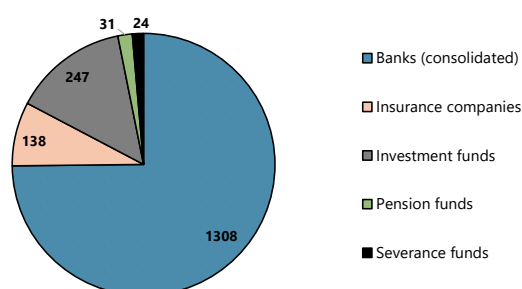
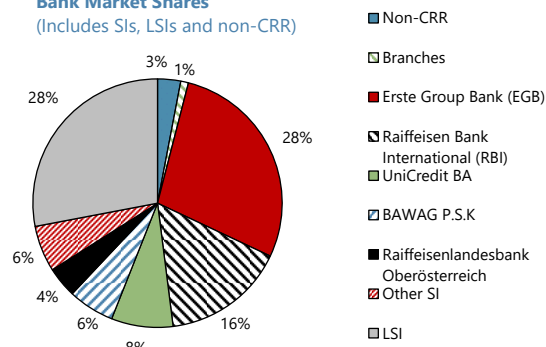
Figure 2. Austria: Household and Private Sector Developments*Household debt remains low....**.... helped by the high saving rate.**NFC debt is similar to peer countries....**....and the cost of borrowing stabilized in 2025.*

Sources: Haver, Eurostat, and IMF staff calculations.

B. Financial Sector Structure

4. The financial sector in Austria is dominated by banks, with the investment funds and insurance sectors playing a smaller but interconnected role. Banks' consolidated balance sheets stood at 255 percent of GDP at end-2025², while assets under management of investment funds and insurance companies represented, respectively, 50 and 27 percent of GDP at end-2025. Risks to financial stability from Non-Bank Financial Intermediation seem contained, given the relative size of its sectors, but deserve attention due to their interconnectedness with the banking sector and CRE and CESEE exposures.

² Consolidated banking sector assets include CESEE assets. Unconsolidated banking sector assets (without assets of foreign subsidiaries fully consolidated by Austrian groups of credit institutions) amounted to 192 percent of GDP at end-2025.

Figure 3. Austria: Financial System Composition and Bank Market Shares, 2025**Components of the Financial System**
(In billions of EUR)**Bank Market Shares**
(Includes SIs, LSIs and non-CRR)

Source: OeNB.

Note: Data as of Q4 2025.

5. The banking sector is large, concentrated, and complex with three main segments and a large number of Less Significant Institutions (LSIs). The three segments are (i) Sparkassen forming Erste Bank Group AG; (ii) the Raiffeisen segment; and (iii) the Volksbanken segment. There are 7 SIs and around 300 LSIs accounting for around 28 percent of banking sector assets. The number of LSIs has declined significantly in the last 10 years. LSIs often have complex ownership structures and financial interlinkages, including through layers of mutual cooperation arrangements—institutional protection schemes, cross-guarantee schemes and liquidity associations. Austrian SIs have a strong focus on CESEE markets, with key CESEE regional exposures in the Czech Republic, Slovakia, and Romania followed by Hungary, Croatia and Slovenia. A recent acquisition will increase the presence of Austrian banks in Poland. CESEE operations comprised about a quarter of the assets and around 40 percent of the total profits of the Austrian banking sector in 2025.

Table 2. Austria: Number of LSIs and Non-CRR Entities

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026Q1
Joint-stock banks	39	42	41	37	35	35	35	36	34	34
Special-purpose banks	37	32	32	31	30	28	28	26	24	24
Savings banks 1/	49	49	49	49	49	49	49	49	48	48
Raiffeisen cooperatives	419	399	380	354	338	315	296	284	276	276
Volksbanken cooperatives	14	9	9	9	9	9	9	9	9	9
Mortgage banks 2/	9	8	8	8	6	6	6	6	6	6
Building societies 3/	4	4	4	4	4	4	4	4	4	4
EU-branches	26	25	22	24	22	21	19	17	18	18
Total	597	568	545	516	493	467	446	431	419	419

Source: Oesterreichische Nationalbank (OeNB).

Notes: 1/ Sparkassen 2/ Landes-Hypothekenbanken. 3/ Bausparkassen.

Banks are included at unconsolidated level.

Box 1. Austria: Institutional Protection Schemes

Institutional Protection Schemes (IPS) are contractual and statutory mutual support arrangements among banks aimed at safeguarding member liquidity and solvency and preventing insolvency. Austria has two IPSs, covering the cooperative and savings bank sectors, both approved by the competent authorities (ECB and FMA for the Raiffeisen IPS and ECB for the Sparkassen IPS) under Article 113(7) of the EU Capital Requirement Regulation (CRR) and operate under the respective ongoing supervision.

The Raiffeisen IPS, managed by Österreichische Raiffeisen-Sicherungseinrichtung eGen (ÖRS), includes Raiffeisen Bank International AG (RBI), eight regional Landesbanken, and 265 local Raiffeisen primary banks. Following the completion of the centralization of the Raiffeisen IPS by 2021, all Raiffeisen banks are now covered by a single institutional protection scheme, enabling extended aggregated reporting and monitoring at sector level, in contrast to the multiple IPS arrangements that applied prior to centralization. The Sparkassen IPS, managed by s-Haftungs GmbH (s-Haftung), comprises Erste Group Bank AG, Erste Bank der Österreichischen Sparkassen AG, and all Austrian savings banks (Sparkassen) for a total of 48 institutions. Both IPSs maintain risk-based early-warning systems combining continuous monitoring, peer reviews, and escalation procedures.

IPSs provide preventive liquidity and solvency support, financed by prefunded resources and member contributions. Furthermore, the IPSs are also recognized as a deposit guarantee and investor compensation scheme (DIS). The liability company (ÖRS and S-Haftung) operate the DIS of the respective IPSs. IPS and DIS funds are legally and operationally segregated.

Between the two IPSs, the Raiffeisen sector is more complex due to its inverse ownership structure, where primary banks own their central institutions, Landesbanken, which in turn own Raiffeisen Bank International. This “inverted pyramid” and the decentralization of the primary banks eliminate the consolidation requirement, though ÖRS prepares extended aggregated balance sheet for the whole IPS scheme according to Article 113(7) (e) CRR. In contrast, Erste Group Bank AG consolidates prudential reporting for the Sparkassen sector, with s-Haftung as a separate legal entity.

IPS membership provides prudential benefits, including a zero percent risk weight for qualifying intragroup exposures that lowers funding costs for member institutions and support intragroup liquidity and capital management. At the same time, the combination of extensive mutual support arrangements and preferential prudential treatment increases financial interdependence within the IPS and between members and the central institution. While this interconnectedness may enhance stability in a going-concern context, it also gives rise to material contagion risks in stress scenarios.

6. Austria's insurance sector holds assets at 27 percent of GDP, making it a medium-sized EU market. The industry, with many composite and mutual insurers, remains stable, diverse and highly concentrated with 60 percent premiums held by the top six of 32 Solvency II insurers. Non-life insurance (without health) dominates, accounting for 64 percent of gross premiums and growing 7 percent annually over four years with motor coverage as the primary segment. Life insurance and health have been growing modestly at 1.75 percent per year on average, but stay profitable, maintain strong solvency, and adopts conservative investments.

7. Austria has five insurance groups, three of which are considered domestically systemically important. One is an Internationally Active Insurance Group (IAIG); another is an insurance-led financial conglomerate, and there is also a bank-led financial conglomerate in the market. Seven international insurance groups have subsidiaries in Austria. The Austrian groups have expanded abroad in recent years due to domestic market saturation, opportunities in CESEE

countries, and diversification needs. Since 2022, premiums from foreign operations have exceeded domestic ones, with the difference growing.

8. The Austrian insurance sector remains exposed to persistent inflation, the impact of volatile interest rates, and rising liquidity and interconnectedness risks, alongside growing exposures to climate-related events and digitalization challenges. Inflation and interest rate shifts affect profitability, reserving, lapse behavior, and asset valuations across life and non-life insurers. Liquidity pressures have increased due to negative technical cash flows and greater exposure to less liquid assets, though overall resilience remains solid. Climate change is identified as a major emerging risk, with more frequent and severe natural catastrophes increasing claims and protection gaps, prompting intensified supervisory reviews and stress testing. Digitalization is advancing but is uneven.

9. The investment fund (IF) sector in Austria is a relatively small part of the financial system, characterized by strong links to banking groups and a conservative investment approach. IFs are, nevertheless, the second largest financial intermediaries and manage 16 per cent of total assets in the Austrian financial system. Almost all IF managers are part of a banking group, apart from a few small venture capital and private equity managers that have entered the market in recent years. IFs are largely invested in fixed income securities, followed by equities and other IFs. The REIF sector invests mainly in the Austrian market. Households are the main investors of IFs, followed by insurers, pension funds, and other IFs.

10. Despite their relatively small size, EUR 7 billion, REIFs are the most systemic subsector of IFs due to their significant structural liquidity mismatch. Retail REIFs (EUR 5.7 billion NAV) must have a minimum of 10 per cent of liquid assets invested in cash and cash equivalent assets. As of end-2024, only 14 per cent of their portfolio could be liquidated within a year, while these funds offered daily liquidity. There are 12 REIFs managed by five Alternative Investment Fund Managers, mainly invested by retail investors. After a long period of positive flows, net outflows started at the end of 2022, when interest rates increased dramatically. This made alternative investments more attractive and increased fund share redemptions. REIFs lost EUR 4 billion since end-2022, nearly 40 per cent of Assets Under Management. Only one REIF suspended subscriptions and redemptions and is now under liquidation.

FINANCIAL STABILITY ASSESSMENT

A. Key Risks and Vulnerabilities

11. Bank credit growth has been low due to weak demand and tight monetary policy. Overall credit growth was 2.6 percent y-o-y in March 2026, with some tentative signs of a recovery emerging, including in house purchases. Mortgage lending seems to have bottomed out, and corporate lending growth has been picking up slowly due to weakness particularly in the demand for long-term loans to finance investments. The share of variable rate loans in total new loans has been declining from the peak at end-2022, and it was 39 percent for households, and 77 percent for

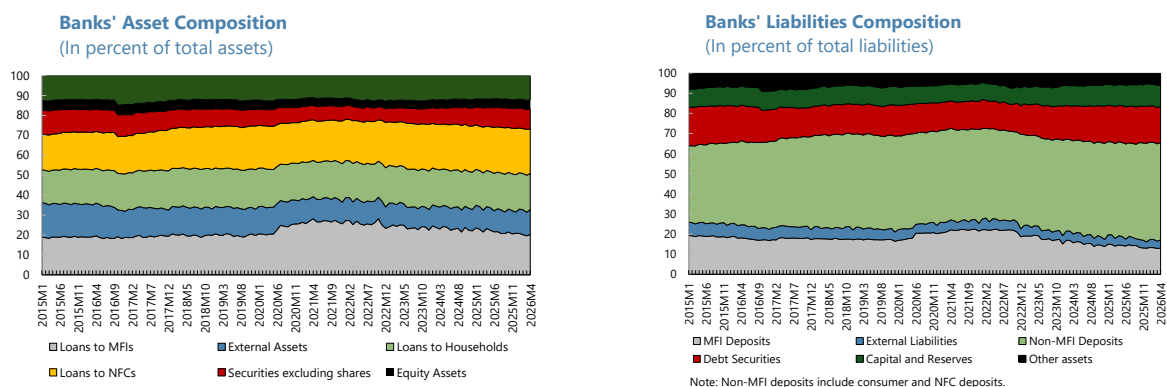
companies in H1 2025. However, the overall share of variable rate loans in Austria is still above the European average.

12. Despite domestic and external headwinds, the banking sector continues to be well capitalized, highly profitable and liquid. Profitability was high at 9.7 percent Return on Equity at end-2025, though declining from its peak in 2023, the second most profitable year in recent years, driven by strong interest margins and steady profitability from CESEE operations. High profitability supported a further increase in Austrian banks' capital, and the average common equity tier 1 (CET1) ratio rose to 19 percent at end-2025. The banking sector's liquidity has also improved and the weighted liquidity coverage ratio (LCR) stood at 185 percent in September 2025.

13. However, credit quality, triggered by major bankruptcies in the construction and CRE sector, has been deteriorating since 2023. The consolidated ratio of nonperforming loans (NPL) to total gross loans of the Austrian banking sector stood at 3 percent at end-2025. The NPL ratio on CRE loans rose to 8.3 percent as of end-2025.³ As a result of increasing residential real estate (RRE) sector risks, borrower-based measures were introduced in August 2022 via a regulation that defined sustainable lending standards for RRE financing. A recent analysis by the OeNB found that BBMs were effective in reducing systemic risks in the housing sector. These measures were allowed to expire in July 2025, as legally required in the absence of imminent systemic risk and they were replaced by legally non-binding lending guidelines in line with the previous BBM limits.

14. Going forward, key risks to the financial sector arise from subdued economic activity, exposure to CRE lending, and shocks in the CESEE region. Externally, increased global trade policy uncertainty and geopolitical tensions would hurt Austria's export sectors, including via slowdown of euro area trading partners' growth. Disruptions in CESEE countries, primarily lower growth due to similar external factors as for Austria, could impact Austrian banks' profitability, but the banking system's broad geographic region also provides diversification benefits. Domestically, persistent weak sentiment among consumers and producers could weigh on private consumption and investment demand. A further rise in NPLs on CRE loans, including as a lagged response to the downturn in the sector could have a more pronounced impact on banks' profitability.

³ Bulk of the credit quality deterioration in the CRE segment is related to commercial developers of residential real estate projects.

Figure 4. Austria: Banking Sector Structure and Credit Developments

Sources: Haver Analytics, OeNB, Eurostat, and IMF staff calculations.

