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AUSTRIA

FINANCIAL SECTOR ASSESSMENT PROGRAM

TECHNICAL NOTE ON SYSTEMIC RISK ANALYSIS

August 2026

This Technical Note on Systemic Risk Analysis for the Austria Financial Sector Assessment Program was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with the member country. It is based on the information available at the time it was completed on July 29, 2026.

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SYSTEMIC RISK ANALYSIS

Prepared By
Monetary and Capital Markets Department

This Technical Note was prepared by IMF staff in the context of the Financial Sector Assessment Program in Austria. It contains technical analysis and detailed information underpinning the FSAP's findings and recommendations. Further information on the FSAP can be found at http://www.imf.org/external/np/fsap/fssa.aspx

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Glossary

AC	Amortized Cost
AFS	Available for Sale
ARNIE	Applied Risk Network and Impact Assessment Engine
ASF	Available Stable Funding
BBM(s)	Borrower Based Measure(s)
Basel III	Basel III Regulatory Framework
BSI	Balance Sheet Items
BVAR	Bayesian Vector Autoregression
CBC	Counterbalancing Capacity
CCB	Capital Conservation Buffer
CESEE	Central, Eastern and Southeastern Europe
CET1	Common Equity Tier 1
CM	Commodities (market risk factor)
CoMAP	Contagion Mapping Framework
COREP	Common Reporting (supervisory reporting framework)
CRE	Commercial Real Estate
CRM	Credit Risk Mitigation
CZK	Czech Koruna
DGS	Deposit Guarantee Scheme
EA	Euro Area
EAD	Exposure at Default
EBA	European Banking Authority
ECB	European Central Bank
EDF	Expected Default Frequency
EQ	Equity (market risk factor)
EUR	Euro
EU/EEA	European Union / European Economic Area
FINREP	Financial Reporting (supervisory reporting framework)
FI	Financial Institution
FSAP	Financial Sector Assessment Program
FVOCI	Fair Value Through Other Comprehensive Income
FVPL	Fair Value Through Profit or Loss
FX	Foreign Exchange
GDP	Gross Domestic Product
GFC	Global Financial Crisis
GFM	Global Financial Model
GFSR	Global Financial Stability Report
GRA	General Risk Aversion
HFCS	Household Finance and Consumption Survey
HQLA	High Quality Liquid Assets
ICR	Interest Coverage Ratio

IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IPS	Institutional Protection Scheme
IR	Interest Rate
IRB	Internal Ratings Based (Approach)
IRRBB	Interest Rate Risk in the Banking Book
ITS	Implementing Technical Standards
KIM-V	Kreditinstitute-Immobilienfinanzierungsmaßnahmen-Verordnung, (Regulation on Sustainable Lending Standards for Residential Real Estate)
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LSI(s)	Less Significant Institution(s)
LTV	Loan to Value
MFI	Monetary Financial Institution
NACE	Nomenclature of Economic Activities
NBFI(s)	Non-bank Financial Institution(s)
NFC(s)	Non-financial Corporation(s)
NFCI	Net Fees and Commission Income
NII	Net Interest Income
NPL(s)	Non-performing Loan(s)
NSFR	Net Stable Funding Ratio
NTI	Net Trading Income
OeNB	Oesterreichische Nationalbank (Austrian National Bank)
OFI	Other Financial Institution
OSII	Other Systemically Important Institution
P&L	Profit and Loss
P2R	Pillar 2 Requirement
PD	Probability of Default
PiT	Point in Time
RAM	Risk Assessment Matrix
RBI	Raiffeisen Bank International
RRE	Residential Real Estate
ROA	Return on Assets
ROE	Return on Equity
RSF	Required Stable Funding
RWA(s)	Risk Weighted Asset(s)
SA / STA	Standardized Approach
SI(s)	Significant Institution(s)
SME(s)	Small and Medium Sized Enterprise(s)
SREP	Supervisory Review and Evaluation Process
STE	Short Term Exercise
SyRB	Systemic Risk Buffer
TB	Trading Book

TSCR	Total SREP Capital Requirement
TTC	Through the Cycle
UB	Unemployment Benefit
VaR	Value at Risk
WEO	World Economic Outlook

EXECUTIVE SUMMARY[1]

Table 1. Austria: 2026 Key FSAP Recommendations		
Recommendation	**Agency**	**Timing[1/]**
Systemic risk analysis		
Include IPS channels in solvency and liquidity stress tests and contagion analysis, and integrate liquidity channels in the contagion analysis	OeNB	ST
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
Enhance risk monitoring of banks' large exposures to NBFIs	OeNB	MT
Enhance monitoring of CESEE large exposures and further improve surveillance and reporting	OeNB, FMA	ST
[1/] I Immediate (within 1 year); ST Short Term (within 1-2 years); MT Medium Term (within 3-5 years)		

While the ongoing Middle East conflict is weighing on the outlook, the Austrian financial sector has remained resilient in recent years in the context of domestic and international headwinds. Despite two years of a broad-based recession in 2023 and 2024, rising NPLs in particular in the commercial real estate segment until recently, the materialization of geopolitical risks and tighter monetary policy constraining demand, the banking system's capitalization has continued to improve. The aggregate Common Equity Tier 1 capital ratio (CET1) reached 18.4 percent in September 2025, from 17.9 percent at the end of 2024. This reflects continued strong profitability in recent years, in particular from net interest margins driven by foreign activities. While profitability has declined since its peak in 2023, it remained relatively high with a return on equity at 8.9 percent in percent in 2025. Liquidity buffers are high, with weighted Liquidity Coverage Ratio (LCR) of 185 percent and an aggregate Net Stable Funding Ratio (NFSR) of 134.8 percent in September 2025. Less Significant Institutions (LSIs) have on aggregate higher capital ratios and higher liquidity buffers than Significant Institutions (SIs).

The Austrian banking system is large, complex, connected to NBFIs and present unique structural features. Consolidated banking sector assets account for 255 percent of GDP as of end-2025.[2] There are three main segments of banks: (i) the Sparkassen forming Erste Bank Group AG; (ii) the Raiffeisen decentralized segment; and (iii) the Volksbanken segment. There are 7 SIs and over 300 LSIs accounting for 28 percent of banking sector assets. SIs and LSIs in the decentralized Raiffeisen sector have complex ownership structures and financial interlinkages, including through layers of ownership and mutual cooperation arrangements—institutional protection scheme (IPS) of

[1] This Technical Note was prepared by Zoltan Jakab, Zexi Sun and Thierry Tressel (all MCM).

[2] By contrast, assets under management of investment funds and insurance companies represent respectively 50 and 27 percent of GDP at end-2025.

mutual support, and liquidity associations. Some SIs have a focus on cross-border activities through subsidiaries in particular in CESEE markets.[3]

Key risks to the financial sector arise from external geopolitical and trade related risks, including the ongoing conflict in the Middle East, subdued economic activity, exposure to CRE lending, and shocks in the Central, Eastern and Southeastern European (CESEE) regions. Global external risks include the materialization of further geopolitical disruptions, commodity and trade risks, and financial stability and sovereign stress. Austria specific risks include disruptions in CESEE countries, primarily lower growth due to similar external factors as for Austria, which could impact Austrian banks' profitability through credit risk and interest rate risk. 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.

The aggregate capital ratio of the Austrian banking system remains above capital requirements under severe but plausible adverse macroeconomic scenarios.[4] The solvency stress test relied upon an update of the Euro Area FSAP adverse scenarios and more severe negative demand shocks in the CESEE region, shifted by one year, and on the IMF's Spring 2026 World Economic Outlook (WEO) data as available before the war in the Middle East at the time of the main mission in March 2026 for the baseline scenario. 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 shocks considered under the adverse geopolitical scenario are more severe than the recent downgrade of economic forecasts and the WEO adverse scenario. Reliance on two scenarios allows to assess the impact of differential shocks across banks, for example to net interest income, depending on their business models. Credit risks and interest rate risks are the main drivers of aggregate capital depletion in the adverse scenarios. 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. The decline in capital ratios is larger for SIs than for LSIs, reflecting larger credit risk and larger decline in the net interest income including from CESEE exposures, and exposures to global market shocks. Under these adverse scenarios, only a small number of LSIs breach their Total SREP Capital Requirement (TSCR), and several additional banks, including three SIs, moderately dip into their additional buffers.

The banking system maintains high liquidity buffers, and liquidity stress tests confirm that banks can withstand significant liquidity outflows. Two stress scenarios were considered for both the LCR stress tests and the cash-flow stress tests, which are derived from the scenarios of the 2025 Euro Area FSAP. The asset-weighted LCR remains above regulatory requirements under the two stress scenarios, for both SI and LSI segments, and for both total currency and significant currencies.

[3] CESEE operations comprised about a quarter of the assets and around 40 percent of the total profits of the Austrian banking sector in 2025.

[4] While the core assessment is based on information available prior to the war in the Middle East, FSAP's evaluation of underlying vulnerabilities and policy frameworks remains valid. For example, the stress tests scenarios are more severe than the 2026 Spring downgrade of the IMF's economic forecasts.

Cash-flow stress tests for total currency and significant currencies show that both SIs and LSIs, on average, can withstand significant liquidity outflows by drawing down their counterbalancing capacity over extended horizons exceeding 30 days, under both a generalized risk aversion scenario and an idiosyncratic bank run scenario. However, pockets of vulnerable SIs and LSIs emerge, especially beyond the 3-month horizon.

Additional analysis confirms the aggregate robustness of the banking system's solvency and liquidity, including through second round effects of the Institutional Protection Scheme (IPS) and liquidity associations of the decentralized sector.[5] IPS are contractual mutual support arrangements among banks aimed at safeguarding member liquidity and solvency and preventing insolvency of institutions part of the IPS. In all regions, IPS ex-ante funds of the decentralized sector appear sufficient to recapitalize banks experiencing a capital shortfall to minimum requirements under the two adverse scenarios of the solvency stress tests, and regional members have sufficient capital surplus on aggregate to recapitalize banks to requirements including buffers. Liquidity stress tests incorporating the second-round effects from the IPS funds and liquidity associations of the decentralized sector also underscore the importance of these mechanisms in preserving resilience to liquidity shocks. This is achieved by channeling liquidity surplus through liquidity redistribution among member banks and the activation of the IPS mechanisms. While large banks have significant large exposures, including to NBFIs which are mainly Other Financial Intermediaries (OFIs), a substantial portion of which are intergroup, concentration risks appear mitigated as they benefit from credit risk mitigation measures.[6] The sovereign-bank nexus is contained through geographical diversification, especially for SIs, and decoupling of deposit funding costs from long-term rates.

Counterfactual analysis of mortgage lending standards confirms that borrower-based measures limiting LTVs at origination to 90 percent notably reduce credit risk over time. This confirms the effectiveness of the macroprudential policy measures under the KIM-V legislation and supports the current guidelines concerning standards for mortgage origination. An analysis of liquidity to solvency interactions shows that a hypothetical forced sell-off of amortized cost fixed income securities would have a significant impact on solvency, highlighting the importance of central bank liquidity provision during market stress events. The Austrian banking sector exhibits lower average asset encumbrance than the European average, though LSIs tend to display higher asset encumbrance than SIs. The banking sector has well diversified funding on average, although several LSIs have relatively concentrated funding structures.

A contagion stress test suggests that Austrian interbank exposures are highly concentrated, but the system is resilient to hypothetical defaults, and only a limited number of banks would create contagion risks. The baseline case suggests that contagion risks are highly concentrated to originate from a few larger banks. The overwhelming majority of banks were found neither contagious nor vulnerable. Only a few SIs were found contagious, but their liquidity positions and

[5] The IPS of the Sparkassen is not considered in the analysis because the Sparkassen are consolidated into one banking group.

[6] The finding that a substantial portion of these exposures are to OFIs part of a banking group was confirmed by additional analysis performed by the OeNB based on Balance Sheet Items (BSI) data.

asset pools and capital prevent them from being vulnerable. Most vulnerable LSIs with relatively tight liquidity or capital position are found to be small.

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 and to the fact that larger banks would have to contribute relatively more than their pro-rata share than smaller ones. This impact may only arise up to regulatory limits.

Large exposures to CESEE countries are sizeable and potential losses from this region would amplify contagion within the system. To determine the size of large exposures to CESEE countries, proper data handling is required. This is because group and individual exposures are reported in multiple entries, and hence one needs to control double counting to arrive at a consistent database on large exposures. CESEE large exposure of SIs accounts for a significant share (18.5 percent) of their assets. Potential losses from CESEE region would increase contagion risks, as in an adverse scenario the capital loss would be concentrated on banks which may create cascading effects through interconnections in the interbank market. This suggests the need for enhanced monitoring of large exposures in the region.

MACROFINANCIAL BACKGROUND

A. Macro-financial Landscape and Trends

1. The Austrian economy experienced two years of recession in 2023–24, triggered by the energy-price shock and subsequent EA monetary tightening, and growth has significantly underperformed compared to the EA (Figure 1). This reflected especially weak inventory dynamics, and the contribution of external demand also diminished. The downturn in activity was broad-based, with declines in manufacturing, construction, and key services, and resulted in a downward adjustment in real estate prices. At the same time, core inflation remained high due in part to rapid wage growth. 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 started to recover in 2025, but the near-term outlook faces significant risks, in particular from the ongoing geopolitical uncertainty, as well as from trade shocks. On the positive side, the government's near-term fiscal consolidation measures are expected to help reduce inflationary pressures and slow the rise in public debt. Key external downside risks include further escalation of geopolitical tensions and trade policy uncertainty and higher barriers to trade which could reduce demand for Austrian export-oriented sectors. A *sustained* energy price shock from developments in the Middle East could set off resumed high inflation dynamics and put energy intensive industries under pressure. The Middle East conflict has so far resulted in a downward

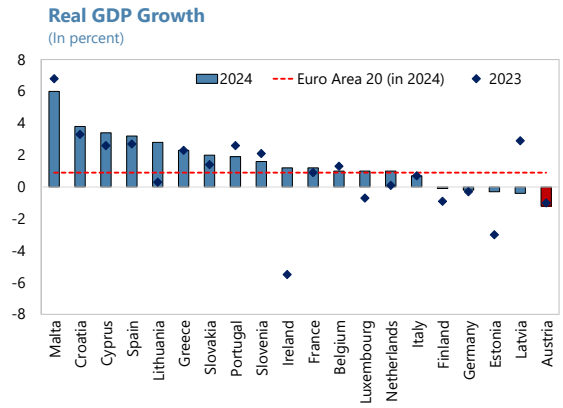
revision of economic growth by 0.5 percentage points for 2026 and by 0.2 percentage points in 2027. Domestically, persistent weak economic sentiment could slow the recovery. And, if core inflation remains more persistent than expected, this could undermine Austria's price competitiveness over time.

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 (Figure 2). 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, while the saving rate is high. Aggregate debt of non-financial corporations (NFCs) is similar to peer countries. A gradual strengthening of investment is anticipated from 2026 onwards with monetary policy normalization.

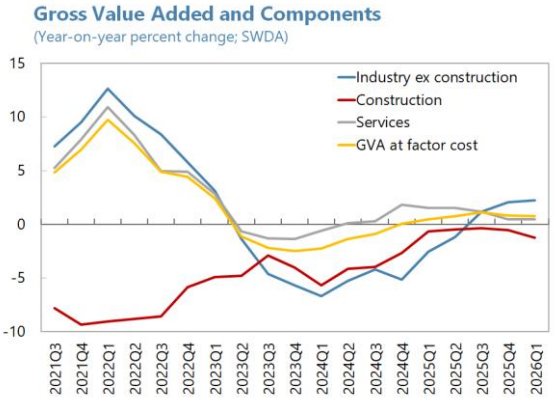
4. Credit growth has been low due to weak demand and tight monetary policy. Overall credit growth was at 2.6 percent y-o-y in March 2026, but some tentative signs of a recovery are emerging, including in house purchases. Mortgage lending seems to have bottomed out, and corporate lending growth has been picking up slowly due to weaknesses particularly in the demand for long-term loans to finance investments.

Figure 1. Austria: Macro-financial Developments

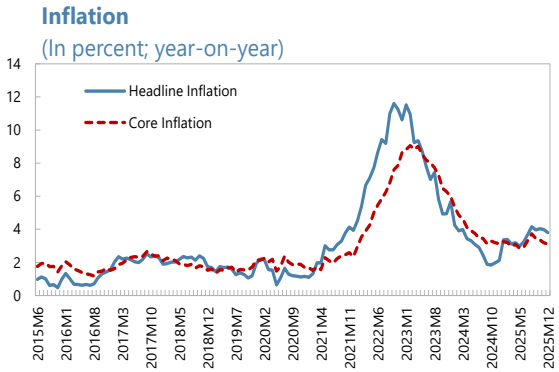
GDP growth contracted in 2023 and 2024 ....



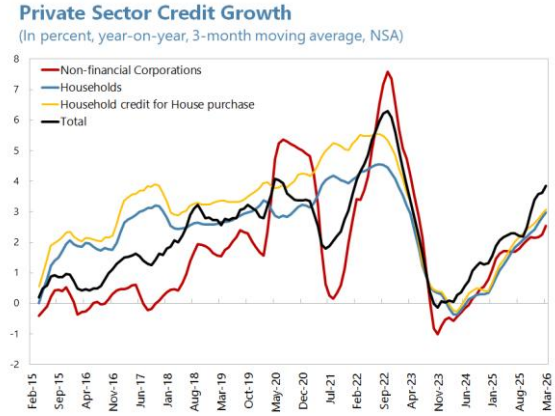
.... but a modest broad-based recovery started in 2025.



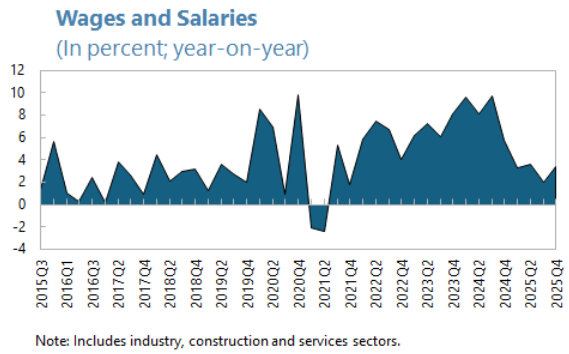
The marked decline of inflation from its peak in 2022 halted in 2025.



Credit growth to NFCs and households has been picking up.

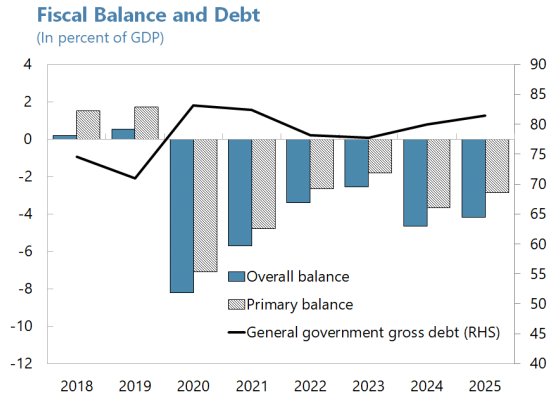


Wage growth moderated in 2025.



Note: Includes industry, construction and services sectors.

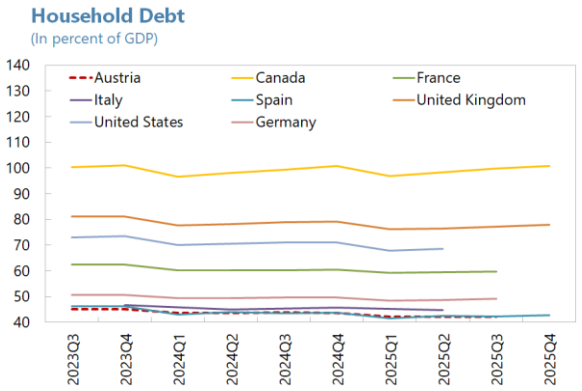
Public debt has been rising since 2023.



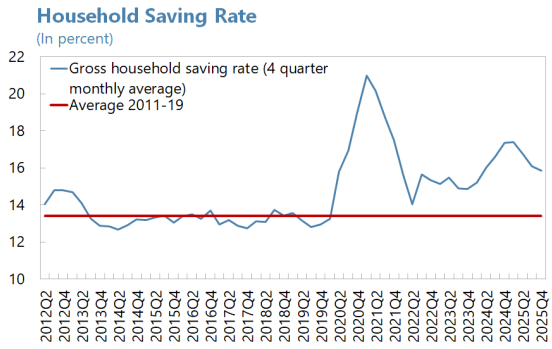
Sources: Haver, Eurostat, Ministry of Finance, IMF's World Economic Outlook database, and IMF staff calculations.

Figure 2. Austria: Household and Private Sector Developments

Household debt remains low....

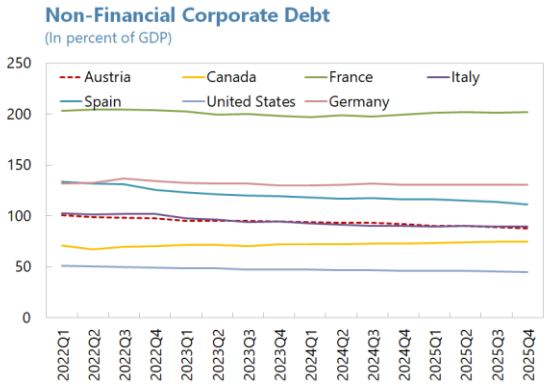


.... helped by the high saving rate.

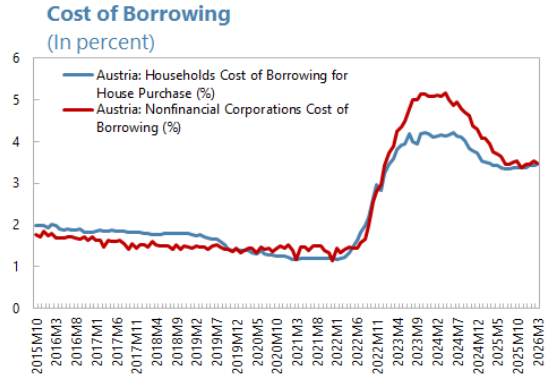


Note: The household gross saving rate is gross saving divided by gross disposable income of households adjusted for the change in their net equity in pension fund reserves.

NFC debt is similar to peer countries....