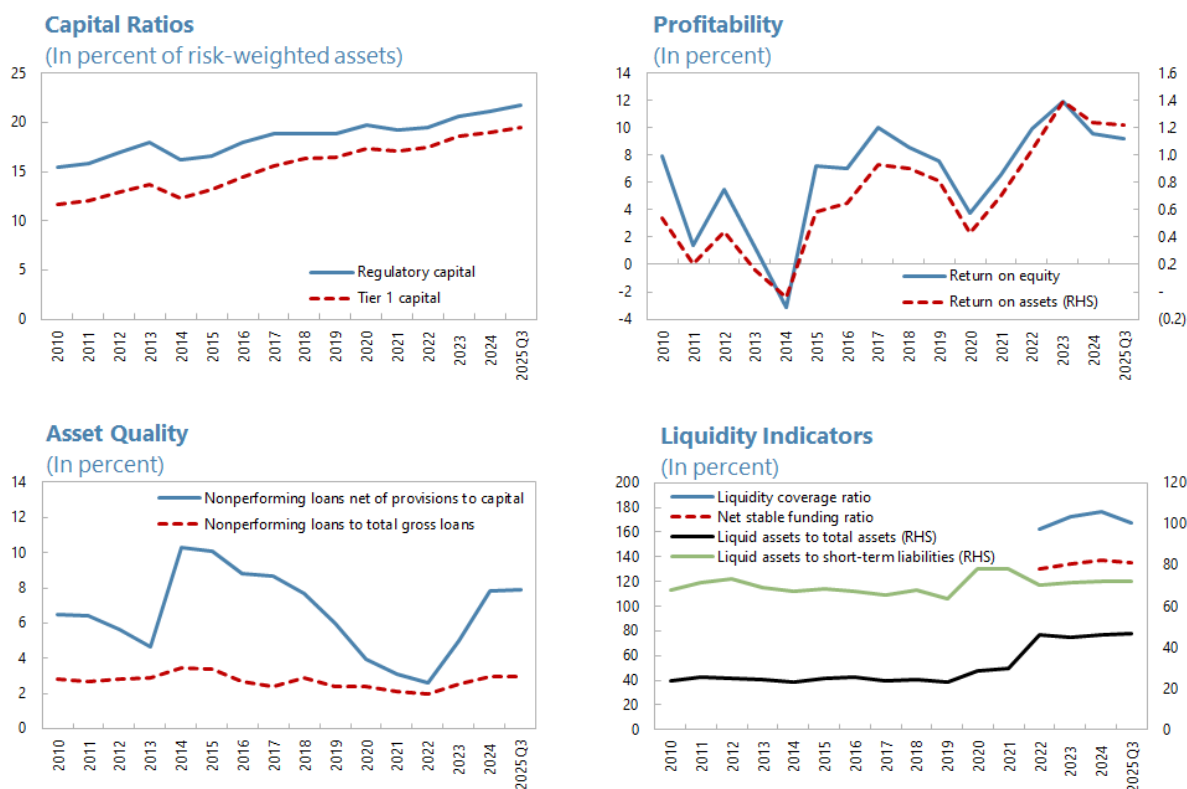
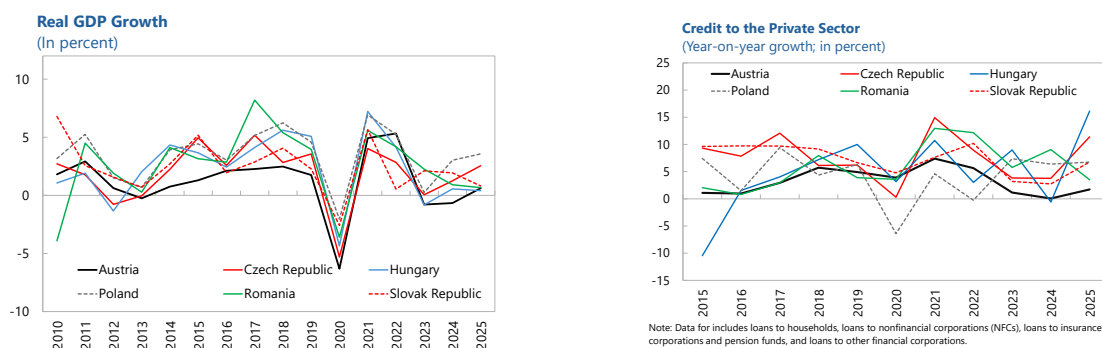
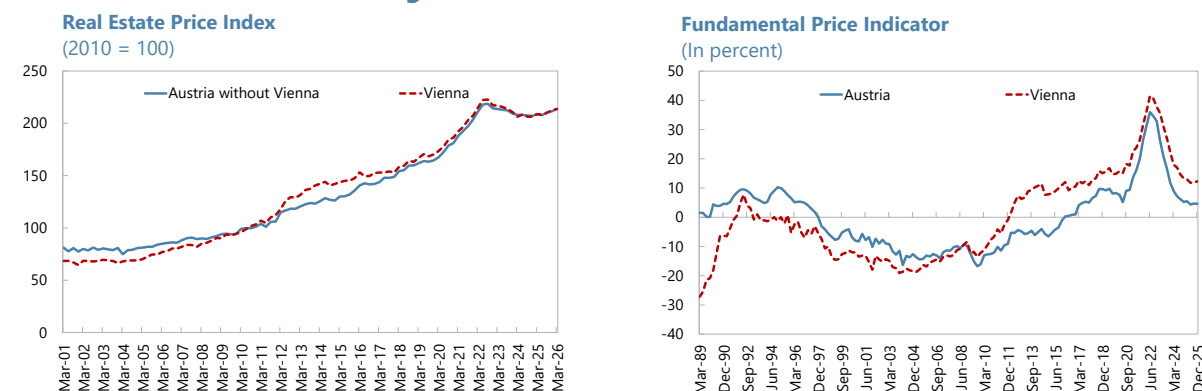
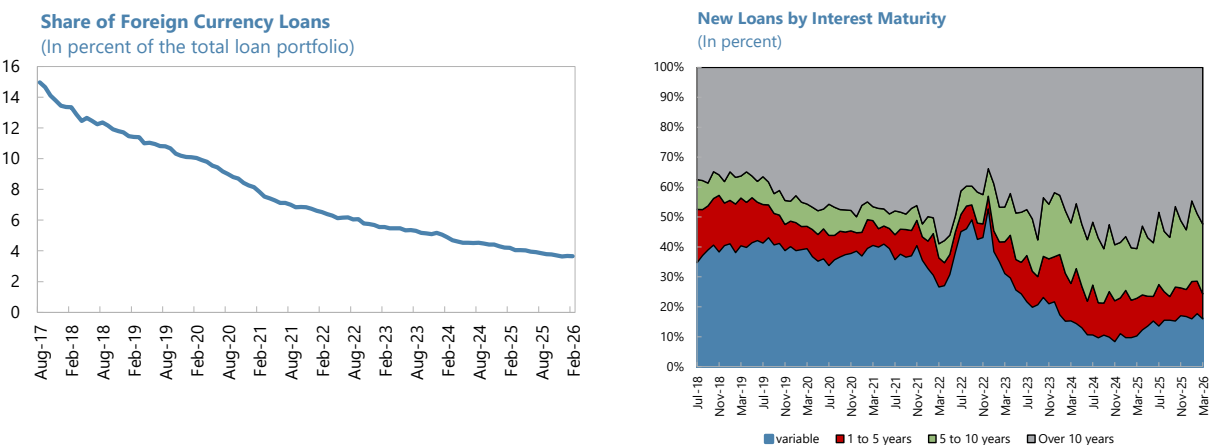
Figure 5. Austria: Bank Performance IndicatorsSources: The IMF's *Financial Soundness Indicators* database, and IMF staff calculations.

Figure 6. Austria and Selected CESEE Countries: Real GDP and Private Credit Growth

Sources: IMF's *World Economic Outlook* database, Haver, and IMF staff calculations.

Figure 7. Austria: Real Estate Prices

Source: OeNB.

Figure 8. Austria: FX and Interest Rate Risk for Real Estate Loans

Source: OeNB.

B. Systemic Risk Analysis⁴

Bank Solvency Stress Tests

15. The scenario-based solvency stress tests assessed the stability of the Austrian banks against a baseline scenario and two adverse scenarios.⁵ Both scenarios feature international trade frictions, lower aggregate demand, financial stress, endogenous monetary policy, and additional shocks in CESEE countries. The recessionary scenario includes increased government borrowing costs and term premia, a structural negative shock to productivity growth and increase in uncertainty together with a zero lower bound on monetary policy. Fiscal consolidation was assumed for middle and high debt eurozone countries. The geopolitical scenario contains a rise in inflation expectations, tightening of monetary policy together with fiscal support in euro area countries with fiscal space and heightened volatility in commodity prices. The two scenarios include severe and sustained shocks to real estate prices calibrated as in the 2025 EBA stress tests.⁶ While the adverse scenarios were defined prior to the outbreak of the 2026 Middle East conflict, they remain relevant, as they are more severe than the 2026 Article IV forecasts and 2026 Spring WEO severe scenario that incorporate the impact of the conflict, in particular regarding the shocks to real GDP growth, unemployment and inflation (see Figure 16).⁷

16. The stress tests included both SIs and LSIs. Unless otherwise noted, the stress tests included 311 banks, among which 7 SIs, Unicredit's subsidiary in Austria and 303 Austrian LSIs.⁸ The stress tests were conducted based on October 2025 regulatory data at the highest level of consolidation over a 3-year stress test horizon (2026–28) and were complemented by various additional analysis of risks relevant for Austria's financial stability (see Table 9 for data and methodology).⁹

17. The aggregate capital ratio remains above the minimum capital requirement in both adverse scenarios. In the baseline scenario, the banking system remains well capitalized. The capital ratio decline is smaller in the geopolitical scenario than in the recession scenario, because of a larger compression of net interest income in the latter scenario, despite larger credit risk in the former scenario as a consequence of higher interest rates on loans. The decline in system-level CET1 ratio

⁴ More details and results, including data and methodologies, are discussed in the Technical Note of Systemic Risk Analysis.

⁵ See the Stress Testing Matrix (Table 9) for methodology and data coverage.

⁶ For Austria, the shock is -32.9 percent at the beginning of the first year. For other countries, see: [2025 EU-wide stress test - Macro financial scenario.pdf](#)

⁷ The FSAP and WEO scenarios differ in purpose, scope, and calibration. While the commodity price shock in the WEO severe scenario is considerably larger, the decline in real GDP growth in the WEO severe scenario is much smaller than under the geopolitical scenario.

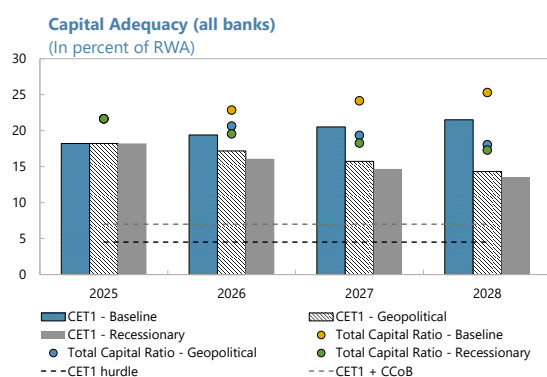
⁸ The LSI stress testing sample only includes credit institutions according to the CRR at the highest consolidated level; thus these numbers differ from the LSIs in Table 2.

⁹ As in the 2020 FSAP, the OeNB's permanent stress testing infrastructure (ARNIE) was used with inputs estimated based on FSAP team's granular satellite model estimations.

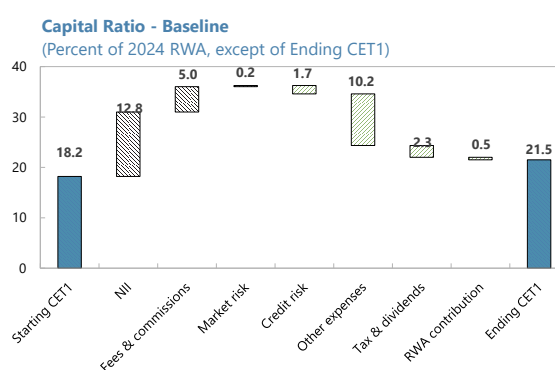
amounts to 465 basis points under the recessionary scenario and to 391 basis points under the geopolitical scenario. These numbers include additional losses stemming from participation risks, not typically covered in other FSAPs. The decline for SIs is somewhat larger at 424 basis points, and 500 basis points, respectively, than for LSIs, mainly reflecting higher credit risk (including from foreign exposures), larger decline in the net interest income for SIs than for LSIs and the one-off global market shocks.

Figure 9. Austria: Solvency Stress Tests Results – All Banks

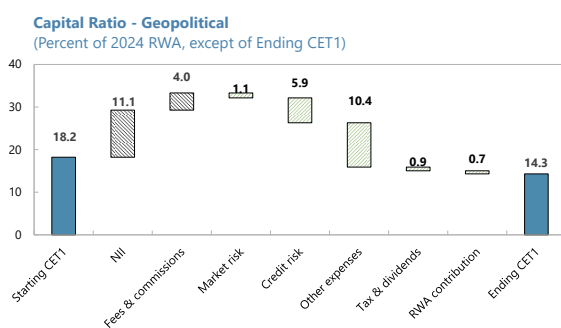
Aggregate capital ratios remain above requirements in the baseline and the adverse scenarios.



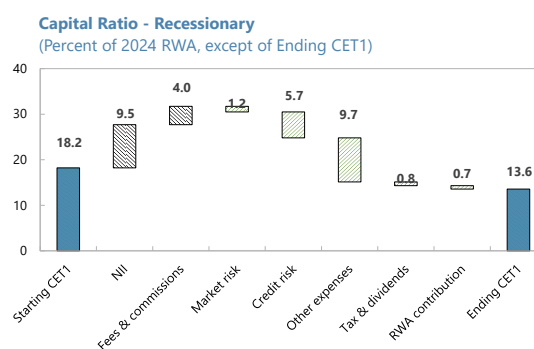
In the baseline, high net interest margins and fees and commission income more than offset credit risk and other expenses.



In the geopolitical scenario, credit risk rises substantially, also affecting interest income.



In the recession scenario, the decline in the capital ratio is larger than in the geopolitical scenario.

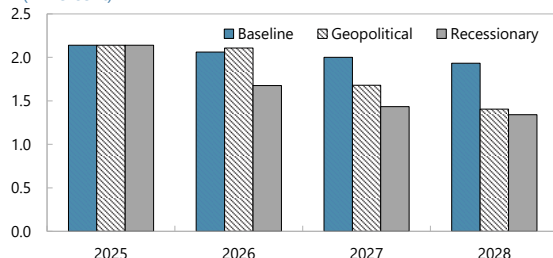


Sources: IMF staff calculations and OeNB.

Figure 10. Austria: P&L Components – All Banks

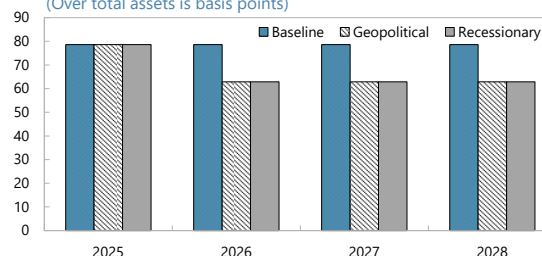
Net interest margins decline more in the recession scenario....

Net Interest Margin
(In Percent)



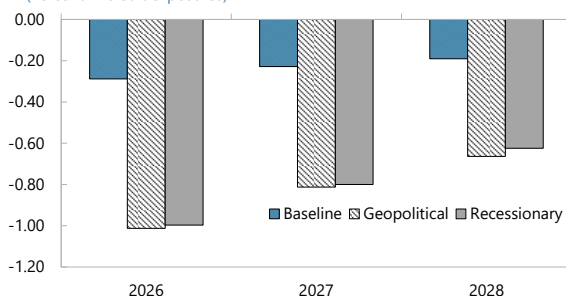
Fees and Commission income decline in the adverse scenarios....

Net Fees and Commissions
(Over total assets is basis points)



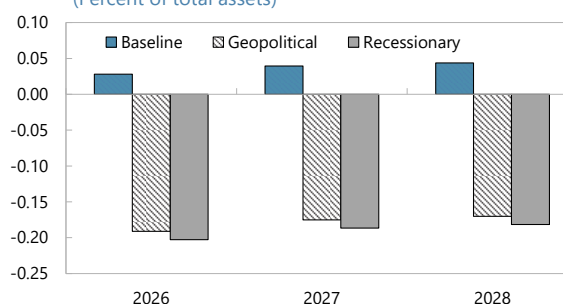
Provisions increase substantially, especially in 2026, in the two adverse scenarios...

Credit Provisions in the PnL
(Percent in credit exposures)



Market risk shocks are comparatively small but remain significant....

Market Risk Gains or Losses
(Percent of total assets)



Sources: IMF staff calculations and OeNB.

18. While only a few small LSIs breach their Total SREP Capital Requirement (TSCR), several banks dip into their additional buffers in the adverse scenarios, among which three SIs.¹⁰ Three (one) small LSIs accounting for 0.36 percent (less than 0.2 percent) of banking assets breach their TSCR in the geopolitical (recession) scenario. Twelve banks (among which three SIs), accounting for 9.5 percent (9.1 percent) of total banking assets of the sample breach their requirements including buffers in the geopolitical scenario (recession scenario). However, the weighted average gaps to the requirement for those banks remain small at 1.4 and 2.2 percent of risk weighted assets on average, respectively in the geopolitical and the recession scenarios.

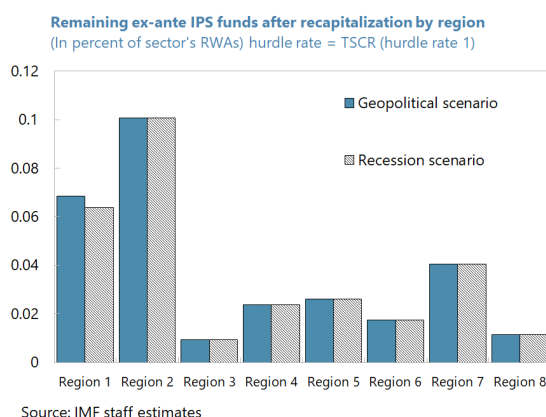
¹⁰ The minimum requirement – TSCR – is defined as the minimum CET1 ratio plus Pillar 2 requirement, and the hurdle rate with buffers includes, in addition, the capital conservation buffer plus the systemic buffers (O-SII buffer plus general and the current sectoral systemic risk buffer for exposures to commercial real estate).

19. Austria's large banks have large concentrated exposures, in particular to NBFIs, but risks are contained after taking into account credit risk mitigation measures (CRM).¹¹ On aggregate, large banks' exposures to NBFIs account for about 100 percent of their CET1, either through direct exposures to NBFIs, or indirect exposures to NBFIs that belong to other banking groups.¹² After netting out CRMs, these exposures account for 30 percent of banks' CET1.