....and the cost of borrowing stabilized in 2025.



Sources: Haver, Eurostat and IMF staff calculations.

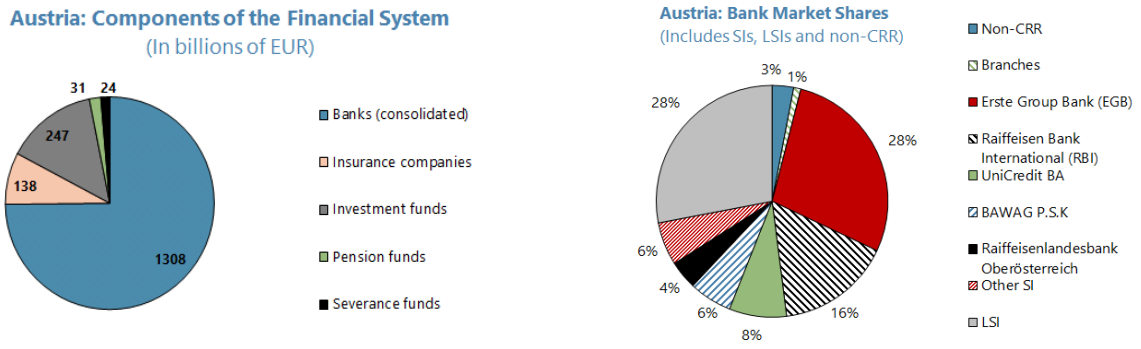
B. Banking System Structure and Performance

5. The Austrian financial system is mostly bank-oriented with a few banks accounting for more than half of bank assets and a large number of small banks (Figure 3). Banks' balance sheets represented 255 percent of GDP at end-2025[7], while assets under management of investment funds and insurance companies represented, respectively, 50 and 27 percent of GDP at end-2025. At the highest consolidated level, the banking system comprises 310 credit institutions based on the CRR definition, 7 SIs, and 303 LSIs at end-2025. The number of LSIs has declined significantly in the last 10 years as a result of mergers. The two largest banks, Erste Group Bank and Raiffeisen Bank International (RBI) account for 44 percent of banking assets; the subsidiary of UniCredit in Austria, which is not an SI per the Single Supervisory Mechanism (SSM) definition, is large and accounts for 9

[7] 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.

percent of banking assets. The LSI sector is also significant in Austria and accounted for [28] percent of banking assets at end-2025. The large number of LSIs mostly reflects the decentralized system of the Raiffeisen sector, which comprises 276 local credit institutions (Table 2).

Figure 3. Austria: Financial System Composition and Bank Market Shares, 2025



Source: OeNB. Note: Data as of Q4 2025 for Insurance companies and Investment funds, and as of Q3 2025 for Banks, Pension Funds and Severance Funds.

Table 2. Austria: Structure of the Banking System

Number of Banks by Type

End of period	Joint stock banks and private banks[4][5]		Savings banks[4]		State mortgage banks[1]		Raiffeisen credit cooperatives[5]		Volksbank credit cooperatives[5]		Building and loan associations		All banks	
	H[2]	B[3]	H	B	H	B	H	B	H	B	H	B	H	B
2025	34	791	48	682	6	92	276	1,191	9	222	4	68	445	3,057
Region														
Vienna[6]	23	199	3	45	0	9	5	22	2	14	3	9	90	303
Styria	0	91	4	119	0	2	40	151	1	30	0	11	47	404
Upper Austria	3	133	9	146	1	10	65	292	1	30	0	12	86	624
Salzburg	3	61	1	40	0	1	34	83	1	21	1	5	44	212
Tyrol	2	74	8	85	1	16	40	134	1	26	0	5	52	340
Carinthia	1	58	2	44	1	10	24	101	1	17	0	5	29	235
Vorarlberg	1	29	5	41	1	13	16	46	1	13	0	5	24	147
Burgenland	0	27	0	9	1	9	11	65	0	6	0	6	12	123
Lower Austria	1	119	16	153	1	22	41	297	1	65	0	10	61	669

Source: OeNB

[1] Including "Pfandbriefstelle" (until Q1 2018).

[2] Head office

[3] Branch offices.

[4] A reclassification among sectors (Bank Austria Creditanstalt AG) from savings banks to joint stock bank and private banks led to a break in the data series in December 2004.

[5] Individual banks were reclassified from or to Joint stock banks and private banks, Raiffeisen credit cooperatives, Volksbank credit cooperatives and Special purpose banks in December 2006 to reflect the standardization of the sector allocation criteria used by the OeNB and the Financial Market Authority (FMA).

[6] All state related data is based on the last quarter (irrespective of the selected time series).

Note: This table from the OeNB website shows banks according to their respective sectors. It also contains individual entities that belong to consolidated banking groups. The total number is therefore higher than the total number of SIs and LSIs, which are counted at the highest consolidated level.

6. The banking sector of Austria is complex. The three main segments are: (i) the decentralized Raiffeisen segment; (ii) the Sparkassen, consolidated under Erste Bank Group AG; and the (iii) the Volksbanken segment, also consolidated. LSIs have complex decentralized ownership structures and financial interlinkages, including through layers of mutual cooperation

arrangements—institutional protection schemes (IPS), a cross-guarantee scheme and liquidity associations— a reverse ownership structure of the Raiffeisen sector, and a focus on CESEE markets mostly through SIs. Key CESEE regional exposures within the EU are in the Czech Republic, Slovakia, and Romania followed by Hungary, Croatia and Slovenia. The Austrian banking sector also has significant exposures in Germany. Based on data from the OeNB website, total foreign exposures of the banking system reached 26.2 percent of assets at the end of 2025, and 41.6 percent for larger banks (joint stock banks). Based on data from the OeNB website (unconsolidated basis), loans to non-financial private sector account for about 47 percent of assets, and securities holdings reach 13.6 percent of assets at the end of 2025. Household deposits remain the main source of funding at 34.7 percent of liabilities at the end of 2025, and debt securities account for 16.4 percent of funding. Funding from NBFIs accounts for 5.7 percent of funding, and loans to NBFIs 4.9 percent of assets (Figure 4).

7. The decentralized structure of the Raiffeisen segment contributes largely to the complexity of the system. The Raiffeisen sector has a three-layer structure: the first-tier accounts for local primary banks which hold shares in one of the eight regional banks (Landesbanken) that form the second tier. The local banks and their respective Landesbank form local liquidity associations in which the Landesbanken are central institutions to which primary banks upstream their liquidity surplus.[8] The central institution provides liquidity management and payment facilities to participating members. At the regional level, the eight Landesbanken form liquidity associations with the third-tier bank, the RBI, as central institution. The Landesbanken hold around 60 percent of RBI ("inverse ownership"). RBI is a listed bank with several foreign subsidiaries in CESEE, including Russia (Figure 4). There is an institutional protection scheme (IPS) in place comprising the entire decentralized sector, with IPS-internal burden-sharing mechanisms between the different regions.[9]

[8] Some liquidity associations have been granted a waiver on LCR requirements under EU regulations. As a result, some LSIs of the decentralized sector can legally report LCR below 100 percent because liquidity is up streamed and managed at the liquidity associations' levels.

[9] IPS is in addition to statutory deposit insurance. IPS ex-ante contributions account to 0.5 percent of each bank's RWAs. There are requirements that must be met by all affiliated members. Each member must contribute to the ex-ante fund available for support, account to 0.5 percent of each bank's RWAs. All regional and federal ex-ante funds are currently fully funded. If the ex-ante fund is not sufficient to cover a shortfall, members are required to provide ex-post contributions. Every member of the IPS must first exhaust all reasonable resources at the regional level to meet its needs before resorting to its rights under the IPS.

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.

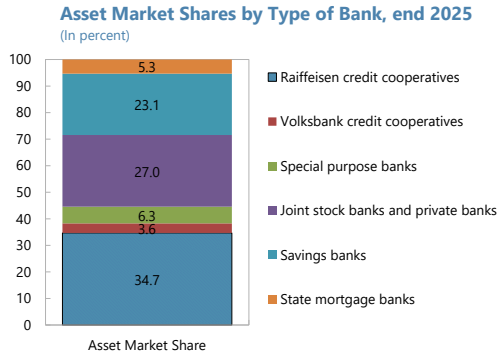
IPSs provide preventive liquidity and solvency support, financed by prefunded resources and member contributions. Furthermore, the IPSs are also recognized as a deposit guarantee and investor compensation scheme (DIS). The liability company (ÖRS and S-Haftung) operate the DIS of the respective IPSs.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

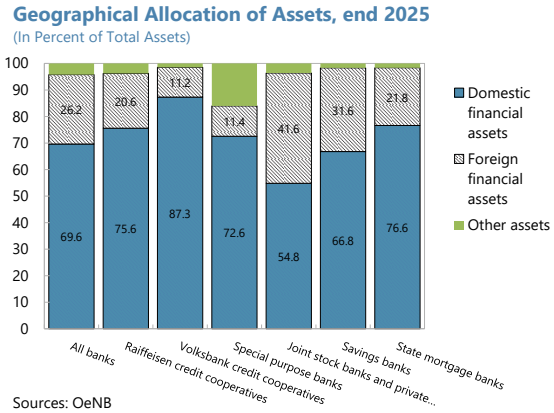
Figure 4. Austria: Structure of Bank Balance Sheets

Large banks listed on the stock market account for a very large share of bank assets



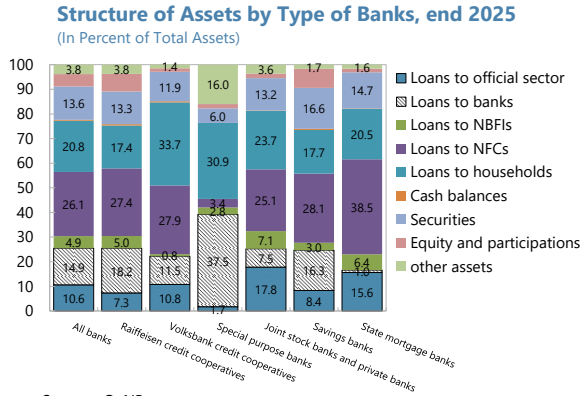
Sources: OeNB

Austrian banks, especially large ones listed on the stock market, have very important international activities



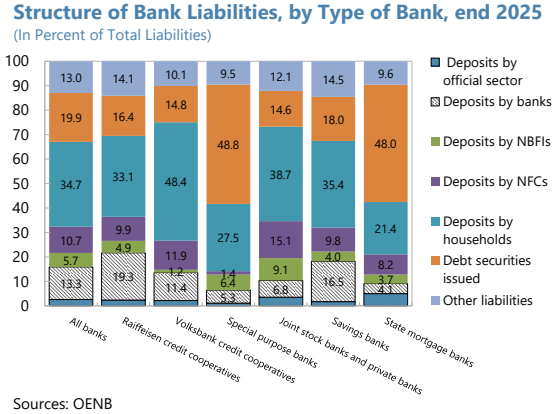
Sources: OeNB

Retail loans and loans to NFCs account for almost ½ of bank assets



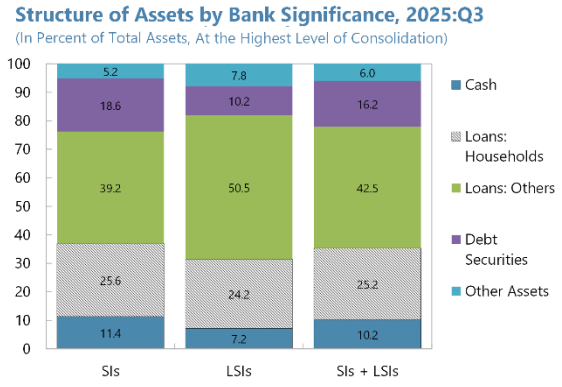
Sources: OeNB

Retail deposits and debt are the two largest sources of funding, followed by interbank funding



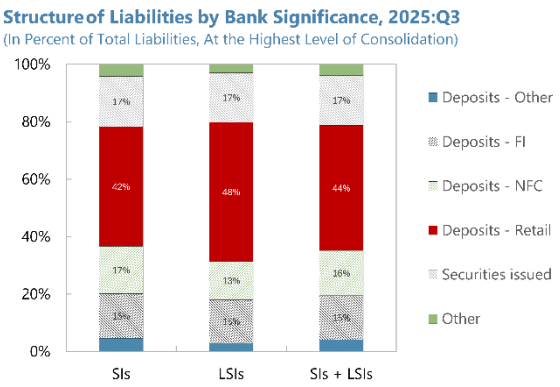
Sources: OENB

As a share of assets, LSIs originate more loans than SIs



Sources: FINREP and IMF Staff estimates.

As share of liabilities, LSIs receive more funding from households (retail) than SIs

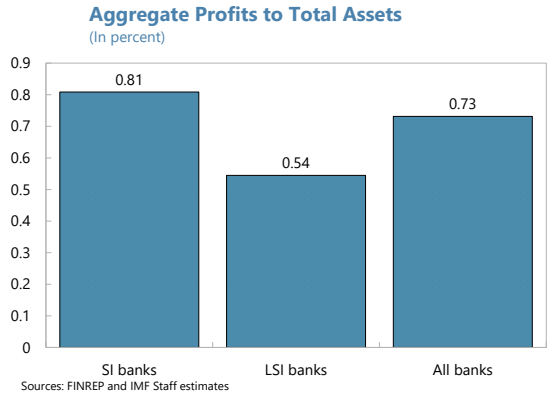


Sources: FINREP and IMF staff estimates.

8. Profitability has increased in recent years, driven mostly by net interest income (NII) in the higher interest rate environment, in particular from exposures in CESEE countries (Figure 5). SIs tend to experience higher returns on assets (ROA) than LSIs, and the majority of their NII is generated from foreign activities, in contrast to LSIs. About 65 percent of SIs' profits are generated abroad, compared to 31 percent for LSIs. This observation underscores the importance of solvency stress tests of modeling interest rate risk and credit risk not only for domestic activities but also for foreign activities, especially for SIs.

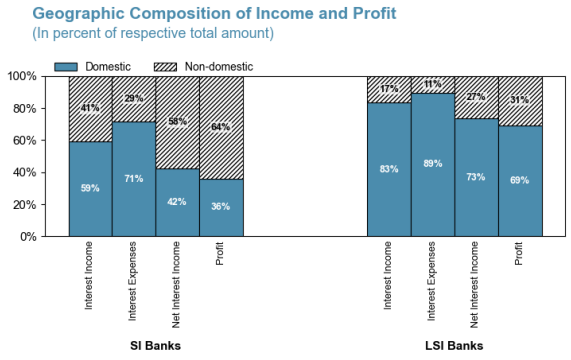
Figure 5. Austria: P&L Structure

SIs had higher profitability than LSIs as of 2025: Q3



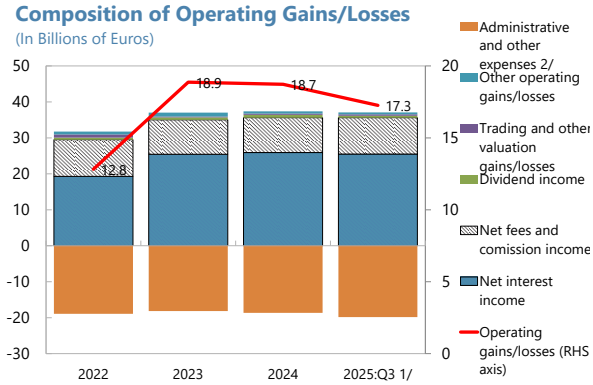
Sources: FINREP and IMF Staff estimates
Note: Cumulative profits from 2024:Q3 to 2025:Q3. Total assets as of 2025:Q3

SIs generate more than ½ of their profit abroad while LSIs generate about 2/3 domestically



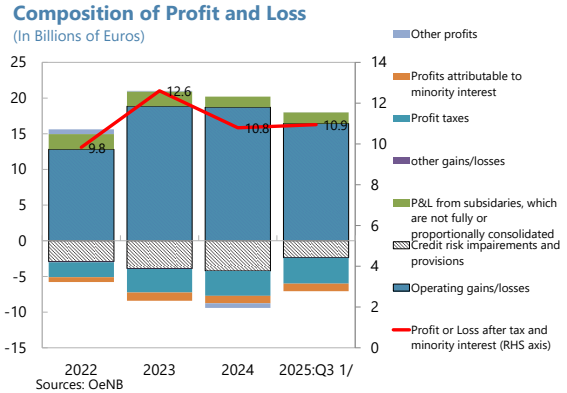
Sources: FINREP and IMF staff calculations.

The recent increase in operating gains results to a large extent from higher net interest income (NII)



Sources: OeNB
1/ Annualized cumulative 2025:Q1-2025:Q3
2/ includes depreciation and impairement of physical and intangible

Provisions increased from 2023 onwards relative to 2022



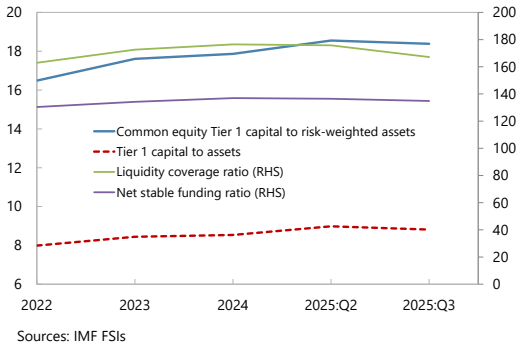
Sources: OeNB
1/ Annualized cumulative 2025:Q1-2025:Q3

9. The banking system exhibits solid buffers (Figure 6). Banks' capital ratios have improved in recent years. The Common Equity Tier one capital to risk weighted assets ratio (CET1 ratio) reached 18.4 percent at end-September 2025. The CET1 ratio is lower for SIs than for LSIs, with a median at 17.6 percent versus 21.8 percent. There is however more dispersion of capital ratios

among LSIs than among SIs, and several LSIs have relatively low CET1 ratios. Aggregate liquidity ratios appear high, with the asset-weighted LCR at 185 percent and an NSFR at 134.8 percent.

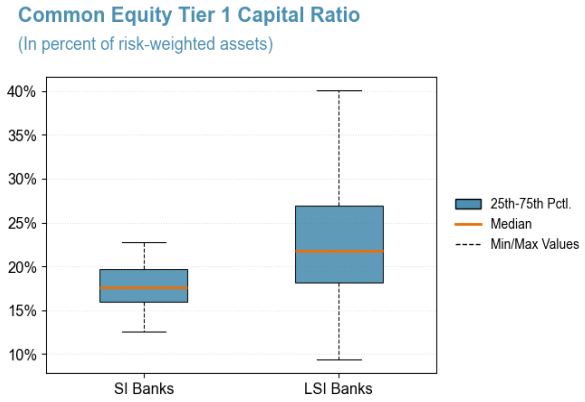
Figure 6. Austria: Regulatory Ratios

Regulatory capital ratios appear comfortable



Sources: IMF FSIs

Capital ratios are in general lower for SIs than for LSIs, but there is more dispersion for LSIs



Sources: COREP and IMF staff calculations.

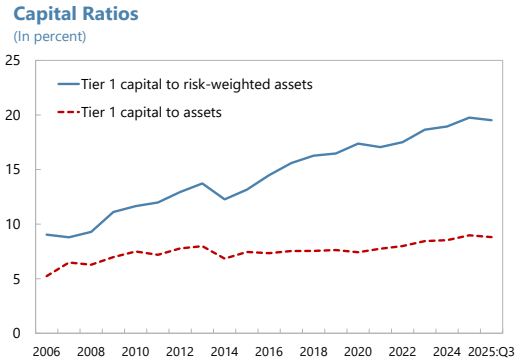
10. From a longer-term perspective, the Austrian banking system has significantly improved its capacity to absorb shocks through restructuring of activities, improved profitability and building of buffers (Figure 7). After the onset of the global financial crisis (GFC), the Austrian banking system underwent significant stress as the CESEE exposures of its internationally active banks, with a very large share of retail loans in foreign currencies and funded short-term, exposed banks to FX risks and funding risks, weakened confidence and increased significantly borrowing costs.[10] Since then the banking sector has been restructured and significantly strengthened. Capital buffers have increased very significantly, with the Tier 1 capital ratio increasing by 10 percentage points from 9 percent in 2008 to more than 19 percent in September 2025. Profitability has improved since the GFC, and the sources of income have been diversified. While the NII still accounts for more than half of gross income, its share in gross income is significantly lower than in 2008-2010. Operating efficiency has improved, as demonstrated by the significant decline in non-interest expense to gross income relative to the pre-2014 period. The share of FX loans in total loans has declined from about ¼ at the time of the GFC, to about 9 percent.[11] While provisions recently increased, the non-provisioned portion of NPLs has increased notably since 2022, as happened in 2013. Since the 2020 FSAP, the banking system has consolidated, including the IPS mechanisms, and profitability and capitalization have improved.

[10] See for instance IMF Country Report 13/283 "Austria Financial Sector Financial Stability Assessment".

[11] However, a positive net open position in FX remains, suggesting the Austrian banking system remains exposed to FX risks.

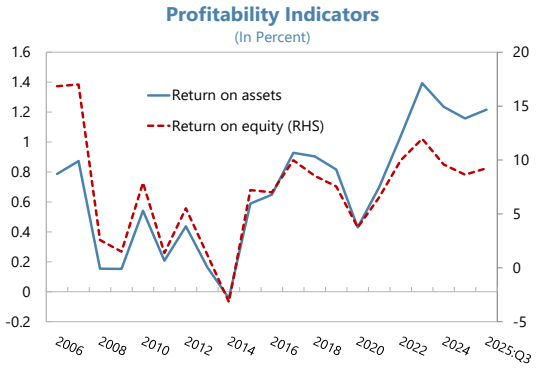
Figure 7. Austria: Long-Term Perspective on Bank Performance

Capital ratios have steadily and very significantly improved over the past twenty years



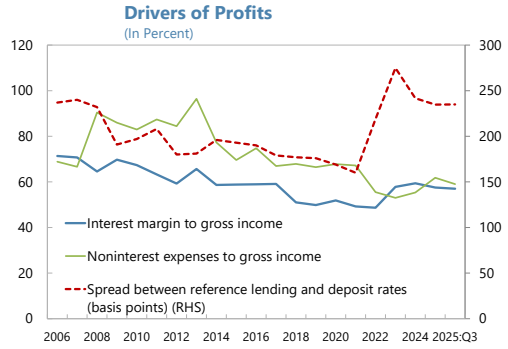
Sources: IMF FSIs

Profitability has also improved over time, including since the previous FSAP



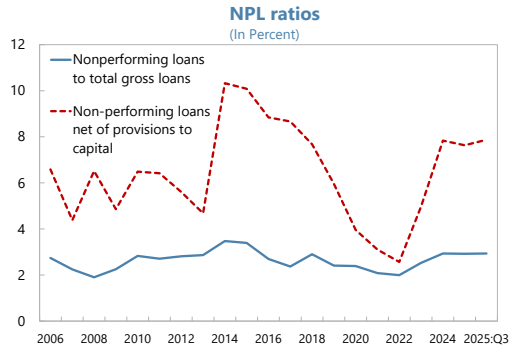
Sources: IMF FSIs

NII represents a large share of income, which however has declined since the early 2000s



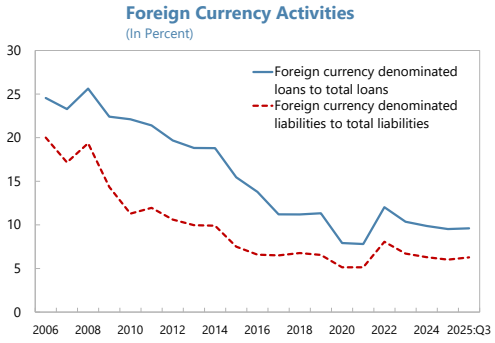
Sources: IMF FSIs

The NPL ratio displays stability in the long term, but the un-provisioned portion has increased since 2022.[1/]



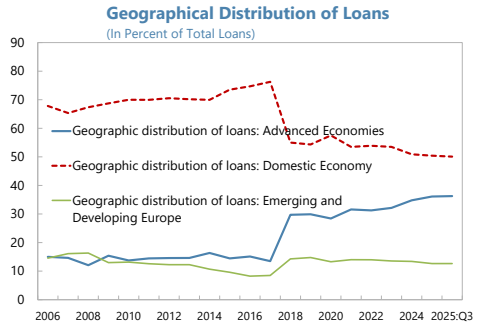
Sources: IMF FSIs

The share of activities in foreign currencies have declined significantly since the early 2000s but remains significant



Sources: IMF FSIs

The share of activities in other advanced economies has increased over the past ten years



Sources: IMF FSIs

[1/] This could reflect a variety of factors, including higher collateralization and higher unexpected credit risk.

C. Vulnerabilities and Risks

11. The deterioration of credit quality, triggered by major bankruptcies in the construction and CRE sector has been on the rise since 2023. The aggregate 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[12] rose to 8.3 percent as of end-2025, whereas the NPL ratio on non-CRE loans declined slightly. As a result of increasing residential real estate (RRE) sector risks, borrower-based measures (BBMs) 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 were replaced by lending guidelines in line with the BBM limits. The share of variable rate loans in total new loans remains high but it has been declining from the peak at end-2022, and it was 39 percent for households, and 77 percent for companies in H1 2025.[13] Variable rates can accentuate vulnerabilities of non-financial private sectors, which may spill over to banks through an increase in credit risk.

12. Potential structural vulnerabilities may arise from the complex and interconnected financial system. Risks to financial stability from Non-Bank Financial Intermediation (NBFI) may be contained, given the relative size of its sectors, but they deserve attention due to their interconnectedness with the banking sector and CRE and CESEE exposures. The decentralized sector creates deep liquidity and solvency interconnections through liquidity associations and the IPS. The IPS protection mechanism may act as a shock absorber for idiosyncratic events but could also result in propagating shocks through the system. The risk analysis assesses such potential vulnerabilities within the decentralized sector through second-round effects of the solvency stress tests and liquidity stress tests involving the regional and federal IPS and liquidity associations, and through the interconnectedness and contagion analysis.

13. Going forward, key risks to the financial sector arise from global shocks, and domestically from subdued economic activity, exposure to CRE lending, from shocks in the CESEE region. Externally, increased global trade policy uncertainty, geopolitical tensions and commodity price shocks would hurt Austria's export sectors, including via slowdown of euro area trading partners' growth. A continuation of the Middle East conflict would adversely impact Austria through these external sector channels, including high energy prices, rising transportation and input costs, weaker external demand from key European trading partners, disruptions to trade and supply chains, and higher interest rates and heightened financial market volatility. Many of these channels are included in the geopolitical scenario under which balance sheets of banks, non-financial corporates and households are stressed. The impact of US tariffs on bank credit quality is difficult to quantify directly, but preliminary scenario analyses by the OeNB suggest that risks remain contained. The manufacturing sector has the highest direct exposure to US tariffs, but its share in NPLs was

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

[13] There has been a trend decline in the share of variable rate loans.

only 16 percent in 2024, and even a significant rise in NPLs in the sector would be manageable given high bank capitalization. Disruptions in CESEE countries, primarily lower growth due to similar external factors as for Austria, could impact Austrian banks profitability. 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. These risks will be included in the macro-financial scenarios of the risk analysis.

D. Scope of the Systemic Risk Analysis and Scenarios

14. The FSAP team performed stress tests and contagion analysis in collaboration with the OeNB to assess the resilience of the banking sector to various macro-financial shocks taking into account domestic sectoral linkages and cross-border exposures. In total, 313 banks were included in the exercise, accounting for over 95 percent of banking system's total assets.[14] The stress tests were conducted using supervisory data up to 2025: Q3. The scope of the exercise included:

- **Solvency stress test**: The FSAP team conducted a top-down exercise based on the balance sheet approach, using regulatory and supervisory data up to 2025: Q3 as the cut-off date. The exercise considered three scenarios; a baseline scenario, derived from IMF economic forecasts with a cut-off point of February 25th 2026 and two adverse scenarios.[15] Both scenarios covered a three-year horizon 2026-2028 under a static balance sheet assumption and included a set of sensitivity tests and second-round analysis of the IPS in the decentralized sector. As in the 2019 FSAP, OeNB's permanent stress testing infrastructure (ARNIE) was used with inputs estimated based on FSAP team's granular satellite model estimations. [16] [17]

- **Liquidity stress test:** The FSAP team performed a top-down exercise, using regulatory data. Liquidity risks were assessed using LCR tests and cash-flow stress tests, including second-round effects from liquidity associations and IPS of the decentralized sector. The stress tests considered two stress scenarios derived from the liquidity stress tests of the 2025 Euro Area FSAP: (i) a general risk aversion scenario, and (ii) a more severe idiosyncratic bank run scenario. Reverse stress tests were also performed.

[14] The solvency stress tests included only 310 banks, as data were incomplete for 3 banks.

[15] Therefore, the baseline does not include the revisions to forecasts due to the war in the Middle East.

[16] The OeNB performs its own top-down solvency stress tests of SIs and LSIs, based on a modelling apparatus "Applied Risk Network and Impact Assessment Engine" (ARNIE) which allows to undertake solvency, liquidity and contagion analysis.

[17] The OeNB's ARNIE has modelled the reverse ownership structure of the decentralized sector. Results for SIs were cross-checked with the MCM models of the 2025 Euro Area FSAP, but with updated data and all new granular input parameters from the satellite models developed for the Austria FSAP. Results obtained with ARNIE turn out to be more conservative than those obtained from Euro Area FSAP models, differences reflecting mostly the impact from the participation risk channel implemented in ARNIE but not in the Euro Area FSAP, the more sanguine assumptions about defaulted exposures in the Euro Area FSAP models and IFRS9 modeling of the Euro Area FSAP. The MCM stress testing structure for LSIs based on standardized approach is almost identical to the ARNIE.

- **Contagion and interconnectedness analysis:** The FSAP team conducted a network analysis to assess how distress in an individual banking institution could impair financial stability through default cascades in the interbank market. The analysis included two channels, a credit and a funding/liquidity channel. A counterfactual scenario was performed to demonstrate the non-trivial role of IPS scheme in the decentralized sector. In particular, the interconnectedness analysis assessed cross-border large exposures to CESEE countries at a granular level and took into account data corrections needed to arrive at a consistent picture.

15. The solvency stress tests assessed the stability of the Austrian banks against a baseline scenario and two updated versions of the Euro Area FSAP adverse scenarios at the cut-off date prior to the Middle East conflict. Given the high exposure of the Austrian banks to the CESEE region, additional macro-financial scenarios were also set up to have consistency with euro-area and Austria settings. Both scenarios feature international trade and geopolitical frictions, lower aggregate demand due to loss of confidence, endogenous monetary policy, financial stress with higher term premia and lower asset and house prices.[18] The two scenarios, however, largely differ in how inflation expectations and commodity prices evolve. In the recessionary scenario a structural negative shock to productivity growth and increase in uncertainty together with a zero lower bound on monetary policy leads to lower inflation and at the same time increase in unemployment and to lower commodity prices. On the other hand, in the geopolitical scenario, there is a rise in inflation expectations and heightened volatility in commodity prices (see Table 3). The two scenarios also differ in the fiscal policy reaction: the recessionary scenario embodies fiscal consolidation for medium- and high-debt eurozone countries while in the geopolitical scenario fiscal support is assumed for countries with appropriate fiscal space in the eurozone. While the adverse scenarios were defined prior to the outbreak of the 2026 Middle East conflict, they remain relevant, as they are significantly 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 9).[19]

16. The liquidity stress test scenarios are derived from those of the 2025 Euro Area FSAP. Besides the 2025 eurozone FSAP stress scenario setup two additional stress scenarios are considered both in the LCR and the cash-flow based exercise. The first scenario is a general risk aversion scenario, while the second scenario considers idiosyncratic bank runs. Under these two scenarios, sovereign stress events trigger larger valuation haircuts on HQLA and cause an elevated secured and unsecured outflows. Because of the strong role of IPS and liquidity associations in the decentralized sector, liquidity stress tests also assessed second-round effects from those mechanisms in the liquidity stress scenarios.

17. As the Austrian banking system consists of a large number of institutions and interbank exposures are highly concentrated, the contagion analysis focused on the structure

[18] For Hungary, Slovakia, Romania and Croatia, a BVAR model was developed to generate adverse scenarios anchored to the shocks of the Euro Area FSAP scenarios for Euro Area countries and the Czech Republic

[19] In particular, the geopolitical scenario is qualitatively similar, but with much larger shocks, than the downgrades of economic forecasts and the WEO adverse scenario of the unfolding of the Middle East conflict.

of the interbank market. Large interbank exposures are present within the decentralized sector and strong connections are present between other banks and the larger banks in the decentralized sector. Large banks in the decentralized sector have a prominent role in interbank liquidity flows. The contagion analysis also focused on the main features from the complex protection schemes. In the interconnectedness analysis CESEE large exposures were analyzed, namely how a hypothetical loss in credits of nonfinancial corporations in CESEE would alter the contagion and vulnerability features of the system.

18. In addition, the resilience of SIs is assessed against one-off severe market shocks that materialize in the first year of the adverse scenarios of the solvency stress test. The market shocks are based on the 2025 Euro Area FSAP scenarios and modelling. Two sets of one-off market shocks – each one based on narratives consistent with each adverse macroeconomic scenario – are applied to SIs and UniCredit's subsidiary in Austria at the beginning of the first year of each scenario and the capital impact is carried-over in the two following years of the scenarios.[20] Hence, the shocks are not reverse in the course of the 3-year macroeconomic scenarios. The set of market shocks aligned with the geopolitical macro scenario feature an increase in interest rates, particularly at the short end of the EUR yield curve, commodity prices and credit spreads, and a drop in equity prices. The set of shocks consistent with the recessionary adverse scenario, feature a drop in commodity and equity prices, an increase in the credit spread of mid-risk Euro area sovereign (Austria is low-risk sovereign) and of high-risk Euro Area sovereigns, while the short end of the EUR yield curve remains stable. Both sets of shocks include similar volatility shocks to equities and interest rates.

[20] This additional one-off set of market shocks is considered only for SIs which have more significant market activities. It is not applied to LSIs which have more limited exposures to global markets. However, the shock to net trading income described in Section I is applied to both SIs and LSIs.

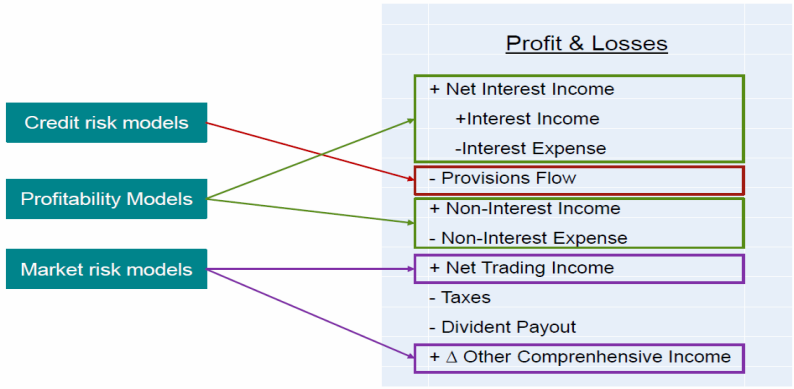
SOLVENCY STRESS TESTS OF BANKS

A. Stress Testing Approach and Macro-Financial Scenarios

19. The objective of the solvency stress tests of the FSAP is to identify macro-financial vulnerabilities of the banking system as a whole, or for specific segments of it. It differs for instance from the EBA-SSM-ECB exercise, which is a constrained bottom-up stress test where banks are required to project the impact of the scenarios on their projected capital position and P&L subject to strict constraints defined in the common methodology. By contrast, the FSAP stress test is a top-down exercise with projections generated by IMF in-house models developed by the FSAP team. While the FSAP and EBA scenarios could share a consistent narrative of risks, they differ in terms of the granularity of data used, and calibration of the various shocks. In addition, the country FSAPs consider potentially a larger set of banks, such as in the case of Austria's banking system which has a significant share of LSIs. The stress test considers credit risks, interest rate risks, market risks and participations risks, and performs a number of complementary sensitivity analysis (Figure 7 and Table 4 STeM). The scenario-based solvency stress tests utilize the adverse scenarios of the 2025 Euro Area FSAPs updated with new forecasts and, for SIs, relies on some of the models of the 2025 Euro Area FSAP for example for the market risk component.[21] Given that some SIs, have important cross-border exposures, interest rate risk models and credit risk models were developed by portfolio not only for domestic exposures, but also for the top six foreign exposures, including Germany, and CESEE countries (Croatia, Czech Republic, Hungary, Romania and Slovakia).

Figure 8. Austria: Scope of the Solvency Stress Tests

The solvency stress tests developed satellite models for credit risk, interest rate risk, net fees and commission income and market risk (including through Net Trading Income and Other Comprehensive Income)



Source: IMF staff

20. The scenario-based solvency stress tests assessed the stability of the Austrian banks against a baseline scenario and two updated versions of the 2025 Euro Area FSAP adverse scenarios. The solvency stress test relied upon an update of the 2025 Euro Area FSAP adverse

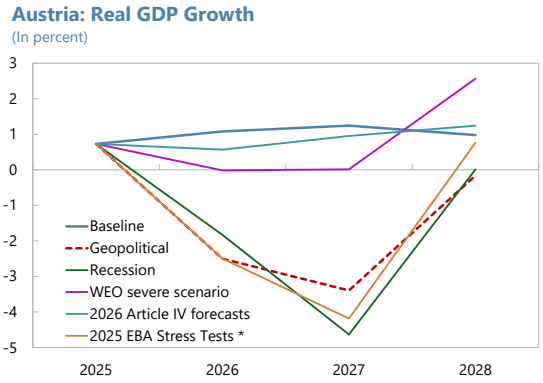
[21] The adverse scenarios are built as deviations from a baseline resulting from various macro-financial shocks. When the baseline is updated, the adverse scenarios therefore shift by the same.

scenarios and more severe negative demand shocks in the CESEE region, shifted by one year, and on the IMF's Spring 2026 World Economic Outlook (WEO) data as available at the time of the main mission in March for the baseline scenario. Both scenarios feature international trade frictions, lower aggregate demand, financial stress, and additional shocks in CESEE countries.[22] Reliance on two scenarios allows assessing the impact of differential shocks across banks, for example to net interest income, depending on their business models. 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. In the geopolitical scenario, there is a rise in inflation expectations 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.[23] In addition, one-off global market shocks occur at the beginning of the first year of the adverse scenarios and affect Austrian SIs and UniCredit's subsidiary in Austria, applying the same methodology and calibration as in the 2025 Euro Area FSAP. The two macro-financial scenarios for domestic exposures are reported in Figure 8.

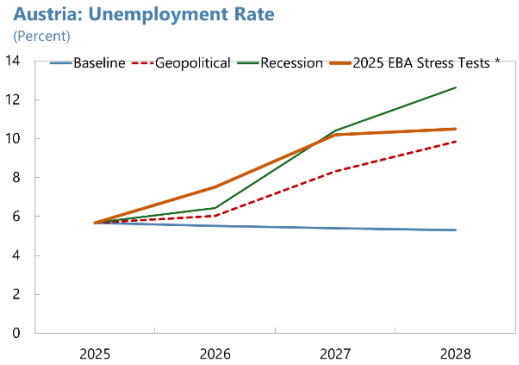
[22] For Hungary, Slovakia, Romania and Croatia, a BVAR model was developed to generate adverse scenarios anchored to the shocks of the Euro Area FSAP scenarios for Euro Area countries and the Czech Republic

[23] Negative shocks to real estate prices are applied at the beginning of the first year and there is no recovery after the first year. For Austria, the shock is -32.9 percent at the beginning of the first year. For other countries, shocks can be found at: 2025 EU-wide stress test - Macro financial scenario.pdf

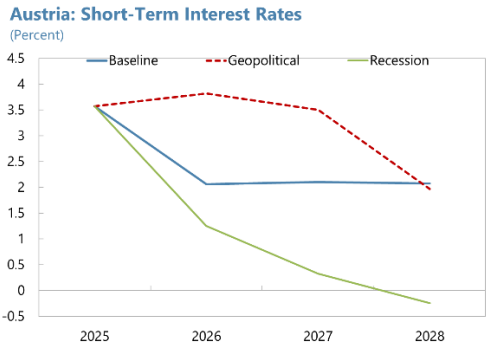
Figure 9. Austria: Macro-Financial Scenarios for Domestic Exposures



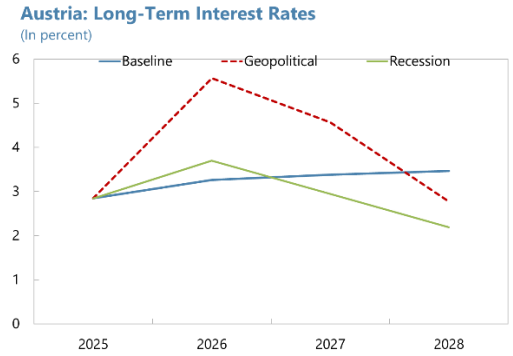
Sources: WEO and IMF staff estimates



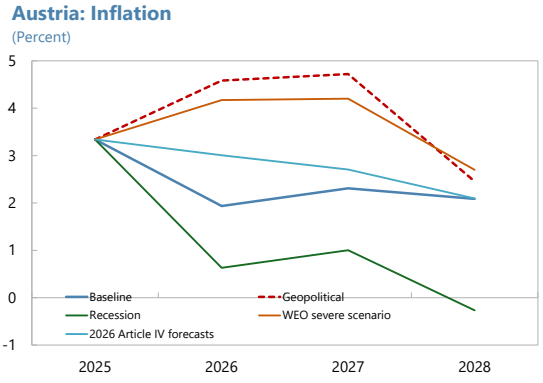
Sources: WEO and IMF Staff Estimates



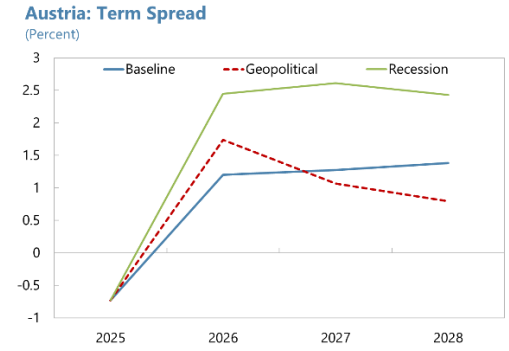
Sources: WEO and IMF staff estimates



Sources: WEO and IMF staff estimates



Sources: WEO and IMF Staff Estimates



Sources: WEO and IMF staff estimates

Source: EBA, IMF, and IMF staff calculations. Baseline projections are based on October 2025 WEO. EBA scenarios are transformed into starting in 2026. While the baseline pre-dates the start of the Middle East conflict, the 2026 Article IV forecasts and the WEO adverse scenario were developed after the start of the Middle East conflict.

21. Market risk analysis was done based on two short-term global market stress scenarios add-ons for SIs, one for each of the two adverse macroeconomic scenarios. The analysis considers the same scenarios as in the 2025 Euro Area FSAP. The market risk add-on is applied at the beginning of the first year of the adverse scenarios and the resulting loss is carried over for the entire horizon of the solvency stress test. Each of the two market distress scenarios are calibrated to

capture high-frequency market price and volatility movements, with narratives aligned with the respective macroeconomic scenarios. The scenarios are displayed in Table 5: The one on the left-hand side is aligned with the geopolitical macro scenario, featuring an increase in interest rates (particularly at the short-end of the EUR yield curve), commodity prices and credit spreads, together with a sharp contraction in equity prices; meanwhile, the scenario on the right-hand side is aligned with the recessionary macro scenario, featuring a drop in commodity and equity prices, a larger increase in the credit spread of mid- and high-risk Euro Area sovereigns, while the short-end of the EUR yield curve remains muted. The market test scenario is calibrated using an Expected Shortfall approach.[24]

Table 3. Austria: Euro Area: Market Risk Scenarios[1/]

			Geopolitical - market scenario		Recessionary - market scenario	
risk	factor	unit	delta shock	volatility shock	delta shock	volatility shock
CM	energy	relative change, percent	56.3		-58.8	
	industrial metals		24.8		-28.1	
	precious metals		17.4		-18.3	
CR	CR-low-5Y	absolute change, bps	85.5		0	
	CR-low-10Y		0		0	
	CR-mid-5Y		117.8		168.8	
	CR-mid-10Y		0		0	
	CR-high-5Y		206.8		319.3	
	CR-high-10Y		206.8		319.3	
	CR-europe		82.9		82.9	
	CR-US		98.3		98.3	
EQ	EQ-Asia	relative change, percent. PP change	-42.6	40.0	-42.6	40.0
	EQ-JP		-40.8	40.8	-40.8	40.8
	EQ-Latam		-46.8	40.0	-46.8	40.0
	EQ-US		-38.2	56.0	-38.2	56.0
	EQ-europe		-32	57.1	-32	57.1
IR	EUR-1M	absolute change, bps. PP change for vol	148.7	14.8	0	14.8
	EUR-6M		160.4	10.8	0	10.8
	EUR-1Y		178.7	13.5	0	13.5
	EUR-5Y		0	5.3	0	5.3
	EUR-10Y		0	4.8	0	4.8
	EUR-20Y		0	6.8	0	6.8
	EUR-30Y		0	6.8	0	6.8
	USD-1M		155.8	19.1	155.8	19.1
	USD-6M		158.8	21	158.8	21
	USD-1Y		171.4	23.6	171.4	23.6
	USD-5Y		164.2	7.6	164.2	7.6
	USD-10Y		151	71.8	151	71.8
	USD-20Y		127.2	8.2	127.2	8.2
	USD-30Y		112.4	8.3	112.4	8.3

Source: IMF staff

Note: CM = commodities; CR = credit spreads; EQ = equity; IR = interest rates.