20. In the decentralized sector, recapitalizations from ex-ante IPS funds and ex-post contributions by other members of the IPS at the regional level ensure adequate solvency ratios of all member banks under the two adverse scenarios. Members of this IPS can access the IPS funds if their CET1 ratio falls below their TSCR, while banks with a CET1 surplus can participate in ex-post recapitalization as long as their CET1 ratio remains above their TSCR plus 10 percent. Under the TSCR hurdle rate, the local IPS funds in all regions are more than sufficient to recapitalize banks with a capital shortfall in each adverse scenario. In a counterfactual hypothetical scenario in which banks can be recapitalized when their CET1 ratio falls below their TSCR + buffers, some local ex-ante IPS funds are insufficient for complete recapitalizations.

Figure 11. Austria: Recapitalization by the IPS (Ex-ante Fund and Ex-post Recapitalization)

IPS ex-ante funds of individual regions are more than enough endowed to recapitalize banks to their TSCR under the two adverse scenarios (anonymized Austrian regions are on the x-axis)

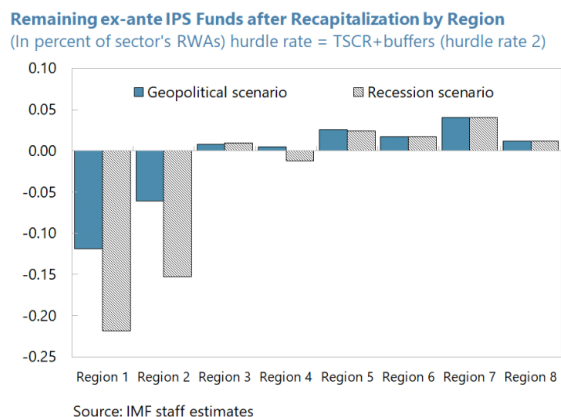


¹¹ This analysis includes 6 SIs plus Unicredit's subsidiary in Austria.

¹² According to additional analysis by the OeNB, most of NBFIs to which banks are exposed are Other Financial Institutions (OFIs), a substantial portion of which are intra-group.

Figure 11. Austria: Recapitalization by the IPS (Ex-ante Fund and Ex-post Recapitalization) (concluded)

Under a hypothetical exercise considering recapitalizations to TSCRs plus buffers, under the two adverse scenarios some local IPS ex-ante funds are insufficient for complete recapitalizations



Bank Liquidity Stress Tests

21. Austrian banks maintain, on average, high liquidity buffers. The reported asset-weighted system Liquidity Coverage Ratio (LCR) stood at 185 percent in September 2025, significantly above regulatory requirements. It remains resilient at 149 percent and 133 percent under two LCR stress scenarios featuring higher outflows and larger haircuts compared to regulatory parameters. Although average LCRs for both the SIs and LSIs stay above requirements, individual vulnerabilities emerge. In Scenario 1, the market share of banks with LCR below 100 percent is 7 percent, involving only LSIs. With larger haircuts and higher outflows in Scenario 2, this market share expands to 35 percent, including both LSIs and SIs, with SIs being the larger contributor.¹³ Further analysis shows that asset-weighted LCRs in EUR and in CZK, the only currencies accounting for more than 5 percent of aggregate outflows, remain above 100 percent across all scenarios.

22. Cash flow stress tests suggest that banks can withstand significant liquidity outflows over extended horizons. The analysis applies a general risk aversion scenario featuring macroeconomic shocks to counterbalancing capacity (CBC) alongside liquidity facility drawdowns, and an idiosyncratic scenario simulating more severe and sustained outflows triggered by bank runs. Under the general risk aversion scenario, the aggregate net liquidity position, defined as the difference between aggregate cumulated CBC and net outflows, remains positive, and the market share of banks experiencing liquidity shortfalls is limited to 10 percent at the 12-month horizon. Under the idiosyncratic scenario, the system maintains a positive aggregate net liquidity position for

¹³ Under LCR scenarios, some banks with LCR lower than 100 percent are member banks from the regional liquidity associations within the decentralized sector. These member banks are not required to maintain LCR above 100 percent. Through consolidation on the association level, all these liquidity associations still comply with the regulatory requirement.

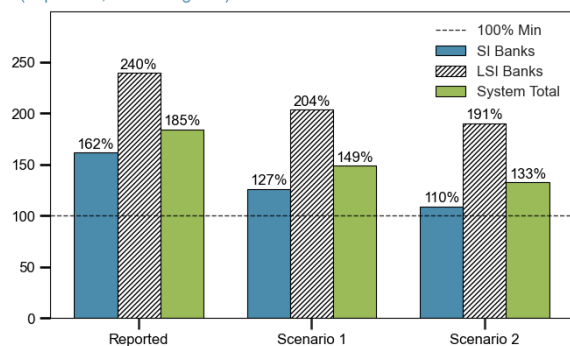
up to three months. The position turns negative beyond this horizon, with the market share of shortfall banks accumulating 81 percent by the end of the 12-month period.

Figure 12. Austria: Liquidity Stress Test Results

The asset-weighted LCRs of Austrian banks remain above regulatory requirements in all scenarios ...

Liquidity Coverage Ratio by Scenario, All Currencies

(In percent, asset weighted)

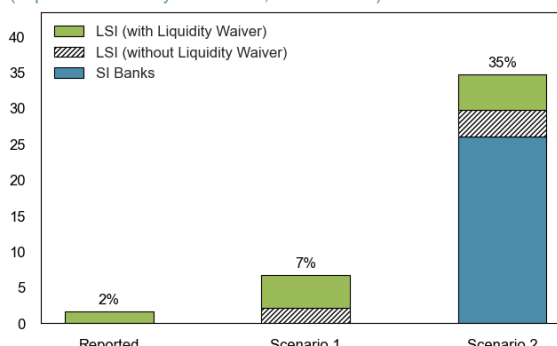


Sources: COREP and IMF staff calculations.

... though some banks see LCRs below 100 percent, especially in the more severe scenario.

Market Share of Banks with LCR < 100%

(In percent of total system assets, all currencies)

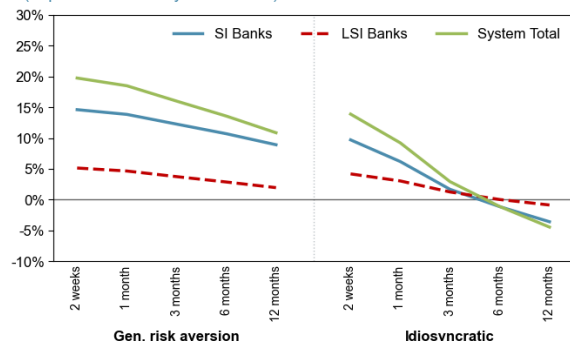


Sources: COREP and IMF staff calculations.

In cash-flow stress tests, the liquidity positions of banks remain robust over prolonged periods ...

Net Liquidity Position by Scenario, All Currencies

(In percent of total system assets)

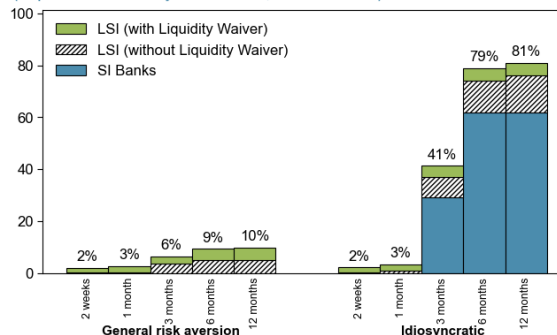


Sources: COREP and IMF staff calculations.

... despite shortfalls emerging, especially under the idiosyncratic scenario beyond the 3-month horizon.

Market Share of Banks with Liquidity Shortfalls

(In percent of total system assets, all currencies)

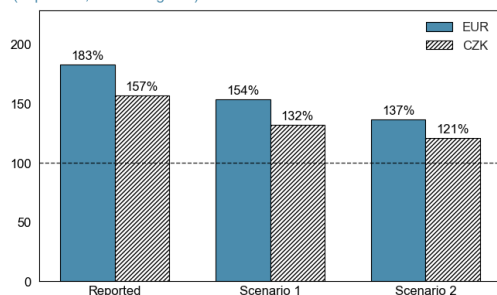


Sources: COREP and IMF staff calculations.

The LCRs across significant currencies remain above requirements ...

Liquidity Coverage Ratio by Scenario, Significant Currencies

(In percent, asset weighted)

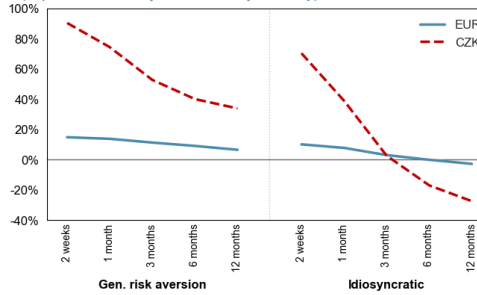


Sources: COREP and IMF staff calculations.

... and this also holds in the cash flow stress tests over extended periods.

Net Liquidity Position by Scenario, Significant Currencies

(In percent of total system assets by currency)



Sources: COREP and IMF staff calculations.

23. Incorporating the systemwide support from the IPS and liquidity associations in liquidity stress tests highlighted their importance in preserving resilience to shocks.

Reallocating liquidity surpluses in liquidity associations and utilizing pre-contributed IPS funds reduce the liquidity shortfalls of member banks in the decentralized sector.¹⁴ In LCR stress tests, this systemwide support restores regulatory compliance for all member banks with LCR below 100 percent. In cash-flow stress tests, under the general risk aversion scenario, the support closes member banks' liquidity shortfalls at all time horizons. Under the idiosyncratic scenario, member banks' shortfalls are fully offset in the first two months.

24. The systemwide support mitigates liquidity shortfalls across varying shock severities in reverse stress tests. The market share of banks facing liquidity shortfalls rises with increasing shock severities in reverse stress tests, reflecting combined impacts of higher asset haircuts and funding outflows.¹⁵ However, the systemwide support from the IPS and liquidity associations consistently reduces the share of shortfall banks across shock severities and timeframes. It is only by the end of the sixth month that the limits of the systemwide support are reached. Indeed, the use of systemic liquidity buffers to rescue banks with liquidity shortfalls in early periods depletes the system's capacity to withstand liquidity shortfalls later.

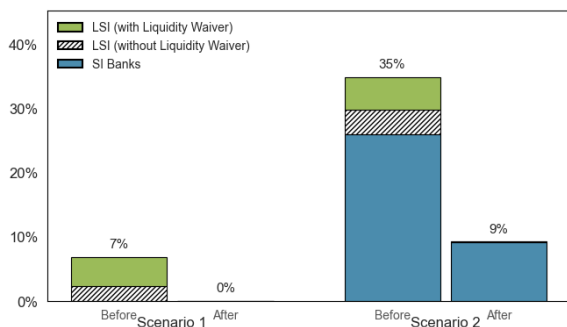
¹⁴ Although the systemwide support is only applied to decentralized sector, the results are shown for all banks, including those that do not receive liquidity support from the IPS system.

¹⁵ The reverse stress test evaluates a continuum of 50 scenarios. It starts from a baseline stress scenario (Scenario 1 for LCR; General Risk Aversion for cash flows) and ends at an extreme scenario in which asset haircuts and outflow runoff rates are doubled from the baseline.

Figure 13. Austria: Effects of Systemwide Support from the IPS and Liquidity Associations

Systemwide liquidity support significantly reduces the number of banks facing liquidity shortfalls ...

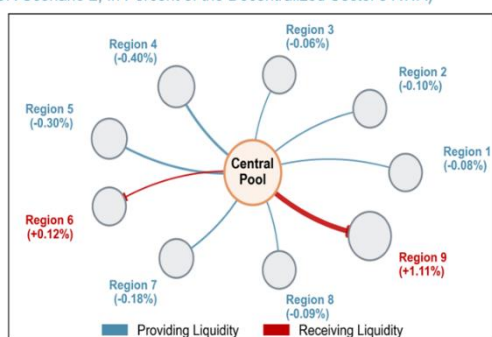
Mkt Share Banks with LCR < 100%, Before/After Support
(In percent of total system assets, all currencies)



Sources: COREP and IMF staff calculations.

Cross-region liquidity redistribution supports regions facing liquidity deficits...

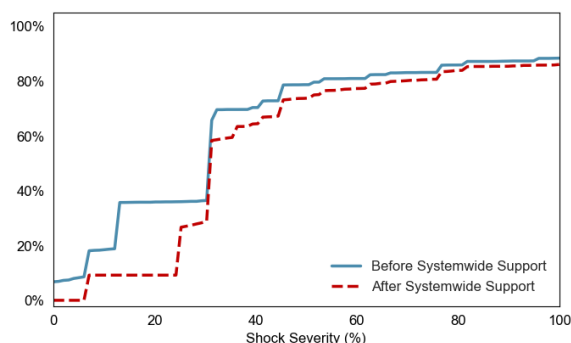
Cross-Region Liquidity Redistribution
(LCR Scenario 2, In Percent of the Decentralized Sector's RWA)



Sources: COREP and IMF staff calculations.

Systemwide liquidity support mitigates liquidity distress across varying degrees of severity ...

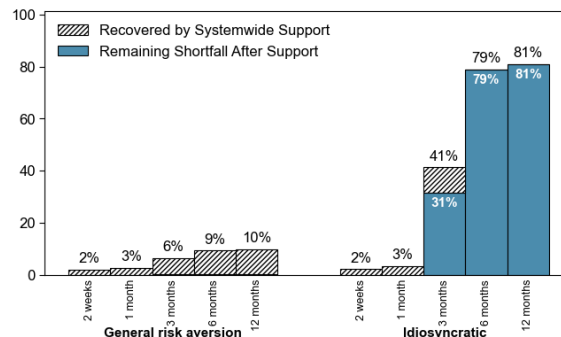
Mkt Share of Banks with LCR < 100% in Reverse Stress Test
(In percent of total system assets, all currencies)



Sources: COREP and IMF staff calculations.

... which holds for extended periods except in the situation with severe and sustained bank runs.

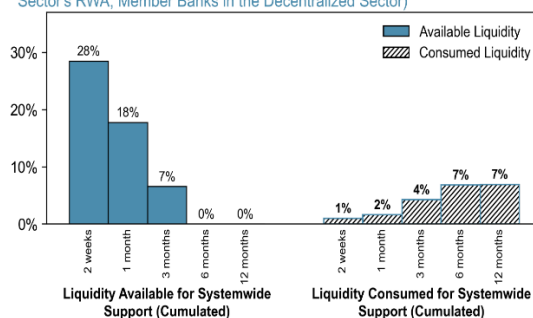
Market Share of Shortfall Banks, Before/After Support
(In percent of total system assets, all currencies)



Sources: COREP and IMF staff calculations.

... while systemwide support can also be distributed across time horizons.

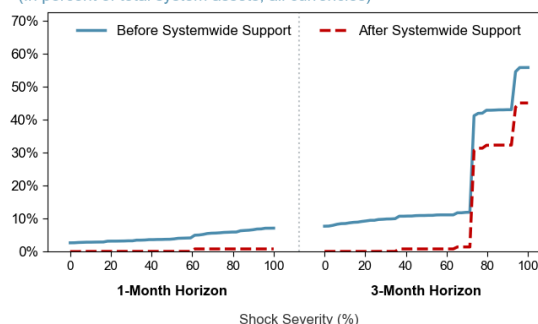
Systemwide Liquidity Dynamics
(CF Idiosyncratic Scenario, In Percent of the Decentralized Sector's RWA, Member Banks in the Decentralized Sector)



Sources: COREP and IMF staff calculations.

... and this effect persists across extended time horizons.

Market Share of Shortfall Banks in Reverse Stress Test
(In percent of total system assets, all currencies)



Sources: COREP and IMF staff calculations.

Liquidity to Solvency Interactions

25. An analysis of liquidity to solvency interactions found that the solvency impact of a fire sale would be significant. It assessed the solvency impact of a hypothetical sell-off of fixed income securities accounted at amortized costs to cover a remaining funding gap in a liquidity crisis, after selling off fair value fixed income securities.¹⁶ The analysis is useful to quantify potential solvency losses resulting from forced liquidation of assets, even if in practice banks would access central bank liquidity therefore mitigating such potential losses. The top eight countries' exposures to fixed income securities of each bank are considered, resulting in 24 countries being included in the analysis. In the milder scenario, the solvency loss is about 1 percent of RWAs, and it reaches 3.9 percent of RWAs in the idiosyncratic scenario if outflows are sustained for a month. Such liquidity shocks could result in additional banks breaching their hurdle rate including buffers.