[1/] The third column provides the unit of the shock for each factor, and the fourth and sixth columns provide the size of the shock relative to the starting point.

[24] These were calibrated to capture high-frequency market price and volatility movements using the market scenario for the NBFI stress test of the 2025 Euro Area FSAP based on the expected shortfall at 0.1 percent of market factors marginal distributions over the holding period of the scenario (20 or 60 days).

22. The solvency stress tests cover the 7 Austrian SIs, Unicredit's subsidiary in Austria and more than 300 LSIs. The banks included account for about 95 percent of bank assets. The stress tests were conducted using the balance sheets and profit and loss (P&L) statements of the banks validated and cleaned by the OeNB as of end-2024, and updated with 2025:Q3 data for capital ratios and interest income and expenses, and portfolio and country-specific exposures.[25] The ECB provided access to supervisory data for SIs and Unicredit's subsidiary in Austria (FINREP and COREP templates, and the ECB Short-Term Exercise (STE) files on Interest Rate Risk in the Banking Book (IRRBB), and market sensitivities). Additional panel data for the purpose of modeling were provided by the OeNB at a high level of granularity, including the Austria credit register and the MFI Interest rate statistics. Some additional analyses were performed only for SIs.

23. The stress tests follow a balance sheet approach at a consolidated level and were based on Internal Ratings Based Approach (IRB) and Standardized Approach (STA) data portfolios and regulatory capital ratios. IRB and STA portfolios were consolidated at the bank level. Credit risk modelling follows an expected loss approach. Initial Point-in-Time (PiT) PDs and Through the Cycle (TTC) PDs are those reported by each SI in the supervisory templates for IRB portfolios, and for STA portfolios they are estimated based on recent historical reported transition matrices.

24. Stress tests are realized under the standard assumption of a static balance sheet. This means that portfolio composition and liability structure remain unchanged, that there are no write-offs (and no cures) and new originations equal maturing loans, and the nominal balance sheet of each bank remains of constant size nominally. This implies that defaulted exposures accumulate in the balance sheet of banks and results in "conservative" (upper-bound) estimates of the decline in banks' capital ratios caused by credit risk, everything else equal.

25. Two hurdle rates are considered for capital ratios as in the 2025 Euro Area FSAP. In line with the regulatory framework, the performance of banks is assessed based on the Common Equity Tier One (CET1) capital ratio. The first one, which is bank-specific, is defined as the minimum requirement equal to the Basel III common 4.5 percent minimum plus the bank-specific Pillar 2 Requirements.[26] The second one adds the capital conservation buffer of 2.5 percent, and the systemic buffers (any O-SII buffer and the general and sectoral systemic risk buffer).

[25] The solvency stress tests relied on the bank level balance sheet data for end of 2024 validated by the OeNB supervision department and cleaned by the OeNB stress testing team, combined with updated solvency ratios and NII for 2025: Q3. The OeNB advised against relying entirely on intra-year quarterly data due to seasonality and other factors. To smooth out seasonal effects in P&L variables of net income, cumulative quarterly values between 2024: Q3 and 2025: Q3 were considered.

[26] This is the Total SREP Capital Requirement (TSCR).

B. Credit Risk Modelling and RWAs

PDs for Loans to Non-Financial Corporations

26. The credit risk satellite models for exposures to non-financial corporations (NFCs) are based on econometric models developed for each country of exposure of Austrian banks. The model for PDs in Austria is based on bank-sectoral panel regressions of the logistic transformation of default rates on various macroeconomics indicators as described in Box 1. Micro data are from the Austrian credit register, on a panel starting in 2008, therefore encompassing macro-financial cycles of the past decades (the Global Financial Crisis, the Euro Area crisis) and the pandemic. The PD model for exposures to NFCs in Germany follows a similar approach based on bank level panel regressions of default rates on macroeconomic indicators. The panel econometric model was initially developed for the purpose of the 2022 Germany FSAP.[27] For CESEE exposures to NFCs, the PD model is derived from country-specific time series regressions of the logistic of Expected Default Frequencies (EDFs) on macroeconomic variables as described in Box 2.

Box 2. Austria: Probabilities of Default Models for Exposures to NFCs in Austria and Germany

Credit risk models were estimated from bank level data for exposures in Austria and in Germany.

For exposures in Austria, dynamic panel regressions were estimated, for each "Nomenclature of Economic Activities" (NACE) sector of exposure (at level 1 aggregation), at the bank level at a quarterly frequency, based on confidential data from the Austrian credit register that were made available and cleaned by the OeNB. For each NACE sector j, the main specification was as follows:

$$x_{i,j,t} = \alpha_j + \beta_j \cdot x_{i,j,t-1} + \gamma_j \cdot GDPgrowth_t + \delta_j \cdot r_{t-1} + \gamma_j \cdot post \cdot GDPgrowth_t + f_i + \varepsilon_{i,j,t} \quad (1)$$

Where $x_{i,j,t}$ is the logistic transformation of annualized default frequencies for bank i and NACE sector j weighted by exposure amounts during quarter t, $GDPgrowth_t$ is the year-on-year real GDP growth during quarter t, r_t is the average EURIBOR/Euro STR, $post$ is a dummy indicator post-pandemic (equal to 0 for periods before 2021: Q4, and 1 thereafter).[1/] The regressions also include dummy indicators for each quarter of the pandemic. The initial specification search based on equation 1 done sector by sector revealed an economically significantly larger sensitivity to economic activity and interest rates for real estate related sectors (NACE sectors F and L) than for other sectors. As a result, in the final regression all other sectors were pooled together in a panel regression at the bank-sector level (with sector fixed effects added to the regression), and sectors F and L were pooled together in a separate bank-sector level regression (with sector fixed effects added to the regression as well) to account for the specificities of the commercial real estate sector, including different interest rate sensitivity than other sectors.

[27] For more details see: Germany: Financial Sector Assessment Program-Technical Note-Stress Testing, Interconnectedness, and Risk Analysis; IMF Country Report No. 22/272; August 4, 2022.

Box 2. Austria: Probabilities of Default Models for Exposures to NFCs in Austria and Germany (continued)

The final regressions for NFC exposures in Austria are in the following table:

Dependent variable: logistic transformation of annualized quarterly default frequency		
	Other sectors	Real Estate
Lagged dependent variable	0.915***	0.896***
Euribor (1 month) (t-1)	0.00668	0.0263***
YoY Real GDP growth	-0.762***	-1.520***
YoY Real GDP growth *post		-0.515
Constant	-0.236***	-0.316***
Observations	64,516	23,026
R2	0.923	0.884

Robust standard errors in parentheses (cluster by quarter)
*** p<0.01, ** p<0.05, * p<0.1
Regressions include bank and NACE sectoral fixed effects and dummy indicators for the Covid period (one indicator per quarter between 2020:Q1 and 2021:Q4)
Real estate: NACE sectors F & L

***For exposures in Germany,* the FSAP used a similar econometric model of pooled bank-sectoral level panel regression that was developed at the Bundesbank based on micro data from the German credit registry for the purpose of the 2022 Germany FSAP.** [2/] Quarterly pooled OLS regressions of default rates on macroeconomic variables were estimated. Default rates on German exposures were constructed from German credit registry data cleaned and aggregated at the bank sectoral level by the Bundesbank. The period of estimation is 2008: Q1 to 2019: Q4.

The pooled sectoral regressions (pooling all sectors together) are specified as follows:

$$y_{s,t} = \beta \cdot y_{s,t-1} + \alpha \cdot X_t + Q_t + \varepsilon_{s,t} \quad (2)$$

Where y_t is the default rate on loans, computed as the share of outstanding loans for which a default event occurs during a given quarter; X_t is a vector of macroeconomic variables; Q_t is a set of quarterly dummy variables to control for seasonality of the data; and ε_t is a residual.

The econometric model relied upon is the one reported in the first column in the table below.

Box 2. Austria: Probabilities of Default Models for Exposures to NFCs in Austria and Germany (concluded))

	Dependent Variable: Default Frequency					
	FE	no FE	FE	no FE	FE	no FE
Lagged dep var	0.521***	0.629***	0.455***	0.591***	0.465***	0.602***
Real GDP growth	-0.00830**	-0.00912**			-0.00486	-0.00689*
FCI			0.0421***	0.0305**	0.0382**	0.0254
Quarter 1	0.0878***	0.0675**	0.102***	0.0800**	0.0948***	0.0705**
Quarter 2	-0.130***	-0.151***	-0.103***	-0.129***	-0.112***	-0.141***
Quarter 4	0.126***	0.120***	0.129***	0.125***	0.125***	0.119***
Constant	0.0934***	0.103***	0.0900***	0.0993***	0.0941***	0.105***
Observations	680	680	680	680	680	680
R2	0.551	0.512	0.565	0.515	0.568	0.520

Sources: German credit registry, WEO, GFSR and IMF staff calculations

[1/] This specification is the final one, after extensive search with various indicators of economic activity and longer-term interest rates, in addition to the variables retained in equation 1.

[2/] More details on the model are available in the "Germany FSAP: Technical Note – Stress Testing, Interconnectedness, and Risk Analysis", IMF Country Report No. 22/272. https://www.imf.org/-/media/files/publications/cr/2022/english/1deuea2022009.pdf

Box 3. Austria: Probabilities of Default Models for Exposures to NFCs in the CESEE Countries

For exposures to CESEE countries, **the models of PDs were based on time series country-by-country regressions of average Expected Default Frequencies (EDFs) for corporates obtained from Moody's KMV, starting 2000: Q1.** After specification search, the final time series regressions are based on the following specification:

$$logistic\_EDF_t = \beta \cdot logistic\_EDF_{t-1} + \alpha \cdot X_t + \varepsilon_{,t} \quad (3)$$

Where $logistic\_EDF_t$ is the logistic transformation of the EDF, X_t is a vector of macro-economic variables and ε_t is a residual. The final specifications also include dummy indicators for each quarter of the pandemic between 2020: Q1 and 2021: Q4.

The econometric models relied upon to quantify probabilities of default are the ones reported in the table below.

	Dependent variable: logistic (EDF)			
	Hungary	Czech Republic	Slovakia	Romania
Lagged dependent variable	0.937***	0.839***	0.586***	0.529***
10 year bond yield	0.0101	0.0328	0.0140	0.0210
Quarter-on-Quarter real GDP growth	-7.995**	-6.44	-12.56**	-4.844
Constant	-0.365	-1.295***	-1.729***	0.215
Observations	93	93	93	62
R2	0.879	0.863	0.428	0.978

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1
dummy indicators for the Covid period (one indicator per quarter between 2020:Q1 and 2021:Q4)

27. PD paths for NFCs. PD elasticities for exposures in Austria and for cross-border exposures are reported in Table 4 and Figure 32a. The analysis shows significant differences across countries in the increase of default rates in the two adverse scenarios.

- ***For exposures in Austria*, the credit risk models show that default rates in real estate related sectors (NACE sectors F and L) are significantly more sensitive to macro-financial fluctuations than in other sectors, and this sensitivity has increased since the pandemic.** For real estate sectors, the increase in default rates is higher in the geopolitical scenario (a doubling of default rates at the peak) than in the recession scenario as a result of a significant effect of shocks to short-term interest rates. For other sectors, most of the evolution in default rates is driven by shocks in real GDP growth, and there is little difference across the two scenarios.

- ***For cross-border exposures,* we observe very large differences in elasticities across countries in the adverse scenarios.** At one extreme, there is little increase in PDs in Germany (a 30 percent increase at the peak). At the other extreme, PDs increase by more than 10 times in Hungary in the geopolitical scenarios, as a result of significant sensitivity to shocks to interest rate and real GDP growth.

Table 4. Austria: Elasticities of PDs: NFC Exposures

	Baseline Scenario		Geopolitical Scenario		Recession Scenario	
	All sectors non real estate	Real estate	All sectors non real estate	Real estate	All sectors non real estate	Real estate
2025	1	1	1	1	1	1
2026	0.99	1.00	1.06	1.28	1.04	1.13
2027	0.98	1.00	1.25	2.05	1.26	1.80
2028	0.97	1.03	1.26	1.87	1.27	1.59

PDs for Loans to Households

28. Credit risk for households for Austrian exposures and cross-border exposures is estimated from a micro simulation model based on the ECB Household and Finance Consumption Survey (Box 4).[28] The advantage of relying on a micro survey is that the risk of default can be estimated from actual micro data taking into account household's total indebtedness and debt service, other spending on goods and services, their gross financial assets which provide a buffer than can be drawn upon, and the actual wage income of a household, and the remaining loan-to-value (LTV) on mortgage debt. Hence, the risk of default can be estimated from very precise information. Given that mortgages are full recourse in European countries, the micro-simulations

[28] We rely on a simplified version of the micro-macro model of Gross, M., Tressel, T., Ding, X., and Terenau, E., 2022, "What Drives Mortgage Default Risk in Europe and the US?", IMF Working Paper No. 2022/065. Data for the US are from the 2017 US Panel Survey of Income Dynamics (PSID).

assume that households draw down on their financial assets to repay their debt and default if and only if their financial assets are fully depleted and other income are insufficient to cover debt service and the estimated necessary spending on goods and services. It is assumed that households may default on their debt only if they become unemployed. The simulations take into account the replacement rates of wage income resulting from unemployment insurance and the likelihood that a household may return to employment. The model is used to estimate default probabilities for households with mortgages, and default probabilities for households with only consumer loans. For each country and type of loans (mortgages and consumer loans), the evolution of PDs is benchmarked on the starting point PDs reported in the EBA Risk Parameter Statistics as of 2025: Q3.

Box 4. Austria: Micro-Simulation Model of Household Default

A micro simulation model based on the 2021 Household and Finance Consumption Survey of the ECB is relied upon to estimate PDs for households.[1/] The key equations of the model are the following ones.

First, the probability of default is estimated on the subset of households reporting some mortgage debt. For these households, the model considers the total debt, mortgages and other debts, of a household.

The probability of default is related to the probability of unemployment of a household as follows:

$$PD_{i,t} = Proba[Unemployment]_{i,t} \times conditional\_PD_{i,t} \quad (1)$$

Where $PD_{i,t}$ is the probability of default of household i at date t, $Proba[Unemployment]_{i,t}$ is the probability of unemployment of household i at date t, and $conditional\_PD_{i,t}$ is the probability of default of household i at date t conditional on being unemployed. This equation states that the probability of default is equal to the probability of being unemployed times the probability of default conditional on being unemployed. This assumes that households may default only if they are unemployed (which is implied by the assumption that wage income and other income are sufficient to service household debt interest and principal repayments).

$$Conditional\_PD_{i,t} = (1 - Proba[employment])_{i,t} \times \left[1 \middle| Financial\_Assets_{i,t} < 0\right] \quad (2)$$

Where $\left[1 \middle| Assets_{i,t} < 0\right]$ takes the value zero if gross financial assets are positive and the value 1 if gross financial assets are negative, and $Proba[employment]$ is the probability of returning to employment from unemployment by date t. This equation (2) states that conditionally on being unemployed at date t-1, a household will default if it remains unemployed, and its stock of financial assets is entirely depleted at date t.

In other words, an unemployed household will default if and only if:

$$Financial\_Assets_{i,t} < 0 \quad (3)$$

If employed, the dynamics of financial assets $A_{i,t}$ of a household is given by:

$$A_{i,t} = (1 + r) \times A_{i,t-1} + other_{inc_{i,t}} + Wage_{i,t} - debt\_services_{i,t} - Spending\_GS_{i,t} \quad (4)$$

If unemployed, it is given by:

$$A_{i,t} = (1 + r) \times A_{i,t-1} + other_{inc_{i,t}} + UB_{i,t} - debt\_service_{i,t} - Spending\_GS_{i,} \quad (5)$$

Box 4. Austria: Micro-Simulation Model of Household Default
(concluded)

With unemployment benefits $UB_{i,t}$ given by:

$$UB_{i,t} = Net\_replacement_{t,r} \times Wage_{i,t} \quad (6)$$

Where $Net\_replacement_{t,r}$ is the net replacement rate at date t , r quarters after becoming unemployed.

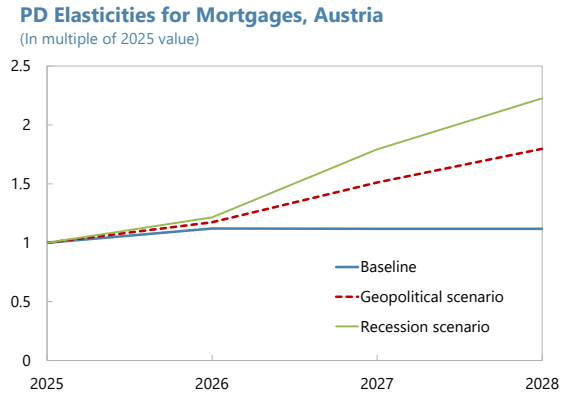
Debt service, interest and principal is $debt\_service_{i,t}$, and the amount spent on goods and services by a household during each period is given by: $Spending\_GS_i$. This spending is obtained from the survey itself and is truncated at the 10th percentile of the distribution as a lower bound and the median of the distribution as an upper bound. This truncation is done first to correct for potential errors (the 10th percentile is a few hundred euros monthly) and to allow for compression of spending (to the median which is a few thousand euros) for households with high spending levels.

Replacement rates and the likelihood of exit from unemployment r quarters after becoming unemployed are estimated from macroeconomic data on net replacement rates and outflows from unemployment published by the OECD. For adverse scenarios, outflows from unemployment are calibrated on the GFC period, and for baseline scenario on the pre-pandemic period.

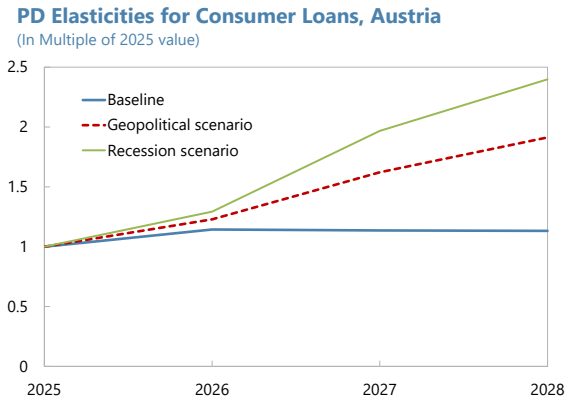
1/ This toolkit is derived from the model described in: What Drives Mortgage Default Risk in Europe and the U.S.?

29. PD paths for Households. PD paths for domestic exposures cross-border exposures are reported in Figures 10, and Figure 32b. For most country exposures, PDs for mortgages more than double in the adverse scenarios relative to their starting points. The largest increases for mortgage PDs are for exposures to Germany, Czech Republic and Slovakia, and the smallest for mortgage PDs in Croatia.[29] In addition, PDs for consumer loans tend to increase moderately more than PDs for mortgages.

Figure 10. Austria: PD Elasticities for Household Exposures



Sources: 2021 ECB HFCS and IMF Staff estimates



Sources: 2021 ECB HFCS and IMF Staff estimates.

[29] Given that a household survey is not available for Romania, as a proxy, the Croatia micro-simulations were combined with the Romania macro scenarios and starting point PDs to generate PDs for household exposures in Romania.

Other Parameters

30. LGDs for unsecured exposures are modelled based on a methodology linking LGDs to the fluctuations of PDs and an initial bank level value for each geographical segment of loans (Box 5). The initial value for each geographical exposure and asset class is obtained from the EBA Risk Parameter Statistics as of 2025: Q3. For example, in Austria, aggregate LGDs for exposures to NFCs, mortgages and consumer loans stand at 31.6 percent, 20.19 percent and 51.8 percent respectively.

Box 5. Austria: Modeling LGDs for Unsecured Exposures

The method to calculate LGDs from the paths of PDs was put forth in Frye and Jacobs (2012)[1/] and considers a Vašíček-type equation. It builds on two primary formulas:

$$\mathrm{LGD}_{\mathrm{t0+h}} = \frac{\Phi\left(\Phi^{-1}(\mathrm{PD}_{\mathrm{t0+h}}) - \mathrm{k}\right)}{\mathrm{PD}_{\mathrm{t0+h}}}$$

which is the LGD formula for the period t0+h as such, together with one for parameter k:

$$\mathrm{k} = \frac{\Phi^{-1}(PD^{*}_{t0}) - \Phi^{-1}(PD^{*}_{t0} \times LGD^{*}_{t0})}{\sqrt{1-\rho}}$$

The method was used in the IMF's Global Bank Stress Test (The Global Bank Stress Test (imf.org)). The PD and LGD terms with an asterisk are long-term average PDs and LGDs. The $LGD*$ term in the equation can be numerically determined for the overall model, based on a "T0" point-in-time LGD observed in the data. After that, the equations can be used for forecasting the LGD conditional on a PD path.

LGD starting point data can be obtained by using information about actual recoveries from banks.

[1/] See "Credit Loss and Systematic Loss Given Default," by J. Frye and M. Jacobs (The Journal of Credit Risk, Spring 2012).

31. For exposures secured by real estate and other collateral, an additional layer was applied to the modelling of LGDs. An additional shock was applied to the unsecured loss given default $LGD_{unsecured}$ described in Box 5 to account for additional loss of collateral value resulting from the house price decline embedded in the macro scenario:

$$LGD_t = LGD_{unsecured,t} \times \left(1 - \frac{real\_estate\_collateral}{EAD} \times \left(\frac{House\_price_t}{House\_price_0}\right) - \frac{Other\_collateral}{EAD}\right)$$

32. Risk-Weighted Assets (RWAs). Projection of RWAs accounted for defaulted credit exposures formation, and changes in the credit quality characteristics of IRB portfolios as well as rating migrations of securitization portfolios. RWA was kept constant (at the level of the cut-off date) for STA portfolios. RWAs for operational and market risk were also kept constant at the level of the cut-off date. As a result, and because of the static balance sheet assumption, the capital impact due to RWA changes was confined to the deteriorating quality of IRB portfolios.

C. Net Interest Income Modelling

33. Interest income and interest expense of a bank were projected using a semi-structural repricing gaps methodology which combines econometric models at the country, portfolio segment level and maturity "repricing" ladders for each bank:

- ***First*, econometric models were developed for interest rates on new business for loans and deposits to quantify the pass-through from market rates and other macro-conditions to deposit rates and lending rates (Box 6).** For exposures in Austria, the models were developed at the bank-instrument-counterparty sector based on a panel of micro-data from the confidential Austria MFI Interest Rate Statistics. For exposures in Germany, and the CESEE countries, the regression models were at the country-instrument-counterparty sector, based on the publicly available aggregate data from the EU MFI Interest Rate Statistics.

- ***Second*, the IRRBB bank level data on the repricing structure of interest-bearing assets and liabilities are relied upon to estimate the *timing* of the transmission of shocks from market rates to deposit rates and lending rates by type of instrument.** Combining these two elements (pass-through and timing) at the bank-instrument level allows to simulate the interest income and interest expenses at the bank level for each of the macro-economic scenario (baseline, geopolitical scenario, and recession scenario) and in a consistent manner across Austrian banks. For each bank, the weighted average interest rate shocks on interest-bearing assets and on deposits are fed through the repricing ladder, taking into account each bank's exposures to countries, asset class and counterparty sector.[30]

34. Additional assumptions are required. For fixed income securities assets, given absence of an econometric model, a 100 percent pass-through from each scenario's average of short-term and long-term interest rates is assumed. For borrowings of banks, a 50 percent pass-through from each scenario's average of short-term and long-term interest rates is assumed, except for repo funding to which a 50 percent pass-through from each scenario's short-term interest rate is assumed.

35. Accrual versus non-accrual exposures. Under the FSAP stress testing approach, it is assumed that non-accrual exposures (e.g., non-performing exposures) do not earn interest income. Hence, net interest income can decline even if other parameters are unchanged due to the accumulation of non-accrual exposures in the balance sheet of banks.

36. Data sources relied upon to model the NII include:

[30] Specifically, for loans, the weighted interest rate shocks for each bank are computed combining interest rate shocks projections obtained from the econometric models described in Box 5, and aggregated for each bank based on the bank country exposures, and in each country, exposures to each instrument and counterpart (households, NFCs). Exposures in Austria have a higher level of granularity with a break-down between fixed rate and floating rate loans. For deposits a similar approach is applied.

- The bank level annualized NII is obtained from FINREP template F 16.01, by cumulating quarterly NII from 2024: Q3 to 2025: Q3, to address quarterly seasonality of NII;
- Bank level exposures and deposits for each segment —by portfolio type and by country of counterparty— are from FINREP templates F 20.04 and F 20.06, respectively, and COREP as of 2025: Q3;
- The repricing ladder for each bank level interest-bearing portfolio segment is from the J template J 05.00 from the supervisory IRRBB module;
- Macro data relied upon in the econometric analysis are from the WEO and Haver Analytics.

Box 6. Austria: Interest Rate Pass-Through Econometric Models

Passthrough regressions for deposit rates and lending rates on new loans were estimated independently for each country of exposures of Austrian banks, namely, Austria, Germany and the CESEE countries of main exposures.

***For exposures in Austria*, regressions were estimated as dynamic panel regressions at the bank-counterpart-instrument level, based on the OeNB's MFI Interest Rate Statistics at a quarterly frequency from 2016: Q1 onwards.** On the liability side, regressions were estimated separately for sight retail deposits, term retail deposits, sight wholesale deposits, and term wholesale deposits. On the asset side, regressions were estimated separately for consumer loans, mortgages, loans to SMEs, and loans to large NFCs, and for each of these asset class, separately for fixed rate instruments and for floating rate instruments. The regressions were estimated in first differences for each instrument and counterpart ("segment" j) ensuring stationarity as in the following general specification:

$$\Delta i_{t,i}^{j} = \alpha_j + \lambda_{j,c}\Delta i_{t-1,i}^{j} + \beta_{0,j}^{ST}\Delta i_{t,c}^{ST} + \beta_{1,j}^{ST}\Delta i_{t-1,c}^{ST} + \beta_{1,j}^{LT}\Delta i_{t,c}^{LT} + \beta_{1}^{LT}\Delta i_{t-1,c}^{LT} + \gamma_{0,j}GDPgrowth_{t,c} + \gamma_{1,j}GDPgrowth_{t,c} + f_i + \varepsilon_{i,j,t} \quad (1)$$

where Δ denotes quarterly changes, $i_{t,i}^{j}$ is the new business rate for bank i and segment j, $i_{t,c}^{ST}$ is a short-term rate for country c (the EURIBOR in the case of EA countries, and the one-month interbank rate for non-EA countries), $i_{t,c}^{LT}$ is the long-term sovereign yield, $GDPgrowth_t$ is the year-on-year real GDP growth, f_i is a set of bank fixed effects, and $\varepsilon_{i,t}$ is an error term.

***For Germany and CESEE exposures,* time series aggregate regressions were estimated at a quarterly frequency starting 2008, from the ECB MFI interest rate statistics. Segments included sight retail deposits, term retail deposits, sight wholesale deposits, term wholesale deposits, mortgages, loans to NFCs.** For each country c and segment j, the time series regressions were estimated in first differences similar to the panel regressions for Austrian exposures:

$$\Delta i_{t}^{j} = \alpha_i + \lambda_{j,c}\Delta i_{t-1}^{j} + \beta_{0,j}^{ST}\Delta i_{t,c}^{ST} + \beta_{1,j}^{ST}\Delta i_{t-1,c}^{ST} + \beta_{1,j}^{LT}\Delta i_{t,c}^{LT} + \beta_{1}^{LT}\Delta i_{t-1,c}^{LT} + \gamma_{0,j}GDPgrowth_{t,c} + \gamma_{1,j}GDPgrowth_{t,c} + \varepsilon_{j,t} \quad (2)$$

The regressions relied upon in the modelling of the NII by country, instrument and asset class are reported in Appendix I.

37. Shocks to interest rates simulated from the econometric models tend to result in a compression of NII in the recession scenario, but in an expansion of NII in the geopolitical

scenario in the first year of the scenario followed by a compression of NII. This is to a large extent due to stronger pass-through to loan rates (especially floating rates) than to deposit rates, and downward stickiness of sight deposit rates. This pattern is observed for exposures to Austria, but also for exposures to Germany and the CESEE countries.

- **Shocks to deposit rates in Austria (Table 5).** *In the baseline scenario*, interest rates on sight and term deposits both for retail and wholesale remain almost constant throughout the entire scenario. *In the geopolitical scenario*, interest rates, especially for term deposits, increase in 2026, in line with the scenario's increase in short-term and long-term rates, and then decline in particular in 2028, following the decrease in market rates. By end-2028, deposit rates are about back to their starting point. *In the recession scenario*, an overlay is imposed on the econometric model to take into account observed stickiness of sight deposit rates and to ensure that sight deposit rates predicted by the model do not turn negative and do not decline by more than the country aggregate of 0.3 percent for 2025:Q3. As a result, while term deposits experience a cumulative decline of 1.2 percent (respectively 1.5 percent) for retail (respectively for wholesale), sight deposits decline by a mere 0.3 percent over 3 years (all assumed to take place in the first year of the scenario as predicted by the econometric model).

Table 5. Austria: Shocks to Deposit Rates in Austria

(In percentage points)

	Sight Deposits Retail	Term Deposits Retail	Sight Deposits Wholesale	Term Deposits Wholesale
Baseline Scenario				
2026	-0.01	0.00	-0.1	-0.04
2027	0.00	0.02	-0.01	-0.01
2028	0.00	0.01	0.00	0.00
Geopolitical Scenario				
2026	0.3	1.0	0.3	1.1
2027	0.0	-0.2	-0.2	-0.2
2028	-0.3	-0.9	-0.2	-1.0
Recession Scenario				
2026	-0.3	-0.6	-0.3	-0.8
2027	0.0	-0.6	0.0	-0.7
2028	0.0	-0.1	0.0	-0.1

Source: IMF staff calculations.

- **Shocks to lending rates in Austria (Table 6)**. *In the baseline scenario,* interest rates on loans remain stable or increase very moderately, in particular for new fixed rate loans. *In the geopolitical scenario*, interest rates rise sharply in 2026, by the same order of magnitude, both for the entire stock of floating rate loans and for new fixed rate loans, to a larger extent than the increase in deposit rates. This explains the increase in the NII in 2026 in this scenario. In the following two years, interest rates decline. Cumulatively, interest rates on loans are slightly below their starting point by the end of 2028 while interest rates on deposits are about the same as their starting point by the end of 2028. This implies that by the end of 2028, the NII is slightly below the starting point. *In the recession scenario*, interest rates on all floating rate loans, and on new originations of fixed rate loans decline steadily during each of the 3 years of the scenario.

Given the downward stickiness and lower pass-through to deposit rates, this results in a significant compression of NII in this scenario.

- **Interest rate shocks for activities in Germany and CESEE countries.** Annual shocks to deposit rates and lending rates are reported in Figures 33 a-f for each country and each scenario. The dynamics of interest rate shocks for loans and deposits in these countries (especially suggest a similar path for the NII under the adverse scenarios as for domestic exposures: in the geopolitical scenario, an initial increase in the NII, followed by a decline; in the recession scenario, a steady decline in the NII. For all these cross-border exposures of banks, we observe very little pass-through of market rates to interest rates on retail and wholesale sight deposits.

Table 6. Austria: Shocks to Interest Rates on Loans
(in Percentage Points)

	Floating Rate		Fixed Rate	
	Consumer Loans	Mortgages	Consumer Loans	Mortgages
Baseline Scenario				
2026	0.0	0.0	0.2	0.2
2027	0.1	0.1	0.2	0.1
2028	0.0	0.0	0.1	0.0
Geopolitical Scenario				
2026	1.5	1.4	1.4	1.5
2027	-0.3	-0.2	-0.9	-0.6
2028	-1.2	-1.2	-1.0	-1.0
Recession Scenario				
2026	-0.7	-1.0	-0.2	-0.1
2027	-0.9	-0.9	-1.0	-0.8
2028	-0.2	-0.2	-0.3	-0.3

	Floating Rate		Fixed Rate	
	SME Loans	Large Loans	SME Loans	Large Loans
Baseline Scenario				
2026	0.0	0.0	0.1	0.1
2027	0.1	0.0	0.1	0.1
2028	0.0	0.0	0.1	0.0
Geopolitical Scenario				
2026	1.2	1.2	1.1	1.3
2027	-0.2	-0.1	-0.6	-0.5
2028	-1.2	-1.2	-0.9	-0.8
Recession Scenario				
2026	-1.1	-1.0	-0.4	-0.1
2027	-0.9	-0.9	-0.9	-0.6
2028	-0.1	-0.1	-0.2	-0.2

Source: IMF staff estimates.

38. In the next step, shocks to interest rates summarized in Tables 5-6 and Figures 33 a-f are applied to repricing ladders obtained from the IRRBB J-templates for each bank. To quantify the NII impact of shocks to interest rates, the evolution of portfolios is simulated consistent with the assumptions of static balance sheet, in particular that the portfolio compositions for interest-rate bearing assets and liabilities remain constant over the three years of the scenarios. Next, shocks to deposit rates and lending rate by asset class and country of exposure are aggregated at the bank level based on exposures and are applied in each time bucket of the repricing ladder apply to buckets that reprice during that year, while other buckets that have not repriced continue to receive the same interest income for assets (respectively bear the interest expense for liabilities) for fixed rate instruments while floating rate loans all reprice at impact to the new interest rate. For each year of the scenarios, the interest income and expenses are then aggregated at the bank level across repricing buckets.

D. Market Risk Modelling

39. Market risk is assessed for Austrian SIs and UniCredit's subsidiary in Austria using a partial revaluation approach against the two market stress scenarios of the 2025 Euro Area FSAP. Instruments at fair value (i.e., those categorized as FVOCI and FVPL) were revalued using bank-specific sensitivities to risk factors, as reported by banks in the ECB's Short Term Exercise (STE) conducted in the context of SREP.[31] The sensitivities reported by banks in the STE template cover both the trading book and the banking book, and include: first-order sensitivity to the risk factor (delta), sensitivity to curvature risk (gamma), and sensitivity to the volatility of the risk factor (vega). Risk factors covered in the analysis were: commodity risk (CM), credit spread risk (CR), equity risk (EQ), interest rate risk (IR), and FX risk. The shocks for each factor are displayed in Table 3)—except for the FX shock, which corresponded to the first-year FX depreciation in the adverse macro scenarios. No market shocks were applied in the baseline scenario.

40. The impact of market risk on bank capital is incorporated into the broader solvency stress test as a one-off overlay in the first year, which is not reversed in subsequent years. This approach is designed to capture the impact of short-term market distress episodes that can occur at any time during the stress testing horizon. This approach is consistent with the approach of the EBA stress tests and the US Federal Reserve stress tests.

41. Revaluation of fair value instruments is given by:

$$\Delta V = \sum_{j \in \left\{ \substack{CM,CR,EQ, \\ IR,FX} \right\}} \left(Delta_j^{BB} + Delta_j^{TB}\right) \cdot \Delta\varepsilon_j + 0.5 \cdot Gamma_j \cdot \left(\Delta\varepsilon_j\right)^2 + Vega_j \cdot \Delta\sigma_j$$

where j denotes de risk factors, $Delta_j^{BB}, Delta_j^{TB}$ are the delta sensitivities for the banking book and the trading book respectively, and $\Delta\varepsilon_j$ and $\Delta\sigma_j$ are the shocks from the market stress scenarios to the risk factor j and its volatility respectively.

42. A floor was applied to the market risk losses. Depending on the direction of banks' exposures to the various risk factors, they may have either gains or losses in the market stress scenarios. In order to take a more conservative approach, particularly for the banks that gain from the stress scenario, a floor was applied to total market risk losses. This floor was given by the maximum between:

i. the bank's own fund requirements based on the Fundamental Review of the Trading Book (as reported in the COREP C 91.00); and

ii. 8 percent of the bank's RWAs for market risk.

43. The calculation of market losses in the banking book can overestimate actual losses because it includes some instruments classified at amortized cost (AC). In the STE template used for market risk analysis, banks are instructed to report banking book deltas that correspond to

[31] The STE template used for this analysis was discontinued by ECB after 2023Q3.

all instruments for which the bank regularly calculates a fair value, *even if it is for internal risk management purposes*. This means that instruments categorized as AC may be included in the banking book deltas if the bank regularly calculates a fair value.

E. Other P&L Elements

44. The Net Fees and Commission Income (NFCI) is modelled based on simple transparent assumptions. In absence of adequate regression-based satellite models, the NFCI is assumed to remain constant for each bank, equal to the last end of financial year data point (2024), as a share of assets, for each of the years of the baseline scenario. In each of the two adverse scenarios, a haircut of 20 percent is applied to the ratio of NFCI to assets of the baseline, if the baseline NFCI was positive. If the baseline NFCI was negative, the same NFCI applies to the adverse scenarios.

45. Modelling of the Net Trading Income (NTI) is related to the approach of the 2025 Euro Area FSAP. NTI is projected alongside the market risk revaluation of instruments because NTI captures additional sources of income, including certain fees and commissions. Net trading income is equal to the annual value of financial year 2024 relative to total assets and to which a discount is applied in the adverse scenarios. In the baseline scenario, NTI is given by the end of 2024 value of the ratio of NTI to total assets. In the adverse scenarios, a 25 percent haircut was applied to these revenues for 2024 and is kept at this 25 percent level for the 3 years of each adverse scenarios. This approach may over or underestimate revenues from clients because NTI also includes the revaluation of fair value instruments.

46. All other P&L items were set at their annual 2024 value relative to total assets. These remaining items consist mostly of non-interest expenses, such as wages and other costs associated with operating branches. These P&L items were adjusted according to the inflation paths of the respective scenario. The income tax rate is set at 30 percent.

47. Dividends. For IFRS-reporting banks, the FSAP relied on the OeNB's dividend model. The model is based on bank-level regressions linking dividend payout ratios to individual bank characteristics and macro-economic variables. For other banks, which are small, the dividend-payout ratio is assumed to be zero, in line with observed practices in most cases.

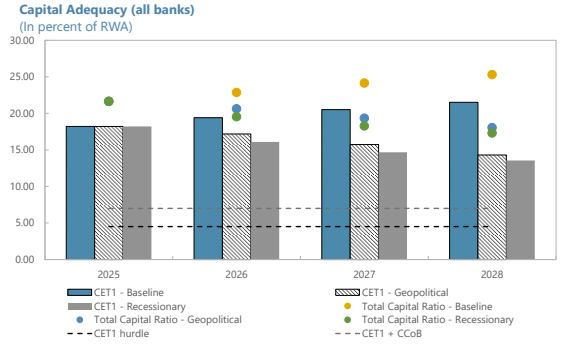
F. Core Solvency Stress Test Results

48. Under adverse conditions, the aggregate capital ratio remains above the minimum capital requirement in both scenarios (Figure 11). In the baseline scenario, the banking system remains well capitalized. The capital ratio declines by less 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 amounts to 465 basis points under the recessionary scenario and to 391 basis points under the geopolitical scenario. Credit risk is the top driver of the decline in capital ratio of banks, by 420 basis points (respectively 404 basis points) in the geopolitical scenario (respectively recession scenario), relative to the baseline. The decline in NII is the second largest

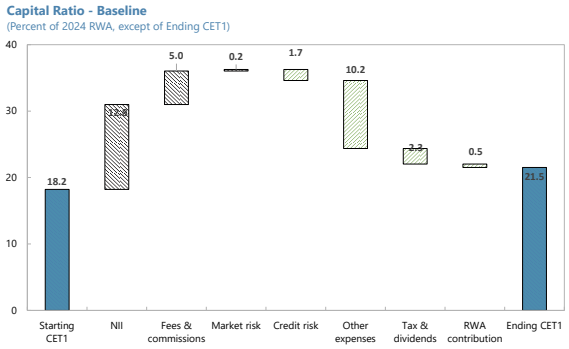
contributor, by 171 basis points (respectively 329 basis points) in the geopolitical scenario (respectively recession scenario), relative to the baseline. Market risk of SIs contributes 138 basis points (respectively 146 basis points) in the geopolitical scenario (respectively recession scenario), relative to the baseline.

Figure 11. Austria: Solvency Stress Tests Results – All Banks

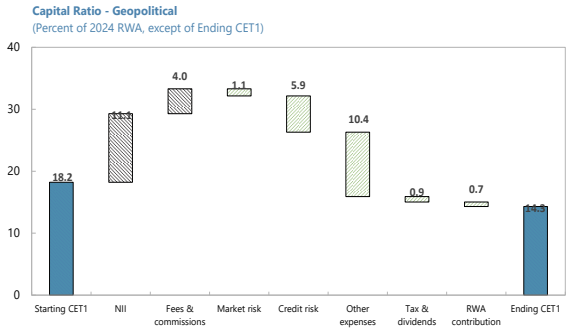
Aggregate capital ratios remain above requirements in the baseline and the adverse scenarios.



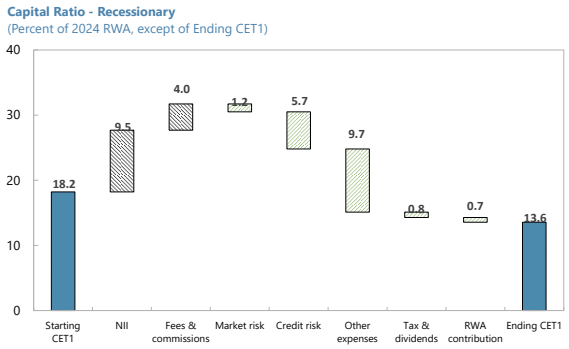
In the baseline, large net interest margins and fees and commission income more than offset credit risk and other expenses.



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.

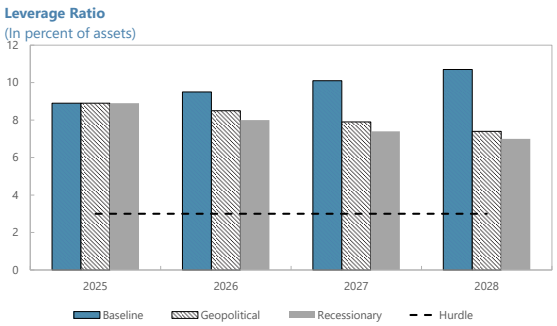


Sources: IMF staff calculations and OeNB.

49. In the adverse scenarios, contributions to the capital ratio decline occur mostly upfront in the year 2026 (Figure 13). Given the expected loss approach for credit risk, provision outflows increase sharply in the first year, and risk weighted assets as well due to accumulation of defaulted exposures. The decline in NII is strong from 2026 onwards in the recession scenario due to compression of interest rate spreads, while the NII initially increases in the geopolitical scenario and then declines in 2027 and 2028. The market shock and haircut to NFCI are assumed to occur in 2026 and are carried over in 2027 and 2028.