Figure 14. Austria: Analysis of Solvency Impact of Liquidity Outflows

Term premium shocks are country specific and depend on the strength of the government's balance sheet

Term premium shocks during 2026Q1 (recession scenario)
(In percentage points)

1	AT (Austria)	1.46	13	SK (Slovakia)	3.40
2	FR (France)	2.3	14	HR (Croatia)	2.72
3	BE (Belgium)	2.6	15	HU (Hungary)	2.86
4	ES (Spain)	4.8	16	US (United States)	2.29
5	DE (Germany)	1.42	17	CA (Canada)	3.84
6	SK (Slovakia)	3.40	18	RS (Serbia)	2.72
7	IT (Italy)	4.6	19	BG (Bulgaria)	2.72
8	IE (Ireland)	2.4	20	PL (Poland)	4.94
9	FI (Finland)	1.3	21	BA (Bosnia and Herzego)	2.72
10	NL (Netherlands)	1.3	22	JP (Japan)	1.3
11	CZ (Czechia)	2.72	23	NO (Norway)	3.64
12	RO (Romania)	2.72	24	GB (United Kingdom)	2.35

Sources: COREP and IMF staff estimates

Forced fire-sales of amortized cost fixed income securities impact banks' solvency position

Valuation shocks caused by a forced sell-off of amortized cost fixed income securities				
	General Risk Aversion Scenario		Idiosyncratic bank run scenario	
	2 weeks outflow	30 days outflows	2 weeks outflow	30 days outflows
In percent of RV AVERAGE	1.0%	1.3%	2.4%	3.9%
STD DEV	2.9%	3.7%	3.7%	5.0%
In percent of CE AVERAGE	5.6%	7.7%	13.7%	22.2%
STD DEV	16.3%	21.2%	20.7%	28.1%
MEMO: AGGREGATE CUMULATIVE NET (In billions of euros)	23	35	75	109
Note: The sample includes 7 SIs+Unicredit Austria. The table shows the aggregated solvency impact of a forced fire sale sell-off of amortized cost fixed income securities if fair value fixed income securities insufficient to cover cumulative net outflows from cash flow stress tests over an horizon of 2 weeks or 30 days. Run-off rates are from the cash flow stress tests, while valuation shocks are derived from the term premium shock occurring in 2026:Q1 in the recession scenario. The general risk aversion scenario and the idiosyncratic bank run scenario are from the cash flow stress tests. Bank level remaining maturities, and accounting classification of fixed income securities are from COREP C.33, and geographical exposures from FINREP F.20. Term premium shocks are country specific and are from the Euro Area FSAP scenarios, except for Hungary, Slovakia, Romania and Croatia, Serbia and Bosnia. Sources: COREP, FINREP and IMF staff estimates				

¹⁶ For seven SIs and Unicredit's subsidiary in Austria.

Stress Tests and Counterfactual Analysis of the Non-financial Private Sector

26. Analysis of publicly listed NFCs shows that corporate debt at risk would increase significantly under the geopolitical and recession adverse scenarios, highlighting some vulnerabilities of the Austrian NFC sector.¹⁷ Under the bank solvency stress test scenarios, debt-at-risk (based on an Interest Coverage Ratio (ICR) below one) would increase very significantly in two adverse scenarios to about 60-70 percent of total debt for two years and decline in the third year. This reflects the central role that economic growth and interest rates play in safeguarding the health of the corporate sector.

27. Under the two adverse scenarios of the bank solvency stress tests, household default rates would increase but would still remain small.¹⁸ These default probabilities are used in the solvency stress tests for exposures to households in Austria, Germany and the CESEE countries.¹⁹ The simulation of households' default probabilities under the baseline and the adverse geopolitical and recession scenarios shows that the increase in default rates would remain contained. From 1.27 percent, default probabilities would increase after three years to 2.12 percent and 2.67 percent, respectively in the geopolitical and the recession scenarios, for mortgages without limits on Loan-to-Value Ratios (LTVs) at origination.

28. A policy counterfactual analysis based on this micro-simulation approach shows that, on the margin, a 90 percent limit on LTVs on mortgages at origination would significantly reduce credit risk in the banking system. A binding LTV limit at 90 percent would result in a 3.02 percent decline in cumulative defaults after 5 years in the baseline, and a decline of 4.03-4.64 percent in the adverse scenarios. Assuming no cures of defaulted mortgages over these 5-year periods, the corresponding reduction in defaulted mortgages would reach up to 8.68 billion euros in the recession scenario after 5 years. The analysis confirms that LTV limits at origination can contribute to banking sector stability by containing credit risk on housing loans.

Interconnectedness and Contagion Analysis

29. The contagion stress test suggests that Austrian interbank exposures are highly concentrated, but the system can absorb most of the hypothetical defaults, and only a limited number of banks would create contagion risks.²⁰ The analysis reveals that contagion risks are

¹⁷ This analysis is based on the methodology developed by Ding and Tressel (2021): [Global Corporate Stress Tests—Impact of the COVID-19 Pandemic and Policy Responses](#)

¹⁸ In addition, sensitivity analysis suggests banks are resilient to spillovers from the Middle East conflict via household loans. A stress test using 2023 Household Finance and Consumption Survey microdata applies the 2026 Spring WEO severe scenario, with higher debt servicing costs and living expenses. About 10 percent of households become overburdened, putting 10 percent of household debt at risk. The impact on bank capital could be around 20 bps.

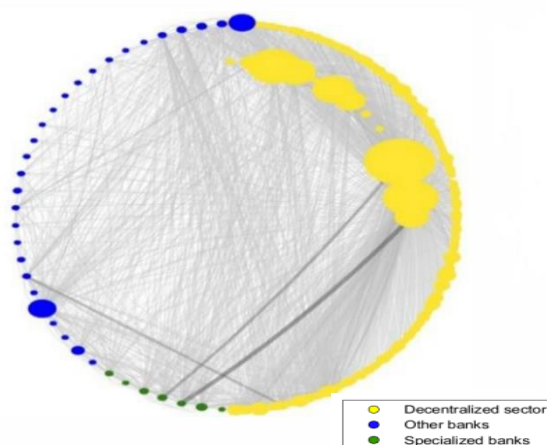
¹⁹ The micro simulations are based on a model derived from the methodology developed by Gross, Ding, Tressel and Tereanu (2022): [What Drives Mortgage Default Risk in Europe and the U.S.?](#)

²⁰ The interbank contagion analysis was performed using a CoMap framework calibrated for Austria. See Covi, Giovanni, Gorpe, Mehmet Ziad and Kok, Christoffer (2021), "CoMap: Mapping Contagion in the Euro Area Banking Sector", *Journal of Financial Stability*, Volume 53, April 2021, 100814

highly concentrated to originate from a few larger banks. Vulnerabilities from interconnectedness are found to be limited in the Austrian banking system²¹. The loss from a hypothetical default of the most contagious bank is around four times that of the loss resulting from the second most contagious bank and around ten times the average of the most contagious twenty banks' impact. The amplification through cascade effects is large in the case of the most contagious bank, while less important for other banks.²² The most vulnerable banks are smaller in size.

30. The IPS scheme in the decentralized sector generally dampens vulnerabilities and may amplify interconnections in case of stress to larger banks. A counterfactual analysis on the impact of the role of IPS scheme highlighted that the scheme generally lowers the vulnerability of participating institutions. Smaller LSIs' potential capital losses arising from stress of other IPS member banks are generally dampened by the scheme. In contrast, for larger banks, the IPS scheme tends to strengthen interconnections due to their significant size, making it more likely that stress in these banks will increase spillover effects to lower-tier banks due to some potential fire-sale losses. The strengthening of interconnectedness is due to that larger banks would have to contribute relatively more than their pro-rata share than smaller ones. Induced capital losses are limited by capital regulatory limits of contributing institutions.

Figure 15. Austria: Interconnectedness in the Austrian Interbank Market
(Total Gross Exposures as of December 2024)



Note: Line widths represent the strength of total interbank exposures. Dot sizes denote total risk weighted assets. Specialized banks denote joint-stock banks, special purpose banks, mortgage banks and building societies
Source: OeNB

²¹ The systemic impact of banks is assessed from two different angles. Contagiousness refers to how a hypothetical default of a bank impacts the whole system's capital position. Vulnerability, on the other hand, refers to how much one individual bank's capital position is affected if other bank(s) default.

²² Amplification measures the extent total loss in the system is higher than the direct loss after taking into account the cascading effects of hypothetical defaults.

Table 3. Austria: Contagion Stress Test Results

Rank	Contagion index					
	Baseline (with IPS mechanism)		Without IPS mechanism		CESEE losses	
	Total	Amplification	Total	Amplification	Total	Amplification
1	101.2	4.3	94.8	4.5	111.2	4.3
2	22.2	0.0	20.6	0.0	24.3	0.0
3	18.0	0.0	16.7	0.1	19.8	0.0
4	13.2	0.0	12.1	0.0	14.5	0.0
5	9.2	0.1	9.3	0.2	10.1	0.1
Average of Top 5	32.8	0.9	30.7	1.0	36.0	0.9
Average of Top 10	18.5	0.4	18.6	6.0	20.4	0.4
Average of Top 20	9.6	0.2	9.8	3.0	10.6	0.2
	Vulnerability index					
	Total		Amplification		Total	
	Total	Amplification	Total	Amplification	Total	Amplification
1	21.6	1.0	19.4	1.0	21.6	1.0
2	7.7	1.0	9.5	1.0	7.7	1.0
3	7.5	1.0	9.4	1.0	7.5	1.0
4	7.1	1.0	9.2	1.0	7.1	1.0
5	7.1	1.0	8.3	1.0	7.1	1.0
Average of Top 5	10.2	1.0	11.2	1.0	10.2	1.0
Average of Top 10	7.9	1.0	9.1	1.0	7.9	1.0
Average of Top 20	6.5	1.0	7.5	1.0	6.5	1.0

Notes: Contagion Index: system-wide losses induced by bank *i* in percent of total capital in the system (excluding bank *i*), Vulnerability Index: average loss experienced by bank *i* across all simulations in percent of its own capital.

31. Losses from CESEE region would make the most contagious banks even more contagious, while the vulnerability of the most vulnerable banks is less impacted. A comprehensive analysis of large exposures found that 18.5 percent of SIs' total assets (before credit mitigation) are exposed to the CESEE region, mostly in the form of government and central bank assets. The largest exposures are vis-à-vis the Czech Republic (7.2 percent), Hungary and Romania (around 3 percent) and Slovakia (2 percent). An exercise where capital is lowered by potential losses on NFC large exposures from CESEE, demonstrates that these losses would be amplified in the network.

Table 4. Austria: SIs' Large Exposures to CESEE Countries¹
(Percentage of Total Assets)

Country	Central banks	Credit institutions	Financial corporations other than credit institutions and investment firms	General governments	Households	Investment firms	Non-financial corporations	Grand Total
Albania	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1
Bosnia and Herzegovina	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Bulgaria	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Croatia	0.5	0.0	0.0	0.8	0.0	0.0	0.2	1.5
Czech Republic	3.1	0.2	0.2	3.0	0.0	0.0	0.8	7.2
Hungary	0.3	0.5	0.0	1.8	0.0	0.0	0.4	3.0
Montenegro	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
North Macedonia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Poland	0.0	0.3	0.0	0.4	0.0	0.0	0.2	0.9
Romania	0.3	0.0	0.0	1.7	0.0	0.0	0.5	2.7
Serbia	0.2	0.0	0.0	0.2	0.0	0.0	0.1	0.5
Slovakia	0.1	0.1	0.0	1.3	0.0	0.0	0.5	2.0
Slovenia	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.2
Ukraine	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.2
Grand Total	4.7	1.1	0.3	9.6	0.0	0.0	2.8	18.5

Source: IMF staff calculations.

¹ 7 SI banks and Unicredit's subsidiary in Austria. Although the latter is a subsidiary of an Italian bank, most of the group's CESEE exposures are operated through the Austrian subsidiary. All data are for December 2024.

FINANCIAL SECTOR OVERSIGHT

A. Systemic Risk Monitoring and Macroprudential Policy

32. In the current institutional set-up for macroprudential policy the central bank has limited formal influence in the decision-making. Macroprudential oversight is a shared responsibility of the FMA, the OeNB and the BMF. The FMA is the competent and designated authority for macroprudential policy, the OeNB provides analyses of systemic risks and proposes recommendations and risk warnings in case systemic risks are identified. The BMF defines the regulatory framework and is consulted in public consultation proceedings on FMA administrative regulations. The Financial Market Stability Board (FMSB) is the macroprudential authority composed of members of the three bodies and the Fiscal Advisory Council (FAC). The voting structure in the FMSB gives the BMF and the FAC four votes in total while the OeNB and FMA have one vote each, giving the central bank limited formal influence compared to European peer countries with Financial Stability Councils. The FAC does not have a financial stability mandate or direct relevance for macroprudential and financial market issues, its inclusion in the FMSB seems mainly to be of legacy.

33. The macroprudential framework should be strengthened by increasing the formal influence of the central bank in macroprudential policy decisions and enabling precautionary policies in the law. Macroprudential decision-making of the FMSB should be enhanced by reducing the voting power of the FAC and increasing the voting power of the OeNB, as a minimum. While the institutional framework has well defined objectives and capacity to take macroprudential policy actions, the ability to take certain precautionary actions is precluded in the law, requiring clear evidence of risk build-up. This practice results in delayed or discontinued policy action by construction, for example as could be seen by the decision to remove the BBMs. Amending the law to enable a more forward-looking and permanent approach to macroprudential policy implementation would enhance stability in the system.

34. Authorities should reintroduce borrower-based measures as a permanent tool and strengthen the guidelines-based framework currently in place by enhancing transparency. The recent expiration of mandatory BBMs (loan-to-collateral, debt-service-to-income caps, and maturity limits), has shifted the regulatory approach to guidelines-based supervision, which could present challenges for supervision given Austria's large number of banks. In the short term, authorities should strengthen the guidelines-based framework by considering greater transparency on banks' mortgage credit standards. Permanent, binding BBMs should be reintroduced to ensure robust and sustainable lending practices. Greater reliance on expert opinion and on further enhanced timely indicators to assess real estate risk build-up in addition to more time and data intensive model-based evidence could help shorten lags in policy response. In that regard, the launch of detailed residential and commercial real-estate dashboards is a welcome step.

35. Austrian banks are well-capitalized, though releasable buffers are relatively low compared to European peers. Austria has implemented both a general systemic risk buffer (SyRB) and sectoral SyRB. The countercyclical buffer (CCyB) is set at 0 percent. The authorities are

encouraged to consider adopting a positive-neutral rate CCyB to ensure Austria has adequate releasable buffers and is well-positioned to respond to future financial shocks. The welcome new methodology for setting the existing CCyB will help in earlier identification of cyclical risks.

Table 5. Austria: Macroprudential Measures in Austria

Instrument	Status	Recent Changes
Capital-based tools		
CCyB	Set at 0 percent	<i>A new method for analysing procyclical systemic risks is applied for setting the CCyB as of October 2025. The new method includes additional indicators, broadening the scope from the traditional Basel credit-to-GDP gap indicator</i>
SyRB	14 banks: 0.5 - 1 percent	<i>Sectoral SyRB introduced in July 2025. The buffer will be 2 percent from July 2026 and 3.5 percent in July 2027</i>
Sectoral SyRB	All banks: 1 percent for CRE exposures	
O-SII buffer	7 consolidated; 8 unconsolidated: 0.45 percent - 1.75	
CCoB	Set at 2.5 percent	
Borrower-based tools		
LTV limit	Supervisory Guidelines	<i>Binding measures expired in July 2025: Maximum LTV ratio of 90 percent</i>
DSTI limit	Supervisory Guidelines	<i>Binding measures expired in July 2025: A DSTI ratio of a maximum of 40 percent</i>
Maximum loan term	Supervisory Guidelines	<i>Binding measures expired in July 2025: A maximum term of 35 years</i> <i>With one overall exemption quota for all three limits of 20 per cent</i>

B. LSI Regulation and Supervision

36. The targeted review of banking regulation and supervision in Austria mainly focused on the implementation of risk-based supervision of LSIs. The Austrian institutional supervisory framework for LSIs relies on the FMA acting as the National Competent Authority (NCA), closely coordinating for operational work and decision-making with the OeNB which is responsible for “fact finding” through risk assessment and on-site inspection. Based on the revised Basel Core Principles, this review leveraged the results of the 2025 Euro Area FSAP and focused on authorities’ supervisory approach for LSIs.