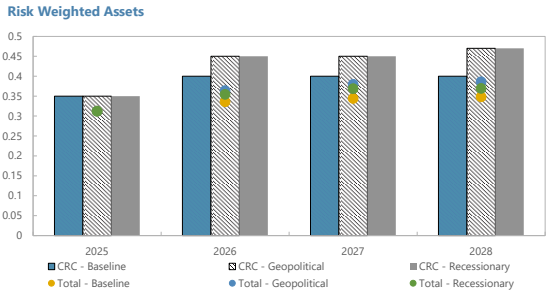
Figure 12. Austria: Leverage Ratio and Capital Ratio Components – All Banks

The capital to asset ratio declines in adverse scenarios but remains well above regulatory requirements



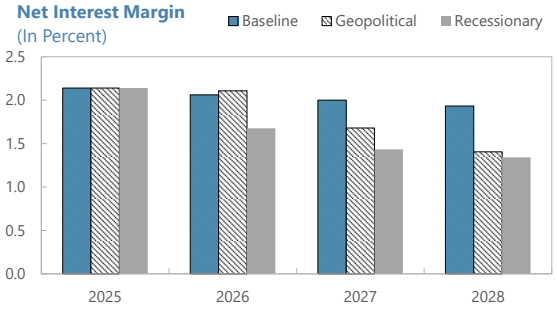
Source: IMF staff calculations and OeNB

Risk weighted assets increase



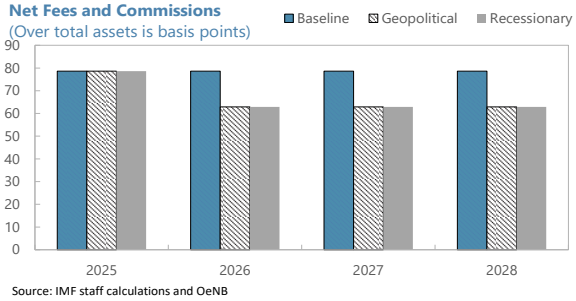
Source: IMF staff calculations and OeNB

Net interest margins decline more in the recession scenario



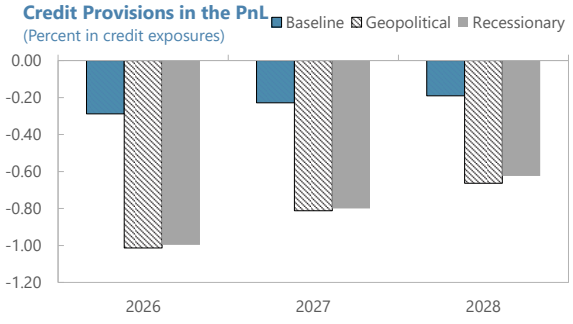
Source: IMF staff calculations and OeNB

Fees and Commission income decline in adverse scenarios



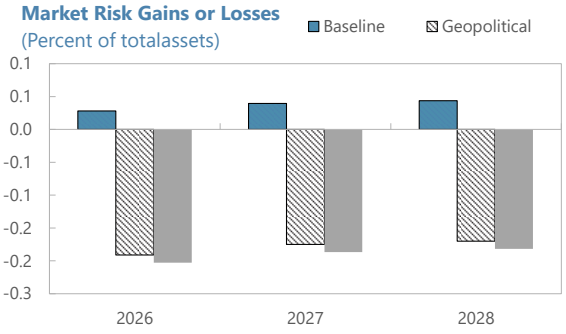
Source: IMF staff calculations and OeNB

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



Source: IMF staff calculations and OeNB

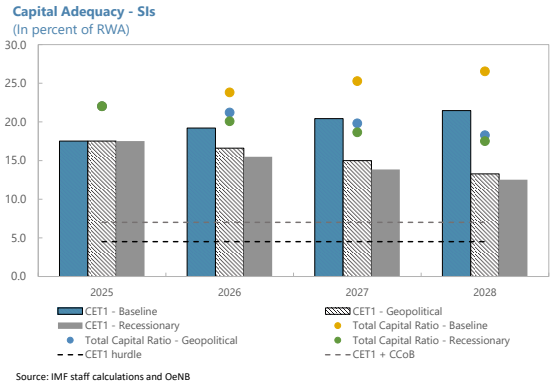
Market risk shocks are comparatively small but remain significant



Source: IMF staff calculations and OeNB

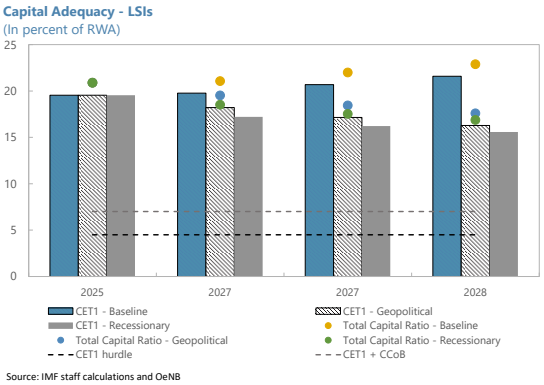
Figure 13. Austria: Solvency Stress Tests Results – SIs and LSIs

Capital depletion of SIs is larger under the recession scenario….



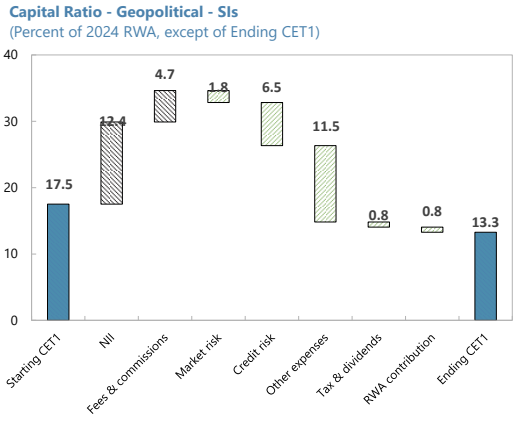
Source: IMF staff calculations and OeNB

…and for LSIs as well

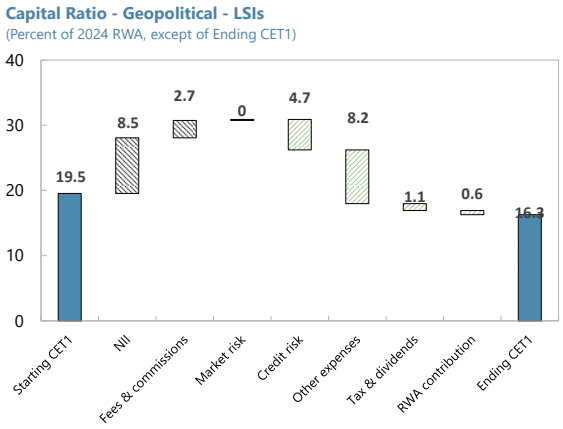


Source: IMF staff calculations and OeNB

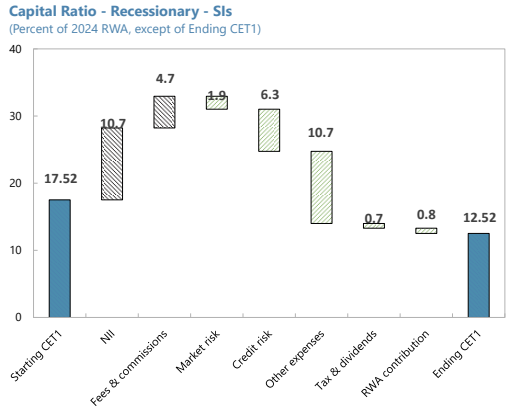
Credit risk is the largest driver of capital depletion of SIs under the geopolitical scenario….



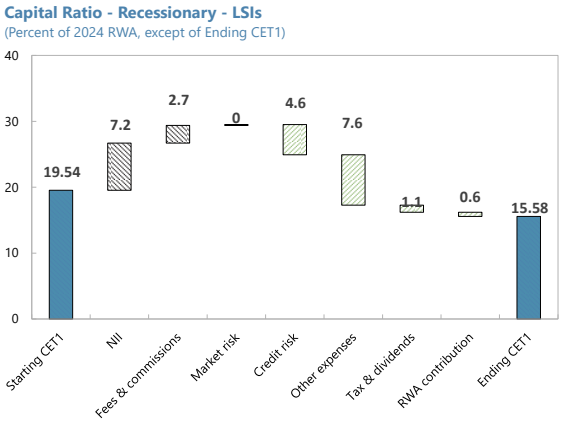
…and of LSIs, although it is smaller for LSIs



The recession scenario also entails a loss of NII due to downward stickiness of interest income for SIs…



…and for LSIs



Sources: IMF staff calculations and OeNB.

50. Under the two adverse scenarios, SIs experience larger declines in capital ratios than LSIs (Figure 14 and Figure 15). The decline for SIs is larger at 424 basis points, and 500 basis points, respectively in the geopolitical scenario and the recession scenario, than for LSIs at 326 basis points and 396 basis points. SIs experience larger credit risk and larger decline in the net interest income (including from foreign exposures) than LSIs and also experience the one-off global market shocks. On the other hand, SIs pay less taxes and distribute less dividends in the adverse scenarios relative to the baseline. This effect, which does not operate for LSIs, tends to mitigate the decline in capital ratios of SIs in adverse scenarios relative to the baseline.

51. While only a few small LSIs breach their Total SREP Capital Requirement (TSCR), twelve banks dip into their additional buffers (CCB, OSII and systemic risk buffers) in the adverse scenarios, among which three SIs.[32] Three (one) small LSIs accounting for 0.36 percent (less than 0.2 percent) of banking assets breach their TSCR in the geopolitical scenario (in the 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 (in the 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 scenario and the recession scenario.

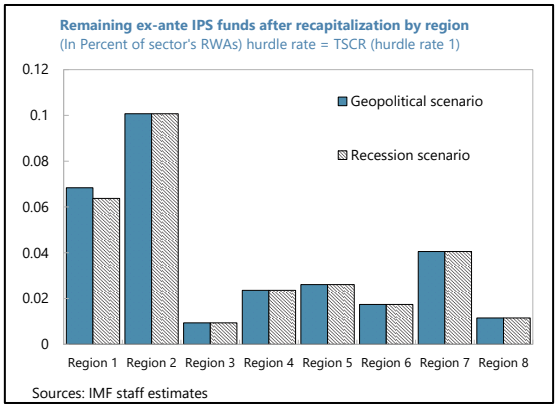
Undercapitalized Banks		
	CET1 - Geopolitical Scenario	CET1 - Recession Scenario
Hurdle Rate = Minimum Total SREP Capital Requirement		
# banks below requirement	3	1
Market share of undercapitalized banks	0.36%	less than 0.2%
Hurdle Rate = Minimum buffer requirement		
# banks below buffers	12	12
Market share of banks below buffers	9.5%	9.1%
Weighted average capital ratio gap	1.4%	2.2%
Source: OeNB and IMF staff calculations.		

G. Special Topic: System Second-Round Effects Through Recapitalizations of IPS Members of the Decentralized Sector

52. This section describes the analysis quantifying second-round effects of the solvency stress tests through recapitalizations among the IPS membership of the decentralized sector. The mutual support mechanism implies that IPS ex-ante funds (as well as ex-post recapitalizations by banks with a "capital surplus") can be relied upon to recapitalize member banks that have become undercapitalized, up to their TSCR. Banks that belong to the IPS have contributed 0.5 percent of their total RWA to the IPS to pre-fund the IPS. In the event the ex-ante fund is insufficient, member banks can be asked to contribute ex-post to the recapitalization as long as their capital ratios remain above their own TSCR plus a buffer of 10 percent. We assess first whether regional funds (ex-ante funds plus "surplus" capital of banks that are not undercapitalized) are sufficient for recapitalizations. If this is not the case, recapitalizations are achieved at the entire

[32] The Total SREP Capital Requirement – TSCR – is defined as the minimum CET1 ratio plus P2R, 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).

system level by relying on solvency support from other regions. The analysis is performed for each of the two hurdles: (i) the TSCR (hurdle H1), which is the actual hurdle rate of the IPS of the decentralized sector for recapitalization by IPS funds; (ii) the TSCR plus buffers (CCoB, OSII and systemic risk buffers) (hurdle H2), which is a hypothetical illustrative exercise. Indeed, this second hurdle for recapitalization by the IPS does not apply in practice in Austria, only the TSCR is considered to activate recapitalizations through the IPS of the decentralized sector.

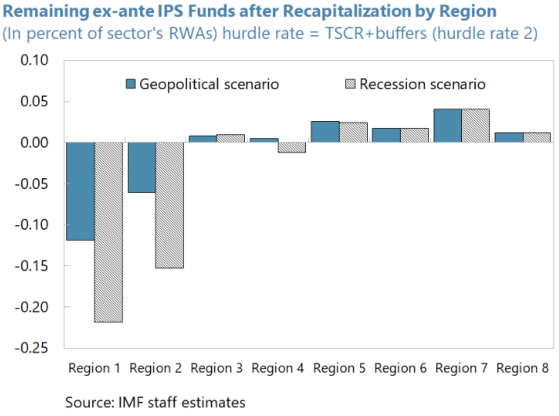


53. The analysis demonstrates that each individual regional IPS ex-ante fund is sufficient to recapitalize all banks of the decentralized sectors to their TSCR. In each of the two adverse scenarios, IPS ex-ante funds of all individual regions remain in surplus after recapitalizations. After recapitalization, only a small portion of the system-wide ex-ante IPS fund is relied upon.

54. However, in a hypothetical scenario in which banks need to maintain capital ratios above the hurdle rate H2, several regions experience deficits of ex-ante funds and must resort to ex-post recapitalizations. In this scenario in which banks need to restore capital ratios above requirements plus buffers, three regions out of eight lack sufficient ex-ante funds to recapitalize their member banks (Figure 16, left panel). As a result, surplus banks in each region must contribute ex-post to recapitalizing banks in deficit. The analysis shows that each of the eight regions has sufficient capital among its members to achieve complete recapitalizations with ex-post contributions, without resorting to contributions from members outside of the region (Figure 14, right panel).

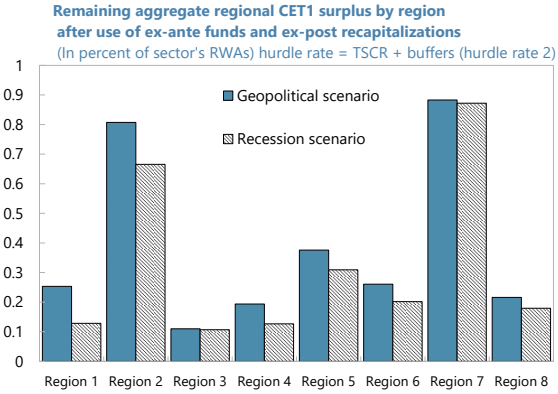
Figure 14. Austria: Second Round Effects in the Decentralized Sector to the Hurdle Rate 2 including Buffers (CCB, O-SII and Systemic Risk Buffers)

Several regions lack sufficient ex-ante IPS funds to fully recapitalize banks …



Source: IMF staff estimates

…however, there is sufficient surplus capital in all regions to achieve recapitalizations through ex-post contributions



Sources: IMF staff estimates

H. Sensitivity Analysis

55. Sensitivity analysis shows that the banking system is exposed to concentration risks which are mitigated by credit risk mitigation measures (CRM). Large exposures of banks account for multiples of capital and are therefore very significant. The top ten largest exposures to individual clients or groups of connected clients reach more than six times the CET1 of Austrian banks at the aggregate. However, they are small after netting out credit risk mitigation measures (CRM), reaching only 10 percent of aggregate CET1 for the top ten largest exposures (Text Table).[33]

Aggregated 8 banks (share of CET1)		
	(1)	(2)
Top 5	3.4	0.1
Top 10	6.3	0.1
Top 20	11.7	0.2

(1): before exemptions and CRM
(2): after exemptions and CRM
Source: COREP C28

56. Austria's large banks have large exposures to NBFIs, but risks seem broadly contained after taking into account credit risk mitigation measures.[34] Analyzing banks' linkages to NBFIs is the first step required to assess potential risks arising from such interconnections.[35] In the case of Austria, banks are exposed either directly to stand-alone or group NBFIs or indirectly, to NBFIs part of another banking group (top panel, Figure 17).[36] On aggregate, large banks' exposures to NBFIs

[33] CRM include collateralization, guarantees and insurance, netting, covenants and derivatives.

[34] This analysis includes 6 SIs plus UniCredit's subsidiary in Austria.

[35] See for instance the following paper of the European Systemic Risk Board (ESRB): Financial stability risks from linkages between banks and the non-bank financial intermediation sector

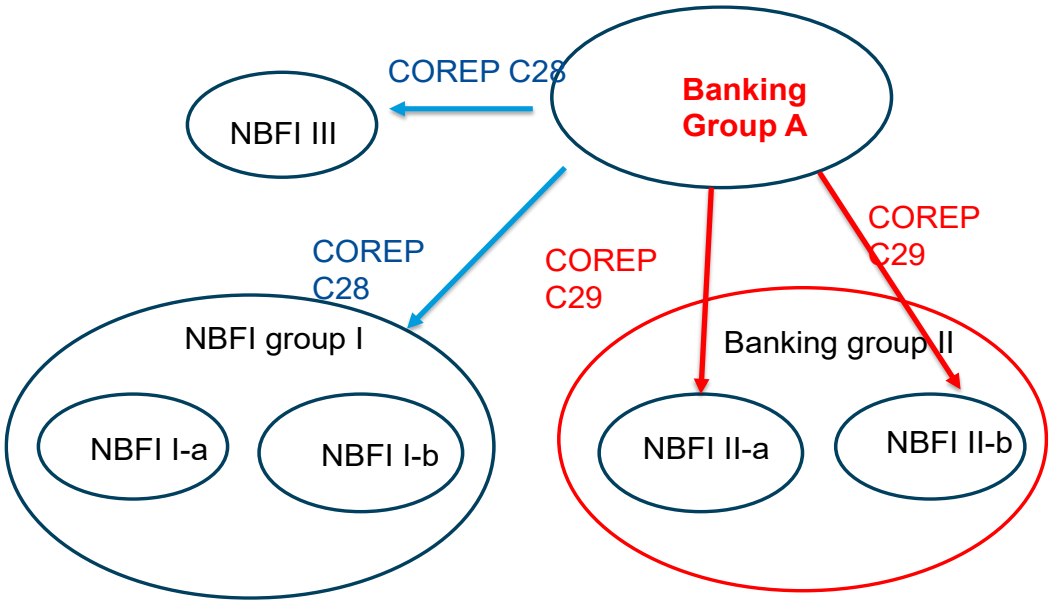
[36] COREP C28.00 reports the total aggregated exposure to a client or group of connected clients. COREP C29.00 reports the detailed exposures to individual clients that are part of a group of connected clients. Since C28.00 exposures are only considered if the counterparty is an NBFI, detailed exposures to NBFIs as part of a group of connected clients which is constituted by a bank will appear in COREP C29.00, but they will not appear in the data

(continued)

account for about 100 percent of their CET1 before CRM, either through direct exposures to NBFIs, or indirect exposures to NBFIs that belong to other banking groups. After netting out CRM, exposures are 30 percent of aggregate CET1 of Austrian banks. A more granular analysis from COREP large exposure reporting templates shows that about 73 percent of these NBFIs belong to the NACE sector K64 and 17 percent to the K66 sector (bottom panels, Figure 17).[37] More detailed data would be needed to further assess the exact type of NBFIs to which Austrian banks are exposed and the nature of potential risks related such connections to NBFIs. According to the OeNB and based on balance sheet item (BSI) data, these exposures are primarily to OFIs, with a substantial portion being part of a banking group, particularly in the context of domestic loans and domestic equity exposures.

Figure 15. Austria: Analysis of Large Interconnections Between Banks and NBFIs

The analysis of NBFI interconnections to banks is performed based on the COREP large exposure reporting templates which allow to map direct and indirect connections between banks and NBFIs



from C28.00. This structure automatically addresses concerns of overlaps between C28.00 and C29.00. The identification of each counterparty (type of the counterparty – such as NBFI or bank - and its NACE sector) are reported in C27.00.

[37] K64 is defined as "Financial Service Activities, except insurance and pension funding". K66 is defined as "Activities auxiliary to financial services and insurance activities".

Figure 15. Austria: Analysis of Large Interconnections Between Banks and NBFIs (concluded)

Large Austrian banks have very significant large exposures to NBFIs …

Aggregated 6 SIs+Unicredit Austria (share of CET1)		
	(1)	(2)
Group level NBFI *	0.6	0.1
Individual NBFI **	0.3	0.2
Total	1.0	0.3

(1): before exemptions and CRM

(2): after exemptions and CRM

*: NBFI group (NACE K64 or K66)

**: stand-alone NBFIs or part of banking or other group

Source: COREP c28 and c29 and IMF staff estimates

… reflecting exposures to sectors including investment funds, and, to a lesser extent, to sectors including asset managers and certain insurance activities

Aggregated 6 SIs+Unicredit Austria (share of CET1)		
	(3)	(4)
Group level NBFI *	0.50	0.15
Individual NBFI **	0.23	0.02
Total	0.73	0.18

Large exposures to NBFIs before CRM

(3): NBFI is NACE K64

(4): NBFI is NACE K66

*: NBFI group (NACE K64 or K66)

**: stand-alone NBFIs or part of banking or other group

Source: COREP c28 and c29 and IMF staff estimates

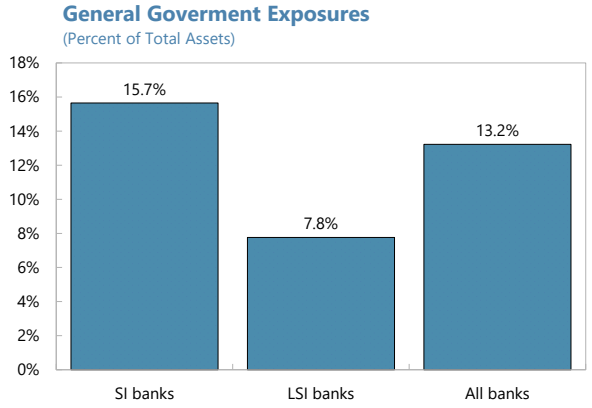
57. The sovereign-bank nexus is managed through cross-country diversification and overall small sensitivity of deposit costs to government bond rates.

- ***Exposures.*** While overall exposures of banks to general government are overall contained, at 13.2 percent of assets, SIs have much larger sovereign exposures than LSIs (15.7 percent versus 7.8 percent of assets) (Figure 16). However, SIs have a very significant geographical diversification of their exposures to general governments: their exposures to the Austrian sovereign are only 21.4 percent of their total government exposures; the counterparty is their large share of exposures to CESEE sovereigns. In contrast, about 70 percent of LSIs' government exposures are to the domestic sovereign.