37. A number of aspects affecting the effectiveness and quality of regulation and supervision of LSIs in Austria has improved since the previous FSAP. The 2026 FSAP found the FMA and OeNB to have strong credibility and a demonstrated track record of effective use of moral suasion vis-à-vis LSIs. The overall strategy and objectives for LSIs supervision appropriately focus on credit risk (especially exposures on commercial real estate which are a source of concern and uncertainty), and operational resilience. Internal organization and efficiency have improved at the FMA and OeNB; they have adapted their internal organization, processes, and tools to the continuous evolution of their supervisory needs, e.g., by enhancing cross-fertilization of specialized

expertise, and developing SupTech²³ systems and applications to enhance automated data processing and analysis for risk-based supervision.

38. Risk-based supervision of LSIs is implemented by the FMA and OeNB making an extensive use of the principle of proportionality in order to adjust the intensity and granularity of supervisory work to focus on the highest priority risks. Risk-based supervision and proportionality are highly intertwined in Austria, because of resource constraints that devote supervisors' capacity to highest priority risk issues. In the context of limited resources, the FMA and OeNB have managed to adjust supervisory intensity and granularity according to risk levels associated with individual LSIs or horizontal risk topics. For instance, "focus banks" are subject to enhanced scrutiny, credit risk is more closely monitored. At the same time, the supervisory review and evaluation process and on-site inspection program have been streamlined for the smallest and non-complex LSIs, especially *Raiffeisen* primary banks. Nonetheless, supervision on an aggregated (not consolidated) and individual basis of the large three-layer *Raiffeisen* network has improved, with targeted off-site and on-site inspections at regional level also covering key functions of primary banks, and supervisors' leverage of aggregated information shared by the *Raiffeisen* Institutional Protection Scheme (R-IPS).

39. The composition of the FMA Supervisory Board may potentially undermine supervisory independence, in the context of limited resources for LSI supervision. While the FMA Act explicitly states that the FMA is not bound by any instructions, certain features of the Austrian framework could raise concerns about FMA's operational independence. These include the right of the BMF to commission the FMA to conduct examinations and the obligation on the FMA to consult the BMF before issuing regulations. Additionally, the FMA's Supervisory Board features strong representation from the BMF and the industry, which clashes with requirements in international standards that there be no government nor industry interference (or possible interference) that might compromise (or be perceived as compromising) the operational independence of the supervisor.²⁴ Out of a total of ten board members, the Ministry is represented by the chairperson and three BMF officials, and the banking and insurance industries each have a non-voting representative. The FMA Supervisory Board approves the FMA's budget and the appointment of senior managers reporting to the FMA Executive Board, which can have a direct impact on supervisory effectiveness. There is empirical evidence that supervisory staffing at both the FMA and OeNB has become increasingly constrained. Supervisors must fulfill an increasing volume of complex and sensitive tasks while adapting to new regulations and assessment tools, and the current number of on-site inspections, even if risk-based and tailored, is likely at the lower bound of what is adequate to ensure effective supervision.

²³ Use of innovative technology by supervisory agencies to support supervision.

²⁴ This amendment also explicitly notes under Article 8 (1) of the FMA Act that the Supervisory Board members are not bound by any instructions from the institutions that appoint them in the exercise of their mandate.

40. An amendment to the Banking Act²⁵ was published in February 2026, raising the legal cap on the FMA’s budget for banking supervision by 20 percent, introducing some welcome flexibility for the FMA only, though not the OeNB. Further to this amendment, the OeNB had, in turn, seen a reduction in the industry-funded reimbursement it receives from the FMA for its supervisory activities. An objective and comprehensive forward-looking assessment of staffing and budget needs for LSI supervision at both institutions should be carried out to ensure LSI supervisory effectiveness looking forward. Streamlining the number of supervisory staff might leave the authorities with a rather low “human capital buffer” to absorb crisis situations in a higher-risk environment, for instance if multiple bank problems would occur at the same time.

41. The targeted review identified several other shortcomings. Gaps persist in prudential requirements and supervision applicable to major acquisitions by LSIs of non-financial undertakings, and transactions with related parties. This gap is addressed with EU Capital Requirements Directive VI (CRD VI), awaiting transposition in Austria. There is no legal disclosure of the reasons for the dismissal of a member of the FMA Executive Board (to be addressed by the transposition of CRD VI in 2026). The FMA has no legal right to request access to the working papers of LSIs’ external auditors. Moreover, the authorities may want to consider enlarging the composition of the two-member FMA Executive Board with a view to making it more conducive to combining internal discussion and decision-making. Finally, while the Austrian-specific framework of state commissioners appointed by the BMF to banks’ boards of directors has been recently enhanced, we reiterate our recommendation that the system be phased out.

C. Insurance Regulation and Supervision

42. The evolving macroeconomic landscape, emerging risks, and regulatory changes are anticipated to heighten the supervisory responsibilities of the FMA. Current macroeconomic conditions, coupled with the proliferation of new risks, necessitate an enhanced and targeted approach from the insurance supervision team. Regulatory developments such as the Solvency II Review, the IRRD, and the EU’s Digital Operational Resilience Act will have significant implications for both the industry and the FMA. It is essential that the FMA evaluates its resource requirements to remain operationally efficient. Collaboration between the FMA and Government should also focus on the effective implementation and administration of the Solvency II Review and IRRD.

43. The FMA has strengthened its supervisory framework, particularly in data and analytics, demonstrating effective risk-based oversight, but there is potential for further improvements. These include applying a structured method to review control functions in smaller, low-risk Solvency II insurers and upgrading interview tools for statutory board members and key control functions. It is also recommended that the FMA, together with EIOPA, consider implementing a floor to internal model calculations of capital, consistent with the Basel III reforms in banking and that the FMA also implement model drift analysis by comparing standard formula and internal model Solvency Coverage Ratio. The implementation of the regulatory changes (i.e.,

²⁵ Amendment to the Banking Act (BWG) approved in the National Council on 21 January 2026 and published in the official journal on 18th February 2026 ([Finanzmarktsammelgesetz \(132/BNR\)](#) | [Parlament Österreich](#)).

Solvency II Review and IRRD) and the operationalization thereof, as well as an assessment of the risk management requirements for International Active Insurance Groups set out in the International Association of Insurance Supervisors, Insurance Core Principles (ICP 16 in particular) will further enhance adherence to international standards. Additional improvements include establishing protocols for sharing information with foreign supervisors of Austrian insurers with operations abroad, the publication of the new risk-based supervision framework, the introduction of quality assurance measures for risk assessments to ensure consistent and rigorous risk ratings, and broadening macroprudential reporting across the insurance sector.

D. Investment Funds Regulation and Supervision

44. The FSAP found an overall sound approach to investment funds regulation and supervision and recommends improvements to the framework, most notably regarding liquidity risk management. Further to recent reviews of relevant European Directives²⁶, asset managers must select at least two liquidity management tools (LMTs) for each fund they manage. Austria, as several smaller European countries, is far behind on the adoption and use of LMTs. Only suspensions, side pockets, and redemptions in kind were available at the time of the FSAP. To comply with the new rules, Austrian asset managers selected redemption gates and extension of notice periods for all funds, as a national market practice. These tools are considered to be the easiest to implement and to understand, which are key factors given implementation time constraints. The FSAP recommends that authorities continue to work with the industry on the implementation of LMTs, particularly to ensure that communications to investors are done appropriately to manage expectations and address any misunderstanding related to the use of the tools. This provides an opportunity for the industry and authorities to further educate the public on potential liquidity risks arising from open-ended investment funds and how LMTs are useful to manage these.

45. In the medium-to-long-term, asset managers should also adopt anti-dilution LMTs. The Financial Stability Board recommends²⁷ that daily dealing funds mainly invested in liquid assets that could become illiquid under stressed market conditions (such as certain corporate bond funds) should use anti-dilution LMTs. Otherwise, those IFs should offer less frequent redemption opportunities. The calibration of swing pricing and anti-dilution levies requires the development of a model to calculate the cost of liquidity in a dynamic manner, considering net fund flows and the potential market impact of the associated asset purchases or sales. Depositaries would also have to automate their processes to be able to implement these tools effectively, without increasing operational risks.

46. The FSAP recommends that authorities refrain from introducing a hurdle rate for REIFs that would nullify the effect of the notice period that is pending implementation.

²⁶ Alternative Investment Fund Managers Directive (AIFMD) and Undertakings for Collective Investment in Transferable Securities (UCITS) Directive.

²⁷ Anti-dilution Liquidity Management Tools – Guidance for Effective Implementation of the Recommendations for Liquidity Risk Management for Collective Investment Schemes (FSB, December 2023).

Amendments to legislation introduced compulsory 12-month notice periods and a 12-month holding period for REIFs, measures that would help manage the liquidity mismatch in these funds, but that will only enter into force in January 2027. There has been ongoing discussion in the sector about the possibility of introducing a hurdle rate: a monetary amount per year, below which the notice period will not apply. Industry considers this would deter redemption demands, giving retail investors confidence of redeeming in a few days if needed. OeNB conducted an analysis of the proposal and concluded that the hurdle would only delay the mitigation of the risks created for the liquidity mismatch. The FSAP agrees with this assessment and recommends that authorities refrain from the introduction of this hurdle rate, which would dampen the effectiveness of the notice period for REIFs. It could also act as an incentive to redeem pre-emptively should a shock materialize.

E. Financial Integrity

47. The Austrian AML/CFT framework has undergone significant changes since its last FATF mutual evaluation in 2016. The FATF adopted the Fund Staff-led Assessment of Austria's AML/CFT framework as FATF's Mutual Evaluation Report of Austria in February 2026²⁸. The evaluation focused on Austria's measures to prevent money laundering, terrorist financing and financing the proliferation of weapons of mass destruction in line with its risk and context, particularly given its role as a systemically important regional and international financial center with extensive cross-border linkages and money laundering exposure from transnational organized crime.

48. Austria has made important progress in increasing the effectiveness of its AML/CFT framework. Measurable progress was noted in terms of strengthening the legal and regulatory framework, and in the development of a highly effective approach to ensure transparency of beneficial ownership information. The report also noted progress in strengthening supervision of the financial sector and of virtual asset service providers but highlighted that the authorities should further increase risk-based inspections and strengthen group-wide supervision.

49. The Financial Market Authority's AML/CFT risk assessment methodology has also been strengthened. The FMA has substantially developed its approach to understanding sector and individual firm risk since the last FSAP. Remaining required improvements include incorporating more systematically collected information to deepen understanding of sector risks and better inform risk-based AML/CFT supervision, including in relation to financial groups in the CESEE region. Significantly enhanced oversight of gatekeepers (e.g., lawyers, accountants, real estate agents) by their designated supervisors would help mitigate the ML/TF risks that the financial sector is currently exposed to.

50. The FMA recently took over responsibility for the monitoring and enforcement of targeted financial sanctions in the Austrian financial sector. Given the effectiveness of the FMA,

²⁸ The Mutual Evaluation Report was published in April 2026.

this is a positive development, and the authorities should ensure that the FMA is equipped, including in terms of appropriate resourcing, to effectively fulfill this function.

FINANCIAL SAFETY NET AND CRISIS PREPAREDNESS

51. The authorities should designate a standing inter-agency crisis management forum, anchored in the existing institutional framework, to coordinate national-level contingency planning and respond to stressed institutions or emerging crisis events. This forum should include the FMA, OeNB and the BMF at a senior level. This can be achieved by expanding the FMSB's legal mandate to explicitly include systemic financial crisis management and formally designating it as the standing Crisis Management Forum (CMF) for the financial safety net. This would be operationalized through a dedicated crisis-management subcommittee under the FMSB with clearly defined membership and responsibilities to oversee national contingency planning and coordinate crisis preparedness activities. Alternatively, the authorities could mandate the existing National Crisis Management Team at a senior level, to serve as the CMF during "peace time" alongside its active role during a systemic crisis. The CMF should be tasked with developing a multi-annual work plan for crisis management coordination that ensures institutional preparedness, operational readiness, and follow-up. This would complement the well-established coordination arrangements set out in the Austrian Crisis Cooperation Handbook, which also anchor cross-border cooperation and crisis management escalation protocols for SIs and LSIs—including banks with significant CESEE exposures—within the EU framework. These arrangements rely on systematic information-sharing with EU bodies, and structured coordination mechanisms that ensure alignment between home and host authorities.

52. Contagion risk in the concerned IPS stemming from solvency and liquidity channels should be addressed in a mitigation framework as part of the resolvability assessment. Given the inverted pyramid ownership structure of the IPS concerned and the absence of an IPS group level resolution plan, the FMA in close coordination with the Single Resolution Board (SRB), should continue to mitigate contagion risks from equity participation, at the national level, within the resolvability framework. The FMA should ensure that equity contagion risk due to the inverted ownership can be addressed in terms of loss absorption capacities in going concern and enforced within a realistic timeframe. A complementary framework should be developed to manage liquidity contagion risks arising from central IPS institutions acting as liquidity hub. Liquidity scenarios, especially those involving IPS resource depletion during resolution, should be managed to prevent liquidity stress from spreading to lower-tier member banks and to ensure operational readiness throughout the resolution process. In the medium term, the FMA should broaden the concerned IPS mitigation framework to explicitly capture second-round effects from bail-in triggered by Minimum Requirement of Eligible Liabilities (MREL) cross-holdings.

53. The DIS payout capacity should be strengthened by shifting to quarterly contributions, prohibiting placements with member institutions, establishing a public backstop, and removing provisions that allow the DIS fund to be used for preventive measures ("open bank assistance"). Quarterly contributions will enable DIS to quickly adjust funding following rapid

balance sheet growth and prevent temporary declines in fund ratios despite statutory deadlines. While the statutory DIS and one IPS limit investments to short-term, highly liquid instruments to ensure rapid liquidity, another IPS invests part of its DIS funds with member institutions; authorities should align this IPS' investment policy with the more conservative standards by discouraging such placements. DISs should enhance the payout system capacity and implement robust protocols to ensure high-quality data reporting by member institutions, including mechanisms to flag deposits with missing information for targeted withholding, allowing prompt payout to unaffected depositors. The system must support fast access to and verification of depositor data, with standing protocols in place to ensure close coordination with relevant authorities. Statutory provisions allowing IPS-recognized DIS to provide going-concern support under "open bank assistance" arrangements should be removed. Authorities should establish a credible public-sector backstop based on a pre-agreed operational framework to support DIS liquidity when private sources are insufficient or delayed.

54. The legal framework should explicitly provide for purchase and assumption transactions in the bankruptcy regime as an alternative to costly payouts. The authorities should amend the legal framework to enable DIS to facilitate the orderly liquidation of banks through transfer tools as a cost-effective alternative to depositor payouts. These actions should comply with a robust least-cost test and explicitly exclude DIS from providing preventive going-concern support under "open bank assistance," which exposes DIS to potential losses, funding beyond least-cost limits, and moral hazard. DIS is ill-equipped to manage these risks since failing banks remain under shareholders control, and it lacks authority for risk-mitigating measures that belong to banking supervisors.

55. OeNB should enhance its ex-ante operational preparedness for the Emergency Liquidity Assistance (ELA). It should consider requiring collateral prepositioning as part of early intervention in crisis management, enhancing operational preparedness for potential ELA requests without pre-commitment. A clear, documented solvency and viability assessment methodology for ELA should be developed to ensure timely and consistent determinations of borrower viability under stress. This methodology should specify the criteria, information inputs, and decision-making responsibilities for assessing solvency and medium-term viability, including in pre-resolution and resolution-adjacent scenarios. Specific procedures should be established to govern the use of ELA in funding resolution. The procedures should ensure that ELA can be provided under strict conditions such as restored solvency in resolution and credible prospects of viability - to be ensured by the resolution scheme and absorption of losses and recapitalization by MREL- and the availability of sufficient collateral. More broadly, in the absence of sufficient eligible collateral and under uncertain solvency based on forward-looking assessments, ELA should only be provided under an explicit government guarantee, supported by clear coordination arrangements between the OeNB and the BMF.

AUTHORITIES VIEWS

56. The authorities welcomed the constructive and open dialogue during the FSAP process and appreciated the detailed analysis conducted by the Fund. They reaffirmed their commitment to maintaining a resilient and well-functioning financial system and will carefully assess staff's recommendations for improvement.

57. They broadly agreed with the systemic risk assessment. The authorities concurred with the FSAP's solvency and liquidity stress test findings that the banking system is resilient to severe but plausible adverse macrofinancial shocks and supported the inclusion of the IPS mechanism in the analysis. They agreed with the recommendation to broaden the use of the OeNB stress testing framework beyond classical stress tests, including for macroprudential scenario analysis.

58. The authorities welcomed the FSAP's assessment of significant improvements in real estate data and emphasized that Austria has reinforced the macroprudential policy and institutional framework, including by implementing relevant European recommendations. They viewed the composition of the FMSB as adequate, as it aimed to ensure that various aspects influencing financial stability were taken into account in a balanced manner, while members acted independently of the bodies from which they were nominated. As for the recommendation to enhance the role of the OeNB, they underscored that while it does not hold the chairmanship, it carries out the office's administrative functions, plays a pivotal role in shaping the agenda and provides analysis on macroprudential issues. The authorities also noted that the adoption of regulations by the FMA for Borrower Based Measures requires explicit consent by the BMF, and must be justified by identified systemic risks, reviewed regularly, and confined within sunset clauses. The authorities welcomed the ongoing dialogue on developing a Positive Neutral Rate CCyB to complement macroprudential policy.

59. Regarding LSI Regulation and Supervision, the authorities welcomed the broadly positive assessment. With regard to the organization of the FMA they disagreed with staff's views regarding supervisory independence and effectiveness and noted the limited legal mandate of the Ministry of Finance, as well as the non-voting nature of industry members of the FMA's Supervisory Board. Additionally, a recent amendment to the FMA Act explicitly states that the Supervisory Board members are not bound by any instructions from the institutions that appoint them in the exercise of their mandate. The authorities also stressed their risk-oriented and proportionate approach, recent increases in FMA resources and the establishment of multi-year strategic budget planning to robustly support LSI oversight. The authorities underscored that the deployment of state commissioners in LSIs remained important, arguing that state commissioners provided unique and irreplaceable contributions by fostering transparency and early identification of governance issues, thereby strengthening overall supervisory effectiveness.

60. The authorities supported the FSAP's recommendations on insurance regulation and supervision, in particular the recognition of the strengthened supervisory framework. These findings represent an important acknowledgement of efforts undertaken in the oversight of insurance undertakings and insurance groups.

61. Regarding investment funds, the authorities welcomed the positive FSAP assessment that underlines its holistic and risk-based approach, especially the FMA's ability to react proactively and to introduce enhanced supervision in stressed situations.

62. The Austrian authorities considered the existing crisis management framework under BaSAG legislation effective and well-coordinated. They saw no pressing need for the establishment of additional crisis committees. The authorities reaffirmed that Austria's deposit insurance schemes fully complied with EU directives and stressed that the mutual financial support among the DIS schemes enhances overall capacity and system stability.

Table 6. Austria: Selected Economic Indicators

	2025	2026	2027	2028	2029	2030
		Proj.				
Output						
Real GDP growth (%)	1.0	0.6	1.0	1.2	1.0	0.9
Employment						
Unemployment (Harmonized) (%)	5.7	5.7	5.6	5.4	5.3	5.3
Prices						
Inflation (%) 1/	3.3	3.2	2.8	2.1	2.1	2.1
General government finances						
Revenue (% of GDP)	50.9	51.1	51.3	51.2	51.2	51.2
Expenditure (% of GDP)	55.1	55.2	55.1	54.8	54.7	54.6
Fiscal balance (% of GDP)	-4.2	-4.2	-3.8	-3.6	-3.5	-3.5
Public debt (% of GDP)	81.4	82.4	82.5	82.8	83.1	83.6
Money and credit						
Broad money (% change)	3.7	4.4	3.6	3.3	3.3	3.0
Credit to the private sector (% change) 2/	1.0	2.6	3.6	3.3	3.3	3.0
Balance of payments						
Current account (% of GDP)	1.9	0.7	0.9	1.2	1.5	1.7
Reserves (months of imports)	2.0	1.8	1.8	1.8	1.8	1.7
External debt (% of GDP)	158.7	160.6	160.8	161.4	161.9	162.9
Exchange rates						
REER (% change)	1.5	...	...	...	...	...

Sources: Country authorities; and IMF staff estimates and projections.

1/ Period average.

2/ Households and non-financial corporations. Exchange rate adjusted.

Table 7. Austria: Financial Soundness Indicators: 2018–2025Q3

	2018	2019	2020	2021	2022	2023	2024	2025Q3
Core FSIs								
Regulatory capital to risk-weighted assets	18.8	18.9	19.7	19.2	19.4	20.6	21.1	21.8
Tier 1 capital to risk-weighted assets	16.3	16.5	17.4	17.1	17.5	18.7	18.9	19.5
Nonperforming loans net of provisions to capital	7.7	6.0	4.0	3.1	2.6	5.0	7.8	7.9
Capital to assets (leverage ratio)	7.5	7.6	7.4	7.7	8.0	8.4	8.5	8.8
Nonperforming loans to total gross loans	2.9	2.4	2.4	2.1	2.0	2.5	2.9	2.9
Return on assets	0.9	0.8	0.4	0.7	1.0	1.4	1.2	1.2
Return on equity	8.5	7.5	3.7	6.5	10.0	12.0	9.6	9.2
Interest margin to gross income	51.0	49.9	51.9	49.2	48.7	57.8	59.4	57.0
Noninterest expenses to gross income	67.9	66.5	67.8	67.2	55.5	53.0	55.3	59.0
Liquid assets to total assets	24.4	23.0	28.3	29.7	45.8	45.0	45.8	46.5
Liquid assets to short-term liabilities	68.2	63.9	78.0	78.4	70.2	71.3	71.8	72.0
Net open position in foreign exchange to capital	2.0	2.2	2.0	4.0	24.2	19.5	21.9	26.6
Additional FSIs								
Large exposures to capital	334.1	313.3	405.0	462.2	415.6	394.2	399.9	362.7
Trading income to total income	2.3	3.5	1.2	1.8	1.7	0.3	0.5	1.2
Personnel expenses to noninterest expenses	42.0	42.3	41.7	41.4	40.5	43.3	42.4	40.3
Spread between reference lending and deposit rates (base poi	177.0	176.0	169.0	160.0	219.0	274.9	241.7	234.9
Customer deposits to total (noninterbank) loans	85.9	86.0	79.0	76.3	88.6	88.5	90.4	89.9
FX loans to total loans	11.2	11.3	7.9	7.8	12.0	10.4	9.9	9.6
FX liabilities to total liabilities	6.8	6.6	5.1	5.1	8.1	6.7	6.3	6.3
Residential real estate loans to total gross loans	17.2	17.2	19.3	18.9	19.6	19.7	20.3	20.5
Commercial real estate loans to total gross loans	10.2	10.4	11.3	10.6	10.9	11.6	11.3	11.4

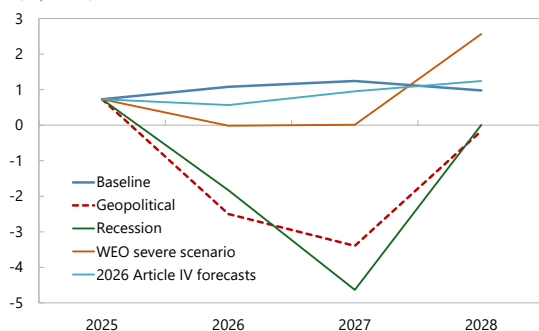
Sources: IMF's *Financial Soundness Indicators* database.**Table 8. Austria: Recent Trends for Pension Funds**

Pension Companies	2024 Q4	vs. 2024 Q3	vs. 2023 Q4
Assets under management			
(billion Euro)	28.7	+2.1%	+8.9%
Beneficiaries (thsd.)	1099	+1.1%	+3.1%
Performance		+1.7%	+7.8%

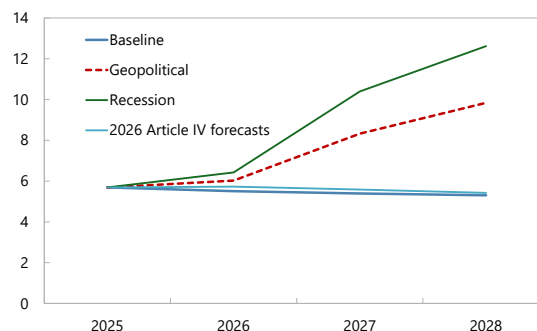
Source: Oesterreichische Kontrollbank AG (OeKB).

Figure 16. Austria: Macro-Financial Scenarios**Real GDP Growth**

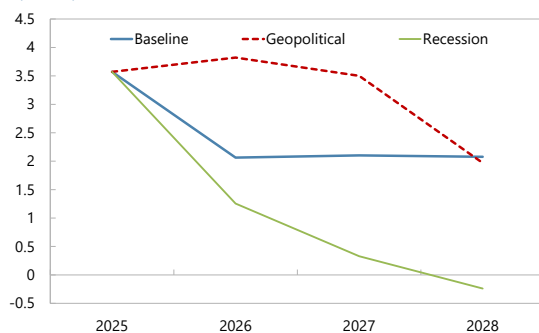
(In percent)

**Unemployment Rate**

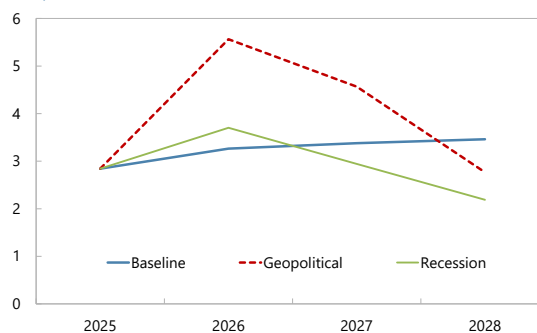
(Percent)

**Short-Term Interest Rates**

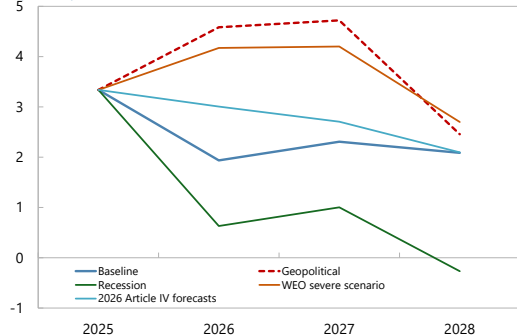
(Percent)

**Long-Term Interest Rates**

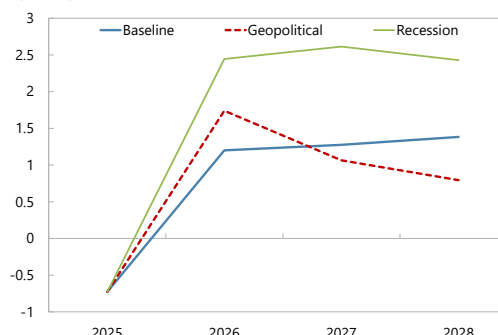
(In percent)

**Inflation**

(Percent)

**Term Spread**

(Percent)



Source: EBA, WEO, IMF, and IMF staff calculations. Baseline projections are based on forecasts prior to the conflict in the Middle East. The 2026 Article IV forecasts were updated after the start of the Middle East conflict. The WEO severe scenario refers to the 2026 Spring WEO.

Table 9. Austria: Stress Testing Matrix (STeM)

A. Banking Sector: Solvency Stress Test		
Top-down by IMF		
1. Institutional Perimeter	Institutions included	7 SI banks, plus Unicredit subsidiary in Austria, and 303 LSI banks
	Market share	About 95 percent of the banking sector assets
	Data and baseline date	- Data vintage: 2024 Q4 for balance sheet data and P&L items, capital ratios and other supervisory adjusted to 2025 Q3.¹ - Supervisory data: Bank balance sheet and supervisory statistics (including FINREP and COREP), information on interest rate risk in the banking book (IRRBB), short-term exercise (STE), provided by the OeNB and the ECB. Further supervisory and market information, including the probability of defaults by credit portfolios and information on debt securities are obtained from ITS templates. Household vulnerability analysis relies on household survey data such as the 2021 HFCS, and Non-Financial Corporates analysis relies on MCM Corporate Stress Test based on Datastream and Capital IQ. Domestic exposures and main cross-border exposures considered (Germany, and CESEE countries) for credit risk, securities exposures and NII. - Market and publicly available data, such as information from ECB statistical data warehouse and national central banks on funding and lending rates for new business (front-book) by type of asset and funding portfolios for Germany and the CESEE countries. - Scope of consolidation: banking activities at the consolidated level for banks having their headquarters in Austria, and Unicredit Austria subsidiary. - Bank level data from the OeNB on credit defaults by economic sectors (from Austria's credit register), and on interest rates and new businesses by counterpart sector (bank-level MFI interest rate statistics for domestic exposures, and aggregate MFI interest rate statistics for cross-border exposures). - Coverage of sovereign and non-sovereign securities exposures: debt securities measured through fair value (FVPL and FVOCI) and amortized cost (AC) account.
¹ The authorities recommended that the stress tests not rely on intra-year data which may have important seasonality aspects, especially for LSIs.		

Table 9. Austria: Stress Testing Matrix (STeM) (Continued)

2. Channels of Risk Propagation	Methodology	- Derived from the 2025 EA and France FSAP methodology, enriched with Austrian FSAP specific models. - For internally modelled exposures (IRB), projection of PiT and TTC PDs, PiT and DT LGDs, EAD, and RWA. For SA exposures, Projection of new flows of defaulted exposures and RWA based on risk weights for performing and non-performing loans separately. For SIs, provisioning for IRB and SA portfolios, and for LSIs under national GAAP using standard NPL modeling. - Balance-sheet regulatory approach. - Provisioning for IRB and SA are modeled using an expected loss approach. - Traded risk impact from the revaluation of trading assets (FVPL) and securities classified as fair value thorough other comprehensive income (FVOCI) or available for sale (AFS) securities assessed using a modified duration approach or sensitivities to market risk factors (Greeks) with hedging strategy considered based on ITS and STE data if available. - Time-to-repricing approach for Interest income and expense from IRRBB J-template - Inclusion of a participation risk channel, reflecting dividend reductions and a write-down of participation book values for banks with equity stakes in other banks, based on OeNB's methodology
	Satellite models for macro-financial linkages	- Models for credit losses, funding costs, lending rates, and assumptions for other P&L components - For household and corporate analysis of PD using micro-data at individual household (based on household survey HFCS) and corporate (based on commercial corporate database). Credit risk from Credit register data considered for sectoral shocks of domestic exposures, in particular default probabilities specific to Austria's real estate sectors are estimated. Credit risk models for cross-border exposures based on the household survey model and the corporate stress test model. LGDs for collateralized exposures will be linked to paths for real estate prices in the scenario using a smoothing factor to account for the TTC regulatory approach. - Interest income to be projected at portfolio level and country of exposure using a structural approach applying interest rate shocks on new originations and loans' repricing ladder to outstanding volumes. - Funding costs to be projected at portfolio level using funding structure by counterpart (retail, wholesale) and maturity bucket (overnight vs. term), and by product (deposit, borrowings), and country of exposure.

Table 9. Austria: Stress Testing Matrix (STeM) (Continued)

3. Tail Shocks	Stress test horizon	2026 Q1– 2028 Q4 (three years)
	Scenario	- Three scenarios for Austria and main cross-border exposures (Germany and four CESEE countries): - A baseline scenario updated from the February macroeconomic projections. - Adverse scenario 1 derived from the EA FSAP: A geopolitical scenario (or higher-for-longer) featuring an escalation of geopolitical conflicts. - Adverse scenario 2 derived from the EA FSAP: A recessionary scenario showing a synchronized global slowdown amplified by sovereign debt distress in the EA. - The two adverse scenarios rely on GFM, a structural macro-econometric model of the world economy, disaggregated into forty national economies, documented in Vitek (2018), except for Hungary, Slovakia, Romania and Croatia for which a BVAR model was developed to simulate macro variables under the adverse scenarios
	Second-round effects and Sensitivity analysis	- Second round effects of recapitalizations to Institutional Protection Schemes (IPS) for solvency - Household borrower-based instruments and mortgage default – counterfactual analysis - Severe assumptions of real estate prices declines. - Dividend and market losses on participations. - Solvency and liquidity risk interactions, mainly through fire sales and funding costs and based on 2023 GFSR methodology.
4. Risks and Buffers	Risk covered	Risks covered include credit (on loans to households and non-financial corporates, floating and fixed rate instruments for Austrian exposures), market (the P&L impact of net open positions in market risk factors such as foreign exchange risks) and interest rate risk on the banking book (IRRBB). Domestic exposures and main cross-border exposures (Germany, Hungary, Czech Republic, Slovakia, Romania and Croatia).