- ***Funding costs.*** Econometric analysis shows that deposit costs in Austria are mostly sensitive to short-term rates and are almost not affected by long-term rates (Appendix I). In Austria, there is no statistically and economically significant association between interest rates on sight deposits and long-term rates; term deposit rate has a small association to long-term rates resulting in a short-term pass-through of about 10 percent. Broadly similar conclusions hold for deposit costs in Germany and the CESEE countries. However, our analysis did not assess the sensitivity of borrowing costs of banks to government bond yields.

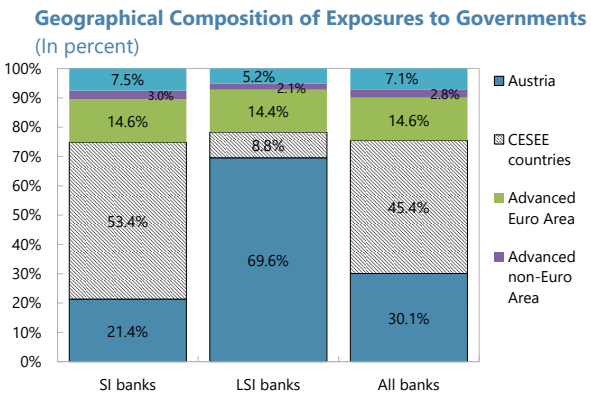
Figure 16. Austria: Exposures to Sovereigns

SIs have larger exposures to general governments than LSIs…



Sources: COREP, FINREP and IMF Staff estimates

… these exposures of SIs are more y diversified across countries



Sources: COREP and IMF Staff estimates

SPECIAL TOPICS: STRESS TESTS OF NON-FINANCIAL PRIVATE SECTORS

A. General Approach

58. Stress tests of non-financial private sectors are performed under the same baseline and adverse scenarios as the bank solvency stress tests. As noted earlier, given that the shocks in the adverse geopolitical scenario are qualitatively similar but more severe than the downgrades of economic forecasts and the WEO adverse scenario of the Middle East conflict, the conclusions of this section remain valid, as for solvency stress tests of banks. The methodologies are specific to each sector (large NFCs and households) and rely on microeconomic data. Results are then aggregated at the country level using each individual's indebtedness as weight. The resulting credit risk parameters (PDs) for NFCs are compared to those derived from the granular model based on the credit register data in the bank solvency stress tests, while the household PDs were used as input to the solvency stress tests. The household model relied upon in the bank solvency stress tests also allows to undertake counter-factual policy analysis as described below.

B. Solvency and Liquidity Stress Tests of Large NFCs

59. Analysis of publicly listed NFCs shows that corporate debt at risk would increase notably under the geopolitical and recession adverse scenarios (Figure 17, first and second panel).[38] This analysis is based on the corporate stress test model that is described in Box 6.[39] Under

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

[39] There is heterogeneity of outcomes across firms, only aggregate statistics are reported in the Technical Note.

the bank solvency stress test scenarios, based on end-2024 data for publicly-listed non-financial corporates, aggregate debt-at-risk (based on an ICR below one) would increase but remain contained in the baseline macro-economic scenario from 15 percent of total debt to 21 percent. In the two adverse scenarios, it would increase very substantially to more than 60 percent of total debt after two years and decline thereafter. PDs, related to leverage and ability to cover interest expenses with income flows, would increase as a result. The resulting PD elasticities at about 1.69 (respectively 1.47) in 2026 and 1.77 (respectively 1.7) in 2027 in the geopolitical scenario (respectively recession scenario) are above the average elasticities for non-real estate sectors estimated from the credit register econometric model, but below those for real estate related sectors.

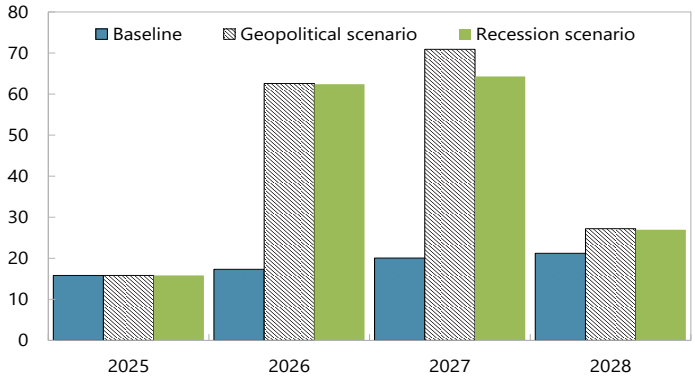
60. Under the two adverse macroeconomic scenarios, liquidity needs would remain high in 2026 and 2027 among publicly listed NFCs (Figure 17, third panel). In the baseline scenario, the share of debt of firms which would have liquidity needs to meet their cash flows decline substantially from their initial value. In the two adverse scenarios, this share would remain relatively high in 2026 and 2027 at 35-40 percent. This implies that under adverse macroeconomic conditions, liquidity needs of firms would increase due to a decline in earnings and an increase in interest charges, resulting in further leverage among the NFCs.

Figure 17. Austria: Scenario-Based Stress Tests of Publicly Listed NFCs

Under severe macroeconomic scenarios, vulnerabilities of publicly listed NFCs would increase significantly resulting in an increase of default risk and of borrowing needs to cover cash outflows

Percent of Debt among NFCs with ICR<1

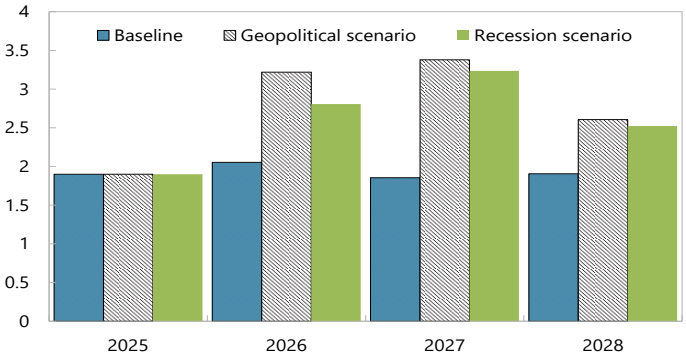
(In percent)



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

Aggregate PDs

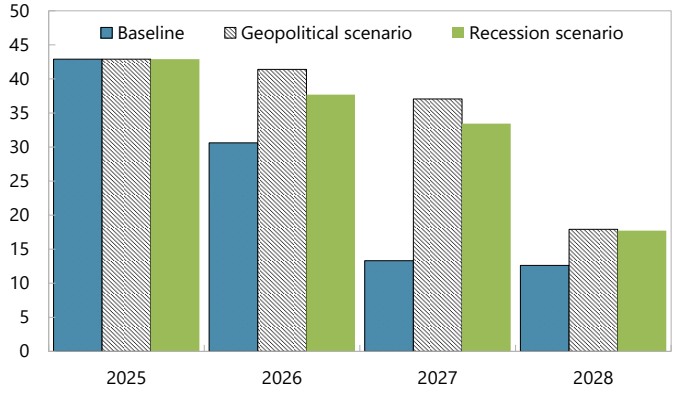
(In Percent)



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

Share of Debt of Firms with Borrowing Needs

(In Percent)



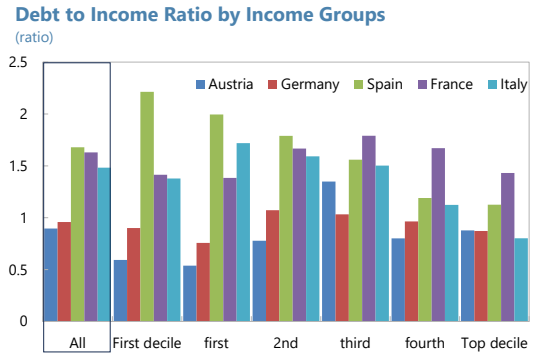
Sources: Datastream, Capital IQ, WEO and IMF staff estimates

C. Household Vulnerabilities and Counterfactual Analysis of Households' Default Risks and Borrower-Based Instruments

61. An analysis based on micro-survey data suggests that household vulnerabilities are well contained in Austria, compared to peer Euro Area countries (Figure 20).[40] Based on the 2021 ECB Household Finance and Consumption Survey, a comparative analysis assesses household leverage at different income levels. Data from the survey show that the debt-to-income ratio of Austrian households is lower than in Germany, France, Italy and Spain for the bottom 50 percent of households and for the top 25th percentile of households ranked by income. The Debt-to-Financial Assets ratios are very low in Austria, across all income groups, about the same levels as in Germany, but significantly lower than in France, Italy and Spain.

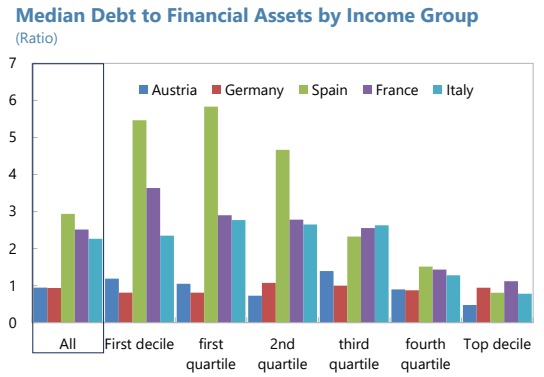
Figure 18. Austria: Comparative Analysis of Household's Indebtedness

Debt-to-income ratios of Austrian households are comparatively low across all income levels …



Sources: 2021 Household Finance and Consumption Survey 2021 and IMF staff estimates

… and so are debt-to-financial assets ratios



Sources: Household Finance and Consumption Survey 2021 and IMF staff estimates

62. A counterfactual solvency stress test analysis is performed to assess quantitatively the impact of borrower-based instruments on credit risk in the banking system. The approach relies on the micro-macro model of households' default rates described in Box 4 and relied upon to simulate mortgage and consumer loan PDs in the bank solvency stress tests. The aim is to assess quantitatively a counterfactual analysis imposing binding limits on LTVs at 90 percent on newly originated housing loans. The 90 percent limit is chosen to be aligned with the limit on LTC set in the KIM-V regulation issued by the FMA in 2022.[41] The counterfactual is performed by excluding from the survey population respectively households with LTV at origination above 90 percent.[42] The

[40] 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.

[41] See: FMA issues Regulation for sustainable lending standards for residential real estate financing (KIM-V) - FMA Österreich.

[42] Imposing a 90 percent limit on LTVs result in dropping 24 percent of housing loans. Exposures are then rescaled to maintain a constant total balance sheet of banks.

same assumption required for the PDs of the solvency stress tests is also required for the counterfactual analysis to be conceptually valid: the characteristics of households with LTVs below (respectively above) the limit considered in the 2021 survey are representative of the population that would originate housing loans (respectively be excluded from obtaining housing loans), would the limits on LTVs be activated.[43]

63. The counterfactual analysis is consistent with the view that limits on LTVs at origination help contain, over time, the risk of default on housing loans in Austria, especially under adverse macroeconomic conditions (Figure 29). This finding is consistent with the Austrian authorities' views that the borrower-based measures have helped contain the build-up of systemic risk in the Austrian banking system which could have materialized under adverse macroeconomic conditions.

- ***Impact on annual PDs (Table 7).*** The limit on the LTV at origination results in a decline in the default risk on housing loans that is more significant under the two adverse scenarios than under the baseline. With no LTV limits, annual PDs peak in 2028 with an increase of 0.85 percentage points (respectively 1.4 percentage points) in the geopolitical scenario (respectively the recession scenario). By contrast, with an LTV limit, the increase in PDs is more contained in the adverse scenarios to 0.5 percentage points (respectively 0.82 percentage points) in the geopolitical scenario (respectively recession scenario).

Table 7. Austria: Annual PDs: Main Scenarios and Counterfactual Scenarios
(In percent)

Annual default rates, benchmarked to EBA risk dashboard 2025:Q3						
No LTV limits						
	2025	2026	2027	2028	2029	2030
Baseline scenario	1.27%	1.26%	1.25%	1.24%	1.23%	1.23%
Geopolitical scenario	1.27%	1.35%	1.79%	2.12%	1.98%	1.61%
Recession scenario	1.27%	1.42%	2.18%	2.67%	2.40%	1.81%

Source: 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 scenario	0.73%	0.73%	0.72%	0.71%	0.71%	0.71%
Geopolitical scenario	0.73%	0.78%	1.01%	1.22%	1.15%	0.93%
Recession scenario	0.73%	0.82%	1.22%	1.54%	1.39%	1.04%

Source: HFCS 2021 and IMF staff estimates

[43] In practice, we should expect that some households with sufficient savings and/or income would choose different loan characteristics at origination to have LTVs below the macroprudential limits when those are activated, relative to a situation without borrower-based limits in place.

- ***Over time, borrower-based limits on LTVs reduce notably the stock of defaulted exposures (Table 8).*** By extrapolating the scenarios to 5 years, we can assess the cumulative impact of the reduction in PDs on defaulted loans which tend to accumulate year after year. This assumes no cures and no write-offs. After 5 years, the cumulative difference in the share of defaulted exposures between the main scenarios assuming no limits on LTVs and the counterfactual scenarios with a 90 percent limit on LTVs reaches about 3 percentage points in the baseline scenario, and 4-4.6 percent in the adverse scenarios. This corresponds to an amount of €5.6 billion in the baseline scenario, €7.5 billion in the geopolitical scenario, and €8.7 billion in the geopolitical scenario, of reduction in the stock of defaulted exposures after five years when LTV limits of 90 percent are in place at origination.

Table 8. Austria: Cumulative Impact on Defaulted Exposures

Difference in share of cumulative defaulted exposures (in percent) (no LTV limits minus 90 percent LTV limit)						
	2025	2026	2027	2028	2029	2030
Baseline scenario	0.54%	1.06%	1.57%	2.07%	2.55%	3.02%
Geopolitical scenario	0.54%	1.10%	1.85%	2.69%	3.44%	4.03%
Recession scenario	0.54%	1.14%	2.05%	3.09%	3.99%	4.64%

Source: HFCS 2021 and IMF staff estimates

Difference in cumulative defaulted exposures (in bil. euros) (no LTV limits - 90 percent LTV limit)						
	2025	2026	2027	2028	2029	2030
Baseline scenario	1.02	1.99	2.95	3.87	4.77	5.65
Geopolitical scenario	1.02	2.07	3.47	5.03	6.43	7.54
Recession scenario	1.02	2.13	3.84	5.79	7.46	8.68

Source: HFCS 2021 and IMF staff estimates

LIQUIDITY STRESS TESTS OF BANKS

A. General Approach

64. Liquidity risks are assessed through structural analysis on the Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR), asset encumbrance, and funding concentration. The LCR measures banks' ability to withstand short-term outflows by drawing on high-quality liquid assets (HQLA). The NSFR gauges structural financing vulnerabilities by matching available stable funding against required stable funding for long-term, illiquid assets. The asset encumbrance analysis evaluates the proportion of collateralized assets to reveal structural constraints on bank's capacity to mobilize unencumbered collateral during stress events. The diversification of funding is measured through funding concentration metrics, which shed light on banks' exposures to concentrated fund outflows.

65. LCR and cash-flow stress tests are conducted to assess banks' resilience to liquidity shocks. The LCR stress tests evaluate banks' capacity against 30-day liquidity drains, utilizing two LCR scenarios, which are parameterized with larger asset haircuts and higher secured and unsecured outflows compared to the regulatory baseline. These scenarios are based on the 2025 Euro Area FSAP LCR scenarios[44] for comparability, with important parameters being re-calibrated to capture the structural characteristics of the Austrian banking system. The cash-flow stress tests examine banks' liquidity positions over longer periods up to 12 months, to identify banks' resilience and vulnerability over extended horizons. Similar to LCR stress tests, the cash-flow scenarios are built on those from the 2025 Euro Area FSAP, with key changes on deposit outflow assumptions to accurately reflect funding dynamics of the Austrian banking sector.

66. Second-round effects from the Institutional Protection Scheme (IPS) and liquidity associations of the major decentralized sector are modelled to assess system resilience under stress. Supplementing standard liquidity stress testing that focuses on the liquidity of individual banks, this analysis takes a more holistic perspective to incorporate the mutual contractual obligations of Austrian banks under the IPS arrangement and liquidity associations within a major decentralized sector. Member banks that face liquidity shortage can receive funding via the liquidity reallocation in liquidity associations and through using pre-contributed IPS funds. By capturing these network dynamics, the analysis identifies channels of systemic risk transmission and quantifies the aggregate capacity of the system in absorbing liquidity shocks.

B. Structural Liquidity Risks

Liquidity Coverage Ratio

67. Austrian banks maintain strong short-term liquidity buffers that significantly exceed regulatory requirements. Under the standard regulatory scenario, the weighted average LCR of Austrian banks is 185 percent as of September 2025, exceeding the EU/EEA benchmark of 163 percent in December 2024.[45] SIs see an average LCR of 162 percent and LSIs 240 percent. 34 LSIs show LCR below 100 percent (Figure 21), which is attributable to their participation in regional liquidity associations within a major decentralized sector that are subject to liquidity waivers.[46] Through consolidation on the association level, all these liquidity associations still comply with the 100 percent regulatory requirement.

[44] IMF Country Report No. 2025/210. "Euro Area: Publication of Financial Sector Assessment Program Documentation-Technical Note on Stress Testing the Banking Sector".

[45] All weighted average indicators, including the weighted average LCR, is calculated using bank asset size as the weighting factor. The EU/EEA benchmark figures are from EBA (2025), "Risk Assessment Report of the European Banking Authority".

[46] Regional liquidity associations within this major decentralized sector can apply for a liquidity waiver. When granted, this waiver exempts small member banks in the association from the 100 percent LCR and NSFR minimum regulatory requirements. Currently, three liquidity associations utilize this waiver. However, when regulatory reporting is consolidated at the association level, all of them still meet the LCR and NSFR regulatory requirements.

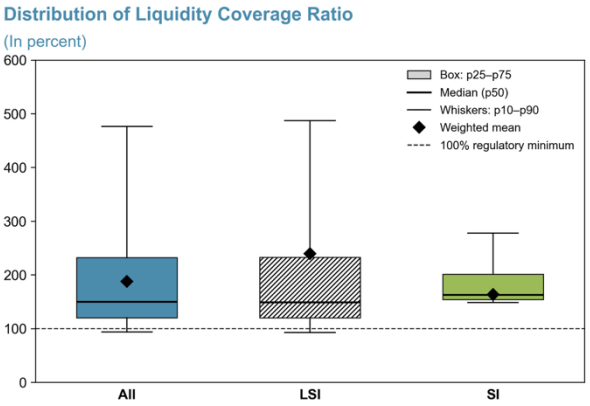
68. Level 1 liquid assets dominate the composition of High-Quality Liquid Assets (HQLA). Cash and central bank reserves constitute 39 percent of HQLA for both SIs and LSIs. A divergence appears in government and public sector debt holdings: it is at 39 percent of SI's HQLA, while for LSIs it is 29 percent of HQLA. By contrast, LSIs allocate a greater proportion to other Level 1 assets, such as extreme high-quality covered bonds. Additionally, a mandatory liquidity upstreaming arrangement exists within the major decentralized sector. Under this arrangement, small regional banks in liquidity associations of this sector transfer a part of their L1 assets, proportional to their deposit base, to the corresponding central regional institutions for centralized clearing and management. Across the Austrian banking sector, exposures to Level 2 assets remain small.

69. Retail deposits form a stable funding base, with potential vulnerabilities on unsecured outflows. As the largest funding source, retail deposits represent 57 percent of LSI liabilities and 47 percent of SI liabilities measured in unweighted terms, offering behavioral stability compared to wholesale deposits. Both SIs and LSIs report substantial outflows from "other products and services", which stand at 16 percent for SIs' total unweighted outflows and 13 percent for LSIs. This category includes uncommitted funding facilities, overdrafts, off-balance-sheet trade finance, and other unspecified products. Austrian banks assign an average outflow rate of 5.5 percent to these exposures for LCR calculations under the regulatory scenario.

70. Currency-specific liquidity buffers remain robust. A breakdown of the data shows that the Euro (EUR) and the Czech Koruna (CZK) represent the only two significant currencies accounting for more than 5 percent of total outflows within the banking system. The weighted average LCR of both currencies exceeds the 100 percent threshold by a wide margin, recording 183 percent for EUR and 157 percent for CZK.

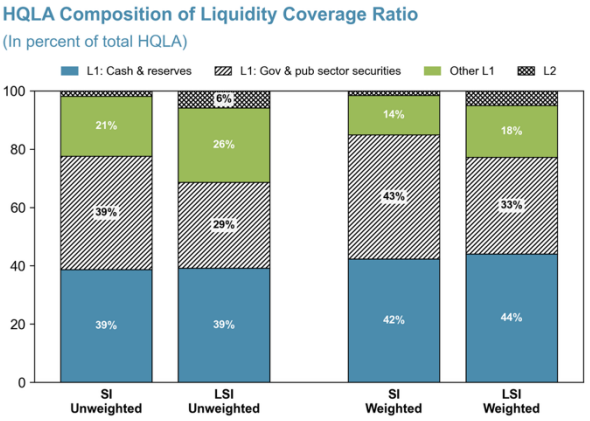
Figure 19. Austria: Analysis of the Liquidity Coverage Ratio (LCR)

The elevated LCRs confirm that Austrian banks maintain robust short-term liquidity buffers …



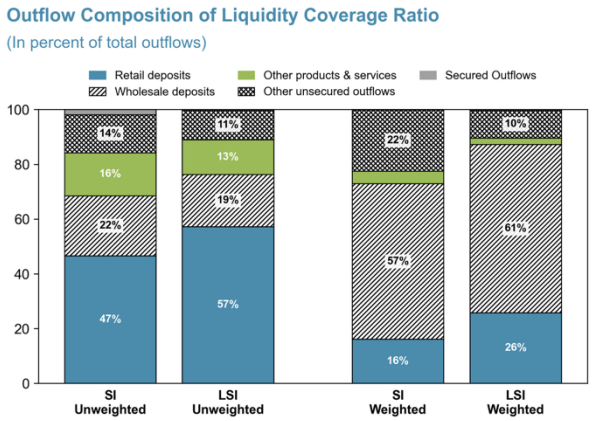
Sources: COREP and IMF staff calculations.