Table 9. Austria: Stress Testing Matrix (STeM) (Continued)

	Behavioral Adjustment	- For the growth of the banks' balance sheet over the stress-test horizon, a quasi-static approach is used. Asset allocation and the composition of funding remain the same, whereas the balance sheet remains static in nominal Euro terms. FX shock from revaluation effects on foreign currency loans specified in the stress test scenario. No cures in the adverse scenarios. No write-offs. - In projecting RWAs, standardized and IRB portfolios are differentiated. For the standardized portfolios, RWAs changed due to the balance sheet growth, new inflows of non-performing loans, exchange rate movements, and the conversion of a portion of off-balance sheet items (undisbursed credit lines and guarantees) to on-balance sheet items. For the IRB portfolios, through-the-cycle-PDs, downturn LGDs and EAD for each asset class/industry are used to project risk weights.
		- Interest income from nonperforming loans is not accrued. - Dividends are paid out by banks that remain profitable and adequately capitalized throughout the stress. The dividend rate will be the average ratio between observed dividends and profits after tax over recent years. The tax rate will be aligned with 2025 EBA methodology.
5. Regulatory and Market-Based Standards and Parameters		National regulatory framework Basel III regulatory minima on CET1 (4.5 percent) plus Pillar II requirements (total SREP capital requirement), and include any requirements due to systemic buffers (SyRB, G-SII buffer, O-SII buffer), and capital conservation buffer. Leverage ratio during the stress test horizon against the 3 percent Basel III minimum requirement.
6. Reporting Form for Results	Output presentation	- Capital path under various scenarios by groups of banks, aggregate and categorized by type of bank (SIs, LSIs). - System-wide capital shortfall. - Number of banks and percentage of banking assets in the system that fall below regulatory minima or breach capital buffers. - Outputs also include information on impact of different result drivers, including profit components.

Table 9. Austria: Stress Testing Matrix (STeM) (Continued)

B. Banking Sector: Liquidity Stress Test		
Top-Down by IMF		
1. Institutional perimeter	Institutions included	7 SI banks, plus Unicredit subsidiary in Austria, and 306 LSI banks.
	Market share	More than 95 percent of the deposit-taking institutions.
	Data and horizon	- Data vintage: 2025Q3. - Data frequency and time span: monthly from 2020-2025. - Data sources: Supervisory data (FINREP, COREP), MFI interest rates data from the national authorities and the ECB. - Scope of consolidation: Consolidated level.
2. Methodology	Methodology	- LCR-based tests, using regulatory parameters and more severe scenarios; Breakdown by aggregate currency and significant currencies. - Cash flow-based liquidity stress test, focusing on net aggregate cash balance after use of counterbalancing capacity. Breakdown by aggregate currency and significant currencies. - Further stress test incorporating the systemwide support from IPS and liquidity associations in the decentralized sector.
	Stress test horizon	30 days for LCR-based tests; Up to 12 months for with varying time buckets for cash flow-based tests.
3. Type of analyses	Scenario analysis	- Stress scenarios derived from the 2025 Euro Area FSAP, with varying intensity of adverse liquidity conditions affecting deposit outflows and asset reevaluations. Both general risk aversion shocks and idiosyncratic bank run shocks are examined. - Reverse stress tests.
4. Buffers	Behavioral adjustments	Liquidity from the central bank is not considered.
	Buffers	Capacity of banks to generate liquidity from inflows and from assets under stress (i.e., counterbalancing capacity).
5. Regulatory standards	Regulatory/accounting and market-based standards	For LCR-based analysis, the hurdle rate is set at 100 percent at the aggregate currency level (per Basel III and domestic regulation). For cash flow-based analysis, the outcomes of interest are the Net Liquidity Position after use of counterbalancing capacity and the survival period.
6. Reporting format for results	Output presentation	Output includes (1) Average LCR, Net Liquidity Position, and survival period, (2) Market share of institutions with LCR below regulatory limits and with negative net liquidity position.

Table 9. Austria: Stress Testing Matrix (STeM) (Continued)

C. Banking Sector: Contagion and Interconnectedness Analysis

Top Down by IMF

1. Institutional perimeter	Institutions included	7 SI banks, plus Unicredit subsidiary in Austria, and up to 325 LSI banks.
	Market share	More than 95 percent of the deposit-taking institutions.
	Data and horizon	- Data vintage: December 2024 - Data: Gross interbank exposures including participation instruments - Data source: OeNB - Scope of consolidation: Consolidated level.
2. Methodology	Methodology	Model calibrated for the Austrian banking system. (See Covi, Giovanni, Gorpe, Mehmet Ziad and Kok, Christoffer (2021), "CoMap: Mapping Contagion in the Euro Area Banking Sector", Journal of Financial Stability, Volume 53, April 2021, 100814). IPS mechanism modelled through LGDs: for decentralized sector individual (Tier 1) banks assumed to be 0.9 (no IPS scenarios) or actual data (with IPS scenarios).
	Stress test horizon	1 month
3. Type of analyses	Scenario analysis	Baseline scenario": IPS in place for the decentralized sector (lower LGDs for Tier 1 decentralized sector banks), with central bank support, both credit and liquidity channel in place, (2) "No IPS" scenario: (1) amended by higher LGDs for Tier 1 decentralized sector banks, (3) "CESEE loss" scenario: with shocking capital to the nonfinancial corporate large CESEE exposures multiplied by 5 times the PDs in ARNIEs
4. Buffers	Behavioral adjustments	The approach simulates cascading defaults and counterparty credit losses. As a counterfactual the lack of IPS in the decentralized sector is modelled.
	Buffers	CET1 over bank specific regulatory leverage ratio (solvency), and counterbalancing capacity minus non tradable assets eligible for central banks minus HQLA.
5. Regulatory standards	Regulatory/accounting and market-based standards	Bank specific minimum CET1 ratio (Pillar 1+Pillar 2R) (solvency), and liquidity reserves (HQLA) minimum net outflows (liquidity)
6. Reporting format for results	Output presentation	Outputs include (1) Capital depleted due to triggered defaults; (2) Normalized Contagion Index; and (3) Normalized Vulnerability Index

Table 9. Austria: Stress Testing Matrix (STeM) (Concluded)**C. Banking Sector: Analysis on Large Exposures to CESEE****Top Down by IMF**

1. Institutional perimeter	Institutions included	7 SI banks, plus Unicredit subsidiary in Austria
	Market share	68 percent of the deposit-taking institutions.
	Data and horizon	- Data vintage: December 2024 - Data: Large exposures to CESEE countries with and without credit mitigation - Data source: COREP, FINREP - Scope of consolidation: Consolidated level.
2. Methodology	Methodology	Reporting large exposures data
3. Type of analyses	Data reporting and scenario analysis in Contagion and Interconnection Analysis	Analyzing large exposures by country, by counterparty (General government, non-financial corporations, households, other financial institutions)
6. Reporting format for results	Output presentation	Table without credit mitigation, by country, by counterparty

Table 10. Austria: Risk Assessment Matrix

Risks	Likelihood	Impact if Realized	Policy Responses
Conjunctural risks			
Geopolitical Tensions and Intensification of Conflicts. Rising geopolitical tensions, and a weakening of multilateralism, raise the risk of an escalation in military conflicts, accompanied by damage to key physical and financial infrastructure, disruptions in major transit routes and supply chains, higher migration pressures, additional financial frictions and market volatility.	High	High * Lower consumption and production especially in energy intensive industries. * Increased systemic risks in financial system. * Shipping route disruptions could increase key commodity prices and disrupt production and trade. * Weaker investment under greater uncertainty.	* Take steps to secure supply chains and build energy reserves. * Monitor cross-border financial sector risks. * Continue to diversify energy sources. and accelerate energy transition.
Trade-related Risks • Protectionism and Trade Disruptions. Tariff and nontariff measures disrupt global supply chains, weighing on activity while increasing inflation. Trade diversion triggers broader protectionism. • New Trade Agreements. Tangible progress in trade talks reduces uncertainty and trade barriers. Wider cooperation on services, FDI, and taxation boosts investment and bolsters public finances.	High Low	High * Barriers to trade would hurt Austria's export sectors.	* Participate in global initiatives to support multilateralism. * Take steps to secure supply chains.
Commodity Price Volatility. Supply and demand imbalances—triggered by geopolitical tensions, coordinated production decisions, shifts in investor preferences, or structural changes in demand—fuel commodity price swings, amplifying external and fiscal pressures, social unrest, and macro instability.	High	Medium * Resumed high inflation and pressure from likely second round effects. * Lower growth due to weak consumption and investment. * Rising social tensions from rising cost of living.	* Continue to diversify energy sources. and accelerate energy transition. * Provide targeted fiscal support. to vulnerable households; allow automatic stabilizers to operate freely.
Disorderly AI Correction. An abrupt revision in expectations of strong AI-led productivity gains causes a sharp market correction, investment decline, and wealth loss, which suppress demand and tighten financial conditions globally.	High	Medium * Drop in global demand would weigh on growth.	* Allow automatic stabilizers to operate freely.

Table 10. Austria: Risk Assessment Matrix (Concluded)

Risks	Likelihood	Impact if Realized	Policy Responses
Domestic risks			
Persistent weak sentiment. Weak sentiment among consumers and producers could weigh on private consumption and investment demand.	High	High * Households may further postpone consumption and maintain a prolonged increase in the household saving rate above usual levels in light of higher than usual economic uncertainty. * Firms may postpone investment decisions and further delay the recovery in private investment.	* Automatic stabilizers should be allowed to operate freely should domestic demand surprise on the downside. * If the economy weakens considerably relative to the baseline, a more gradual fiscal consolidation path would support demand.
Contagion from CESEE countries. Austrian banks hold a quarter of their total assets in CESEE countries and earn a third of their profits from these assets, including from Russia.	Medium	High * Disruptions in CESEE countries could negatively impact Austrian banks' profitability. * Austrian banks' operations in countries facing significant sanctions could encounter sanctions-related risks.	* Adjust bank-wise systemic risk buffers as needed to counteract exposure to CESEE spillovers. * Carefully monitor and mitigate sanctions-related risks.
Hard landing in real estate sector. Activity in the real estate sector collapses as house prices and mortgage lending falls sharply. Distress among CRE companies widens amid post-pandemic weakness in CRE demand, leading to firesales and disorderly adjustment of CRE prices.	Medium	Medium * Lower real estate investment activity; lower consumption on negative housing wealth effects. * Risks to banks profits and capital as real estate loans go bad and value of banks real estate collateral diminishes.	* Continue to strengthen monitoring of CRE risks including with continued enhancement of data on CRE market transactions, prices, and vacancies. * Maintain prudent lending standards for mortgage lending and reduce regulatory barriers to increasing housing supply. * Encourage banks to hold adequate capital buffers. * Allow automatic stabilizers to operate fully.
Faltering domestic reforms. The economy faces demographic headwinds and fiscal pressures from ageing and the need to advance the green transition.	Medium	Medium * Slowing reforms would set back confidence and weaken prospects for medium term growth.	* Implement further reforms to boost labor supply among women and elderly workers, remove regulatory barriers to increase firm dynamism, and sharpen R&D incentives to boost innovation. * Strengthening Pillar 2 pensions to boost retirement income will also help deepen capital markets.

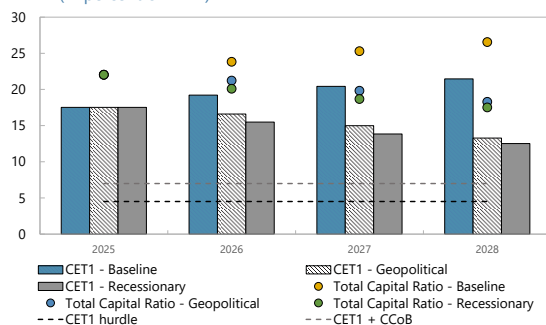
Appendix I. Systemic Risk Analysis: Additional Charts and Tables

Figure 17. Austria: Solvency Stress Tests Results – SIs and LSIs

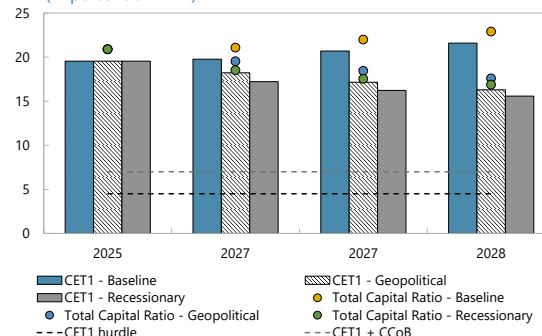
Capital ratios of SIs decline to 13.3 percent (respectively 12.5 percent) in the geopolitical scenario (respectively recession scenario)

The corresponding capital ratios of LSIs fall to 16.3 percent and 15.6 percent, reflecting higher starting values and smaller depletions than for SIs.

Capital Adequacy - SIs
(In percent of RWA)

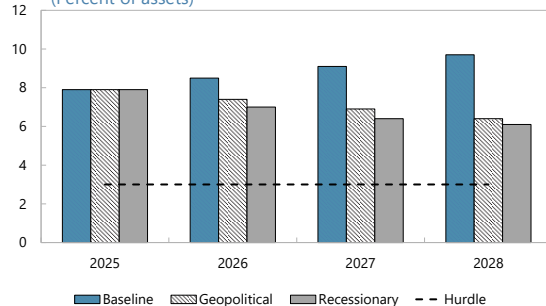


Capital Adequacy - LSIs
(In percent of RWA)



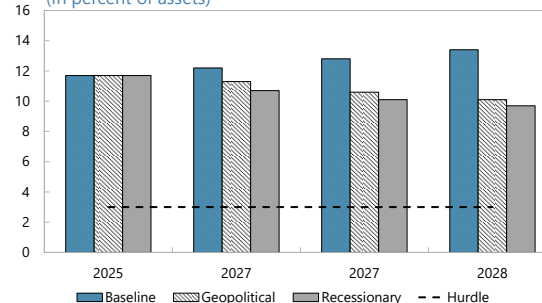
Leverage ratios remain above regulatory limits for SIs...

Leverage Ratio - SIs
(Percent of assets)



...and for LSIs.

Leverage Ratio - LSIs
(In percent of assets)



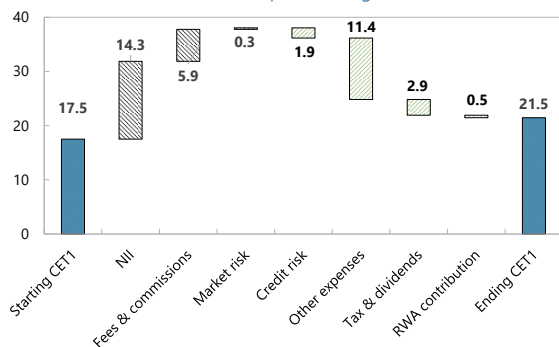
Sources: IMF staff calculations and OeNB.

Figure 18. Austria: Waterfall Charts – SIs and LSIs

Capital ratios increase in the baseline for SIs....

Capital Ratio - Baseline - SIs

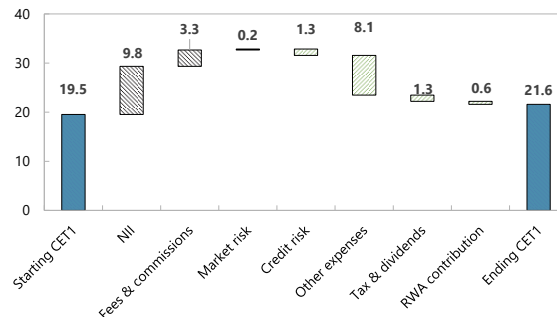
(Percent of 2024 RWA, except of Ending CET1)



And for LSIs....

Capital Ratio - Baseline - LSIs

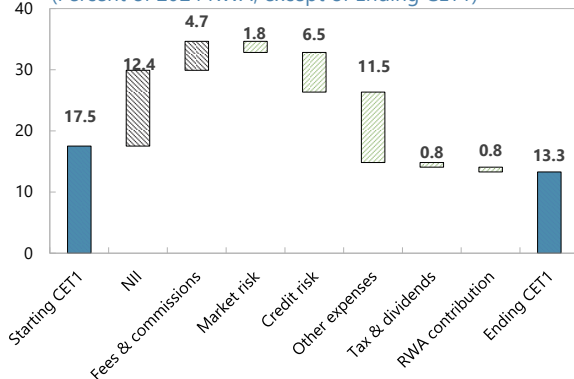
(Percent of 2024 RWA, except of Ending CET1)



In the geopolitical scenario, SIs capital depletion reflects credit risk losses, lower net interest income and market risk

Capital Ratio - Geopolitical - SIs

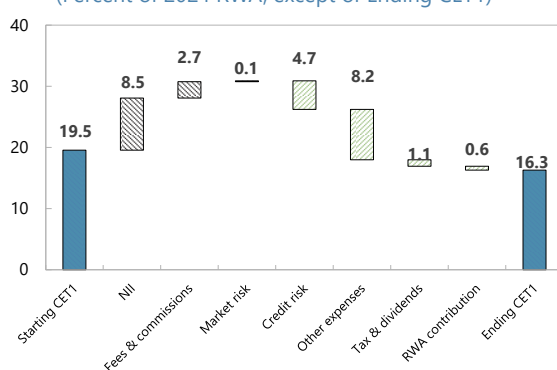
(Percent of 2024 RWA, except of Ending CET1)



While LSI's credit risk increases by less and net interest income declines by less....

Capital Ratio - Geopolitical - LSIs

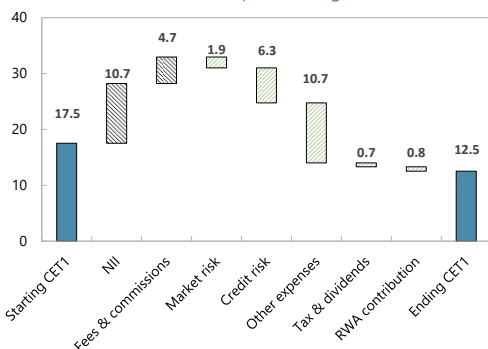
(Percent of 2024 RWA, except of Ending CET1)



SIs experience stronger decline of net interest income in the recession scenario than in the geopolitical scenario...

Capital Ratio - Recessionary - SIs

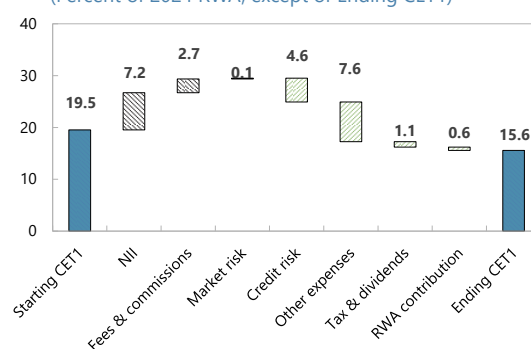
(Percent of 2024 RWA, except of Ending CET1)



And LSIs as well, but by less than SIs....

Capital Ratio - Recessionary - LSIs

(Percent of 2024 RWA, except of Ending CET1)



Sources: IMF staff calculations and OeNB.

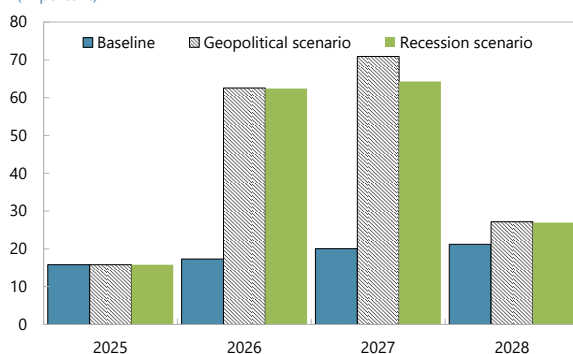
Figure 19. Austria: Risk Analysis of Large Non-Financial Corporates

Debt-at-risk of large NFCs increases significantly in the adverse scenarios ...

... resulting in higher credit risk

Percent of Debt among NFCs with ICR<1

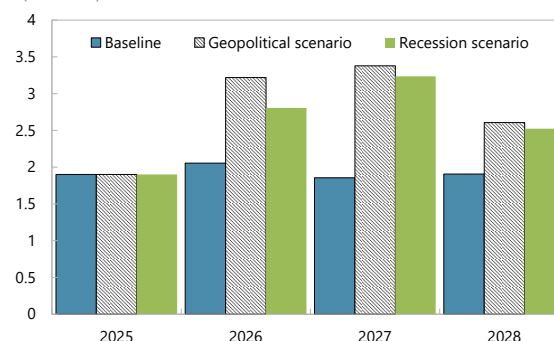
(In percent)



Sources: Datastream, Capital IQ, WEO and IMF staff estimates

Aggregate PDs

(In Percent)



Sources: Datastream, Capital IQ, WEO and IMF staff estimates

Figure 20. Austria: Counterfactual Risk Analysis of Household Mortgages

Default probabilities on mortgages increase in the adverse scenarios....

A LTV limit at origination would contain the increase in credit risk in particular in the adverse scenarios....

Annual default rates, benchmarked to EBA risk dashboard 2025:Q3

No LTV limits						
	2025	2026	2027	2028	2029	2030
Baseline	1.27%	1.26%	1.25%	1.24%	1.23%	1.23%
Geopolitical	1.27%	1.35%	1.79%	2.12%	1.98%	1.61%
Recession	1.27%	1.42%	2.18%	2.67%	2.40%	1.81%

Source: HFCS 2021 and IMF staff estimates

The differences of origination practices regarding LTVs result, after several years, in substantial differences of default risks...

Difference in share of cumulative defaulted exposures, in percent

(no LTV limits - 90 percent LTV limit)						
	2025	2026	2027	2028	2029	2030
Baseline	0.54%	1.06%	1.57%	2.07%	2.55%	3.02%
Geopolitical	0.54%	1.10%	1.85%	2.69%	3.44%	4.03%
Recession	0.54%	1.14%	2.05%	3.09%	3.99%	4.64%

Sources: HFCS 2021 and IMF staff estimates

Annual default rates, benchmarked to EBA risk dashboard 2025:Q3

Only LTV at origination < 90 percent						
	2025	2026	2027	2028	2029	2030
Baseline	0.73%	0.73%	0.72%	0.71%	0.71%	0.71%
Geopolitical	0.73%	0.78%	1.01%	1.22%	1.15%	0.93%
Recession	0.73%	0.82%	1.22%	1.54%	1.39%	1.04%

Sources: HFCS 2021 and IMF staff estimates

Differences in the cumulative amounts of defaulted mortgages are large after several years....

Difference in cumulative defaulted exposures (in bil. euros)

(no LTV limits - 90 percent LTV limit)						
	2025	2026	2027	2028	2029	2030
Baseline	1.02	1.99	2.95	3.87	4.77	5.65
Geopolitical	1.02	2.07	3.47	5.03	6.43	7.54
Recession	1.02	2.13	3.84	5.79	7.46	8.68

Sources: HFCS 2021 and IMF staff estimates

Table 11. Austria: 2020 FSAP—Key Recommendations and Status

Recommendations	Time Frame*	Status of implementation
Financial Sector Oversight		
Review legislation to clarify and narrow the Federal Ministry of Finance (BMF)'s role in oversight of the FMA and remove industry participation in its Supervisory Board.	MT	Not implemented. The composition of the Supervisory Board of the FMA remains unchanged. The Austrian authorities (BMF) underscore that the light oversight role of the BMF has not undermined the FMA's supervisory independence.
Make the OeNB the chair of the Financial Market Stability Board (FMSB) and increase its voting representation.	NT	Not implemented. The composition and the role of the OeNB in the FMSB has not changed.
Strengthen related party risk framework and establish ex-ante approval for LSI significant investments in non-financial undertakings.	NT	Not implemented. The Austrian authorities (FMA/OeNB) reiterate that a change in EU legislation is a prerequisite for legislation change in Austria. Yet there is some room left at national level to fill the existing gap with BCPs (CP20 on transactions with related parties) and issue adapted prudential requirements subject to risk-based supervision of this sensitive topic.
Phase-out the role of state commissioners in supervisory boards.	MT	Not implemented. The Austrian authorities (BMF) have not removed the system of state commissioners. Certain management practices of state commissioners appointed at LSIs have improved, with training offered on banking regulation and supervision, and informal oversight of state commissioners by the FMA.
Enhance internal guidelines for supervisory action based on qualitative factors.	I	Implemented. The FMA's internal SREP manual is being continuously updated. The SREP will continue to be developed towards a more risk-based approach, providing focus and guidance for deepening certain (risk) areas, e.g., on the basis of qualitative factors/findings. Further efforts are being made to improve the formats of supervisory communication, the so-called structured dialogue, and its link with the SREP. In addition, training and guidance for supervisors are constantly improved.
Stress-test insurance segments / business lines with material future profitability and follow-up with appropriate actions, such as capital add-on.	NT	Implemented. The FMA continues to perform both bottom-up and top-down stress tests. For example, bottom-up stress test, conducted in 2024, focusing on business lines with material future profitability within, was performed together with the necessary follow-up. This was done in parallel to the regular bottom-up stress test performed by the FMA. Details of the stress tests are published in the "Report on the state of the Austrian insurance industry (2024)" (<i>FMA, Bericht über die Lage der Österreichischen Versicherungswirtschaft 2024</i>).
Review resources for the maintenance of Solvency II, insurance market conduct supervision and potential recovery and resolution framework, and AML supervision for all entities, including VASPs.	NT	Implemented. The FMA continuously reviews its insurance supervision resources taking into account regulatory developments and emerging needs. For example, in 2022 four additional FTEs were hired for the AML supervision division with another 5 FTEs hired in 2024 in anticipation of the implementation of the new EU AML/CFT framework and the gradual introduction of new duties (coming into effect in 2026). The skills and knowledge of FTEs are further enhanced by on-the-job training.

Table 11. Austria: 2020 FSAP—Key Recommendations and Status (Continued)

Revise AML/CFT risk scoring reflecting cross-border risks, increase onsite inspections of low-risk banks, branches and subsidiaries and improve non-EU/EEA information exchange.	NT	Implemented. The FMA's risk scoring toolkit includes quantitative and qualitative data to properly capture risks. Cross-border risk monitoring includes qualitative data including on branches and subsidiaries. The FMA has increased onsite inspections for all FIs, including lower risk banks, branches and subsidiaries. For lower risk banks, inspections help raise awareness of the entities under supervision on AML, assess the implemented AML/CFT frameworks, and check the data submitted for the FMA's AML/CFT's risk-assessment tool. Improvement of cross-border information exchange (non-EU/EEA) is part of ongoing supervision. The FMA has the explicit legal basis to share information and MoUs help practical modalities. FMA is also conducting routine reviews of group-wide strategies during its on-site inspections.
Monitor the effectiveness of the FMSB's sustainable lending guidance and prepare regulatory actions, such as binding macroprudential limits, if the risk profile does not improve.	NT	Implemented¹. Binding measures to contain systemic risks from residential real estate funding (limits on DSTI, LTV and maturities) were introduced in 2022 and later amended in 2023 (exemptions of bridge funding, absolute minimum exemption buckets). Following the introduction of these legally binding measures, lending standards markedly improved. Borrower Based Measures for mortgage lending expired as of June 30, 2025. In the absence of legally binding measures, the FMSB has approved accompanying measures as guidelines (loan-to-collateral ratio should not exceed 90 percent, the debt service-to-income ratio should not exceed 40 percent and the maximum maturity should not exceed 35 years; the proportion of loans not meeting these criteria should not exceed 20 percent of new lending in any given quarter). The FMA has also increased the reporting frequency to allow for more timely monitoring of lending standards.
Enhance oversight of inward spillover risks from the inverse ownership structure of the Raiffeisen sector.	NT	Implemented. An Austrian sector-wide <i>Raiffeisen</i>-Institutional Protection Scheme (R-IPS)-System was established by end of May 2021. This IPS establishes a specific deposit guarantee and investor compensation scheme (DGS) for the <i>Raiffeisen</i> sector like the one the Savings banks already have. ECB and FMA require that the R-IPS develop and run stress tests scenarios that adequately cater for material idiosyncratic and systemic risks and consider internal spillover effects. A number of conditions were imposed as part of the approval process including in particular many reporting obligations such as the regular submission of risk reports and documents from risk council meetings or ad hoc reporting obligations, e.g., in the event of material financial deterioration of IPS members. Spillover risks are also investigated regularly during the resolution planning cycle. FMA/OeNB and ECB now receive a more comprehensive sectorwide view; enabling an enhanced monitoring of the specific risks within the Raiffeisen sector.
¹ The measures expired as envisaged under the law and BBMs are no longer in place. The 2026 FSAP recommends the authorities to make the borrower-based measures (LTC, DSTI and loan term limit) a permanent regulation.		

Table 11. Austria: 2020 FSAP—Key Recommendations and Status (Continued)

		Authorities also hold regular meetings with the group auditors, the management bodies of the credit institutions within the <i>Raiffeisen</i> sector and with the <i>Raiffeisen</i> Deposit Guarantee Scheme (ÖRS). Additionally, a <i>Raiffeisen</i> IPS simulation tool has been activated, which allows the simulation of the failing of individual <i>Raiffeisen</i> banks and the assessment of the <i>Raiffeisen</i> IPS capacity to recover such fallouts. OeNB undertook a systemic risk analysis of the Austrian IPSs (<i>Raiffeisen</i> IPS and <i>Sparkassen</i> IPS) to assess the systemic impact of a potential mitigating IPS measure to address the failure of one or more member bank(s) on all other participating banks. This systemic risk analysis allows a consistent treatment of <i>Raiffeisen</i> IPS within OeNB's systemic risk assessments (e.g., for the purpose of calibrating macroprudential buffers).
Financial Stability Analysis		
Close data gaps, including in the real estate and NFC sectors, and improve coverage and granularity of CESEE data.	MT	Partially implemented. The OeNB implemented the following: (i) Data gaps in the real estate and NFC sectors were addressed for residential real estate; the implementation is ongoing for commercial real estate. With respect to commercial real estate, some data gaps have been closed via AnaCredit data and a commercial real estate price index (forthcoming). Other gaps, such as income-based measures (e.g. debt service coverage ratio) remain. (ii) Data gaps with regard to CESEE are addressed by using risk-based parameters. The OeNB's "Financial Stability Cube" has been refined to include more granular risk parameter data. The first data submission was received for reference date September 30, 2024.
Enhance the stress testing framework to consider second round effects, dynamic balance sheets, and contagion/spillover effects.	MT	Partially Implemented. A dynamic balance sheet perspective was implemented in the OeNB's stress test framework ARNIE. It allows for projecting Austrian aggregate and bank-specific credit growth, subject to bank-specific growth and deleveraging constraints. Current work focuses on improvements of the dividend distribution module and growth constraints based on individual banks' management buffer.
Ensure resources and organizational structure are adequate to meet stress testing framework objectives.	NT	Implemented. One new temporary position (duration 2 years) was created, and another temporary position (duration 2 years) was redirected to support further development.
Financial Crisis Management and Safety Nets		
Explicitly provide for purchase and assumption transactions in the bankruptcy regime.	NT	Not implemented
Seek legislation for standing authority to implement stabilization measures, support funding in resolution, and explore mechanisms for prepositioning BMF to support borrowing by DGSs.	I	Not implemented
Consider cross-border spillovers in national crisis contingency plans.	NT	Implemented. A crisis cooperation manual between OeNB and FMA was completed in Q2 2020 and recently updated in 2026, that consider cross-border spillover effects through coordination with the Single Supervisory Mechanism (SSM). In addition, cross-border spillovers are dealt with in the established procedures of the Resolution Colleges for SIs. For the LSIs, FMA acts as the group resolution authority in two colleges and participates as a member to two additional resolution colleges.

Table 11. Austria: 2020 FSAP—Key Recommendations and Status (Concluded)

Enhance insurance crisis preparedness, introducing pre-emptive recovery planning for eligible insurers.	NT	In progress. A recovery and resolution regime will be implemented by transposing the IRRD. The IRRD was published in January 2025 and will be applicable from January 2027. Negotiations with the MoF have been initiated for the purpose of implementation.
NT * I-Immediate" is within one year; "NT-near-term" is 1–3 years; "MT-medium-term" is 3–5 years.		