… supported by high portions of HQLA in cash, reserves, as well as government securities.



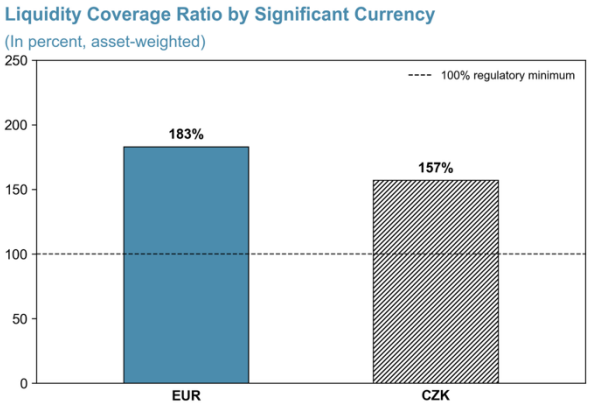
Sources: COREP and IMF staff calculations.

Retail and wholesale deposits dominate the outflow profiles …



Sources: COREP and IMF staff calculations.

… while short-term liquidity buffer also remains sufficient across significant currencies.



Sources: COREP and IMF staff calculations.

Net Stable Funding Ratio

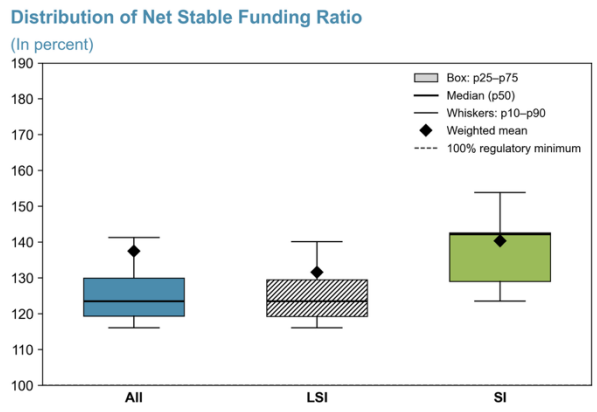
71. Austrian banks maintain robust structural funding positions, with all meeting the NSFR requirements. The weighted average NSFR stands at 140 percent for SIs and 132 percent for LSIs (Figure 22), which exceeds the 100 percent Basel III requirement EU/EEA benchmark of 127 percent.[47] Retail deposits provide the largest source of Available Stable Funding (ASF), accounting for 50 percent of SI funding and 51 percent of LSI funding. Liabilities from undetermined counterparties (16 percent for SI and 15 percent for LSI) and capital (13 percent for SI and 15 percent for LSI) form the next largest categories. A maturity divergence exists between LSIs and SIs, as LSIs hold a greater share of funding that matures within six months than SIs. This maturity

[47] EBA (2025). "Risk Assessment Report of the European Banking Authority."

difference exposes LSIs to potentially higher rollover risks compared to SIs. Loan portfolios represent the primary component of Required Stable Funding (RSF) for SIs and LSIs.

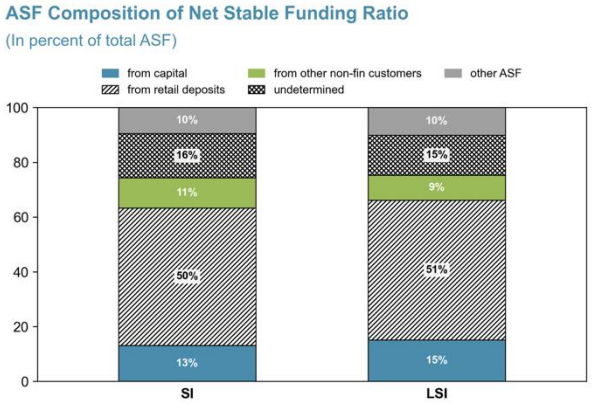
Figure 20. Austria: Analysis of the Net Stable Funding Ratio (NSFR)

All Austrian banks comply with the regulatory minimum for the NSFR…



Sources: COREP and IMF staff calculations.

… underpinned by a stable structural funding base concentrated in retail deposits.



Sources: COREP and IMF staff calculations.

Asset Encumbrance

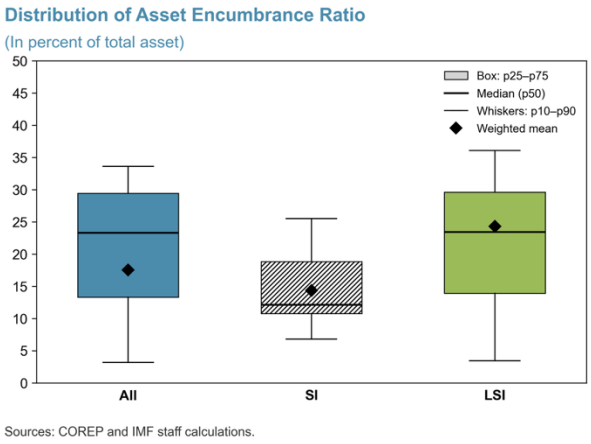
72. The Austrian banking sector exhibits lower asset encumbrance than the European average, though differences exist between large and small institutions. The asset encumbrance ratio, defined as the share of total assets pledged as collateral, stands at 14 percent for SIs and 24 percent for LSIs (Figure 23). While the LSI ratio is comparable with the EU/EEA average at 24.1 percent[48], the significantly lower SI ratio suggests that the overall Austrian banking sector maintain lower asset encumbrance rate compared to the overall European banking sector. The difference in the asset encumbrance ratio between SIs and LSIs reflects the reliance of LSIs on covered bond issuance, which uses loans as collateral, for their funding models. This is also evidenced by LSIs' reporting of an encumbrance rate of 34 percent on their loan portfolios, compared to 18 percent for SIs. From a systemic perspective, Austrian banks encumber loans more frequently than debt securities, contrasting with broader European practices.[49]

[48] EBA (2025). "Risk Assessment Report of the European Banking Authority."

[49] As noted in EBA (2025), "Risk Assessment Report of the European Banking Authority", debt securities are the most frequently encumbered instruments, followed by loans and advances.

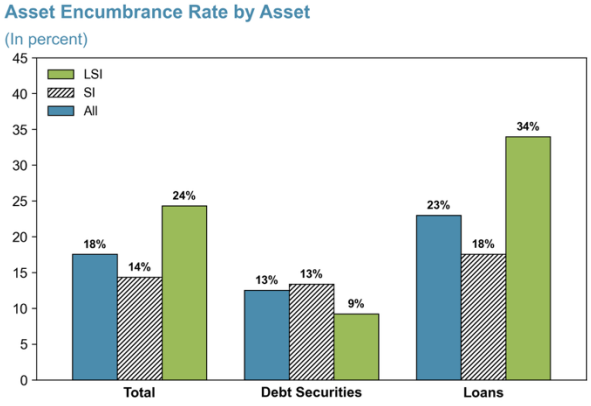
Figure 21. Austria: Analysis of Asset Encumbrance

Asset encumbrance remains low across Austrian banks, especially for SIs…



Sources: COREP and IMF staff calculations.

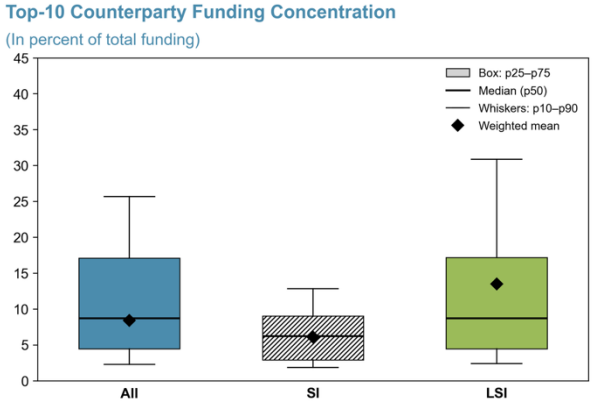
… whereas LSIs' relatively higher encumbrance is due to their heavier reliance on pledged loan portfolios.



Sources: COREP and IMF staff calculations.

Funding Concentration

73. Austrian banks maintain robust funding diversification overall, though small institutions face higher concentration risks. The funding concentration ratio, defined as the share of funding from 10 largest providers to total funding, yields a median of 6.3 percent for SIs and 8.8 percent for LSIs, which are both below the median of 10 percent for lenders and universal banks reported in the 2025 Euro Area FSAP. This diversification limits systemic exposure to wholesale funding runs. Although the broader system appears resilient, concentration risks remain relatively elevated for some LSIs. LSI funding concentration is higher than that of SIs at the median and diverges more significantly at the 75th percentiles (9 percent for SI and 17 percent for LSI) and 90th percentiles (13 percent for SI and 31 percent for LSI).



Sources: COREP and IMF staff calculations.

C. LCR Stress Tests

74. The LCR stress test scenarios build on those established in the 2025 Euro Area FSAP.[50] Beyond the regulatory scenario reported by banks, two additional stress scenarios are considered. Under these two scenarios, it is assumed that sovereign stress events trigger larger valuation

[50] IMF Country Report No. 2025/210.

haircuts on HQLA and cause an elevated secured and unsecured outflows. Details on the parameterization of the two LCR scenarios can be found in Appendix II.

75. Two sets of assumptions are refined to tailor the LCR stress test to the Austrian banking sector. First, the outflow rates for retail deposits subject to higher outflows are re-calibrated. This category captures less stable retail funding, such as deposits exceeding guarantee limits, which carries a higher outflow risk during market turmoil. In the COREP reporting template, this category is decomposed into two sub-categories, with suggested outflow ranges of 10–15 percent and 15–20 percent as per Basel framework. Under the LCR scenarios of the 2025 Euro Area FSAP, the outflow rates are assumed to be the regulatory lower limits of 10 percent and 15 percent. However, data suggests average outflow rates of 14.9 percent and 19.9 percent for the two sub-categories under the regulatory scenario reported by Austrian banks, almost reaching the regulatory upper limits. To reflect this funding situation, the LCR scenarios here adopt the outflow rates of 14.9 percent and 19.9 percent for this unstable retail deposit category.

76. Unsecured outflows linked to "other products and services" are quantitatively re-calibrated. This category is characterized by uncommitted funding facilities, off-balance-sheet trade finance, overdrafts, and other unspecified obligations. It represents a non-negligible 14 percent of total unweighted outflows. A significant gap exists in the assumptions of outflow rates for these outflow items: while under the regulatory scenario Austrian banks reported an average outflow rate of approximately 5.5 percent, the LCR scenarios of the 2025 Euro Area FSAP assume an outflow rate of 100 percent. Statistical evidence indicates that actual outflows may well exceed the 5.5 percent baseline under heighted stress, although a complete 100 percent run-off seems unrealistic. To reach a more robust assumption, the analysis examines the monthly outflows of wholesale deposits across Austrian banks over the past twenty years, as wholesale funding shares similar behavioral characteristics with the items in the category. This historical distribution identifies the 75th and 90th percentile wholesale deposit outflow rates at approximately 25 percent and 40 percent, respectively. Consequently, these two figures are used for the calibration of the "other products and services" outflow rates under the two LCR scenarios.

77. The LCR stress test results show that the Austrian banking system maintains substantial liquidity buffers. Under the two adverse scenarios that feature higher outflows and larger haircuts than under Basel III, the weighted average LCR remains resilient, reaching 149 percent in Scenario 1 and 133 percent in Scenario 2 (Figure 22). On average, both SIs and LSIs maintain LCRs above 100 percent across Scenario 1 (126 percent for SI and 203 percent for LSI) and Scenario 2 (109 percent for SI and 190 percent for LSI). Looking at currency-specific results, the weighted average LCR of EUR and CZK stand well above 100 percent across Scenario 1 (151 percent for EUR and 132 percent for CZK) and Scenario 2 (137 percent for EUR and 121 percent for CZK).

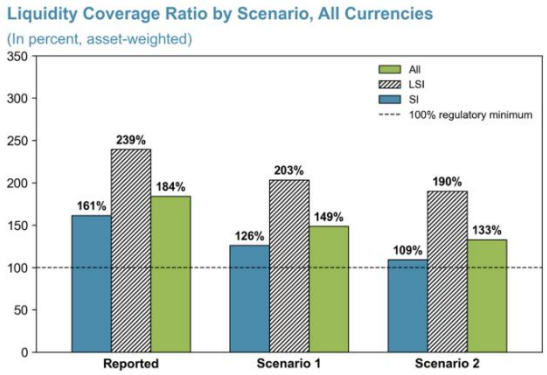
78. Despite the systemic resilience, individual vulnerabilities emerge. In Scenario 1, banks with LCR below 100 percent consist of only LSIs, representing 7 percent of total banking sector assets. This includes banks that take up two percent of the market share, which operate within regional liquidity associations that utilize liquidity waivers. In the more severe Scenario 2, several SIs

also fell below the 100 percent threshold, pushing the total asset share of banks with LCR below the regulatory requirement to 35 percent.

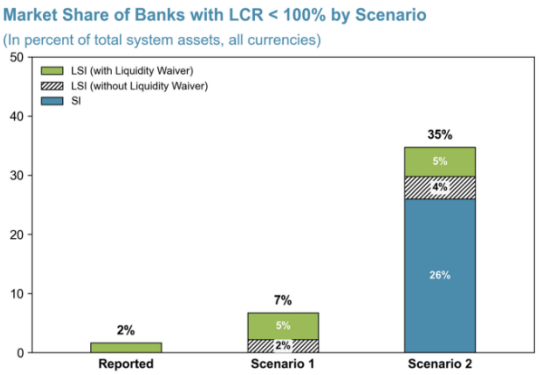
79. Repeating LCR stress tests using historical data confirms that banks have maintained sufficient liquidity buffers under varying macroeconomic environments in the past as well. The LCR stress tests are repeated for SIs based on their monthly reported COREP data from October 2020 to September 2025.[51] The analysis shows that the weighted average LCR stays consistently above 100 percent under the regulatory scenario and the two more adverse scenarios. The standard deviations of the results are moderate (15 percent under Scenario 1 and 13 percent under Scenario 2), indicating stable liquidity buffers without extreme fluctuations.[52]

Figure 22. Austria: LCR Stress Test Results

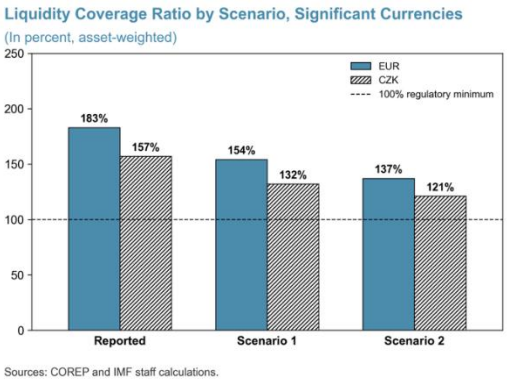
The average LCR of Austrian banks stays above the 100 percent regulatory threshold in all scenarios …



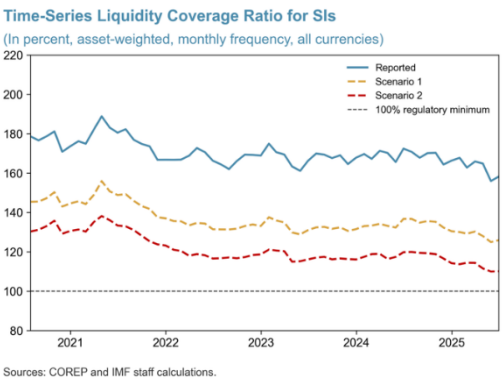
… though some banks exhibit LCRs below 100 percent in the more severe scenario.



The average LCR across significant currencies remains above the regulatory requirement …



… and it holds true for the average LCRs of SIs when stress tests are conducted based on their historical data.



[51] The period is selected to ensure no missing observations in the sample.

[52] There is also a slight downward trend in the reported LCR over the sample period. This decline mirrors broader European dynamics documented by the EBA (2025), Figure 39, pointing to a continuous reduction in systemic liquidity buffers.

D. Cash Flow Based Liquidity Stress Tests

80. The cash-flow stress tests are based on a general risk aversion scenario and an idiosyncratic bank run scenario. The cash-flow stress tests are based on a general risk aversion scenario and an idiosyncratic bank run scenario. Both scenarios are built on similar ones from the 2025 Euro Area FSAP.[53] The general risk aversion scenario assumes aggregate shocks to macroeconomic confidence, leading to valuation losses in counterbalancing capacity (CBC), limited access to funding markets, and systemic liquidity facility drawdowns. The idiosyncratic scenario simulates the impact of confidence shocks for individual banks, which could be linked to credit losses or unprofitable business models, resulting in severe and sustained funding outflows. The analysis focuses on banks' net liquidity position, calculated as the difference between cumulated CBC and cumulated net outflows, across maturity buckets ranging from overnight to 12 months. Details on the parameterization of the two cash-flow stress test scenarios are in Appendix II.

81. Assumptions on deposit outflows are refined. To ensure consistency with the LCR stress tests, the outflow rates for term and sight deposits are re-calibrated, so that their cumulative 30-day outflow rates in the cash-flow stress test scenarios match the corresponding deposit outflow rates under the LCR stress test scenarios. Beyond the 30-day window, the cumulative deposit outflow rates are anchored back to the original EA FSAP assumptions on the 12-month horizon. This approach allows the short-term consistency of the LCR and cash-flow assumptions, while also better capturing the protracted outflows characteristic of the idiosyncratic scenario.

82. The results suggest that most banks can withstand significant liquidity outflows over extended horizons. Under the general risk aversion scenario, the aggregate net liquidity position remains positive across all the time buckets (Figure 25). Though the liquidity positions of individual banks tighten over time, the total market share of banks experiencing shortfalls is contained at 10 percent at the 12-month horizon. These banks only involve LSIs, with approximately half (in terms of market share) operating within regional liquidity associations covered by liquidity waivers. Under the more severe idiosyncratic scenario, the system maintains a positive aggregate position for up to three months before turning negative. By the 12-month horizon, the market share of banks with shortfalls reaches 81 percent, driven primarily by several large SIs facing liquidity gaps after three months. Currency-specific tests show that both EUR and CZK net liquidity positions remain positive under general risk aversion. Under idiosyncratic stress, the EUR position moderates toward zero, while the CZK position crosses into negative territory after three months, with the cumulated negative net liquidity position reaching an amount equal to 27 percent of the total banking sector asset in absolute terms by the end of the 12th month.

[53] IMF Country Report No. 2025/210.

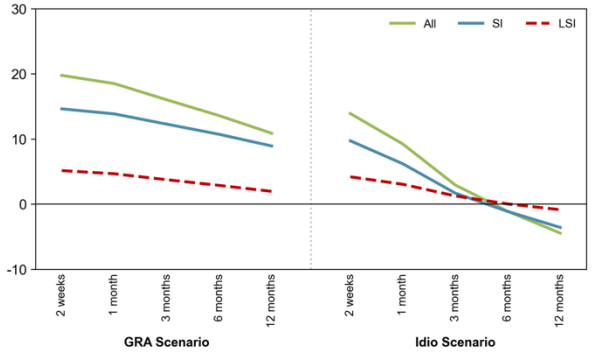
Figure 23. Austria: Cash-Flow Stress Test Results

The aggregate liquidity positions of banks remain robust over prolonged periods under cash-flow stress tests …

… with the position turning negative under the more severe idiosyncratic scenario after six months.

Net Liquidity Position by Scenario

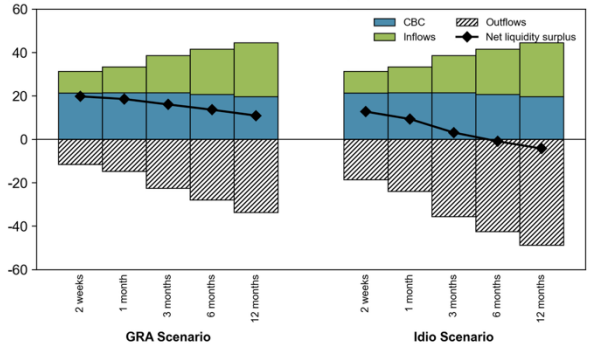
(In percent of total system assets, all currencies)



Sources: COREP and IMF staff calculations.

Breakdown of Net Liquidity Position

(In percent of total system assets, all currencies)

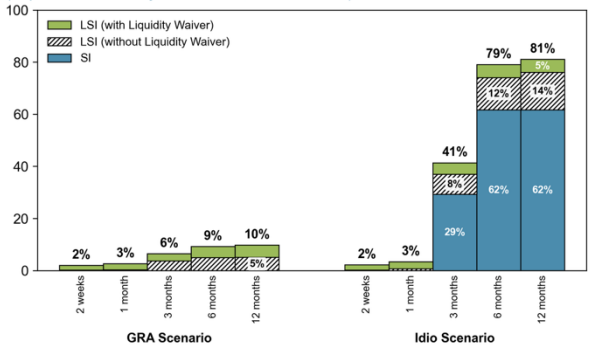


Sources: COREP and IMF staff calculations.

Under idiosyncratic stress, large scale shortfalls emerge starting at the 3-month horizon …

Market Share of Banks with Liquidity Shortfalls

(In percent of total system assets, all currencies)

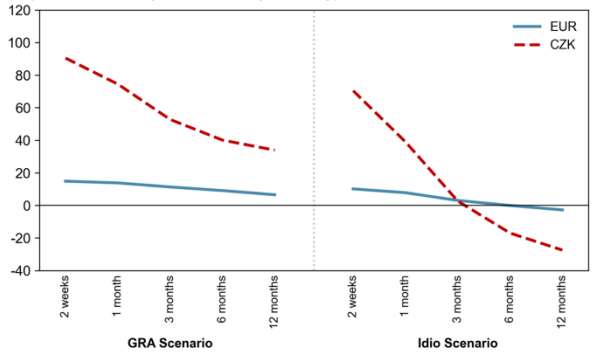


Sources: COREP and IMF staff calculations.

… while CZK net position turns negative after three months and EUR after six under this scenario as well.

Net Liquidity Position by Scenario, Significant Currencies

(In percent of total system assets by currency)



Sources: COREP and IMF staff calculations.

E. Special Topic: Second-Round Effects from the IPS and the Liquidity Associations of the Decentralized Sector

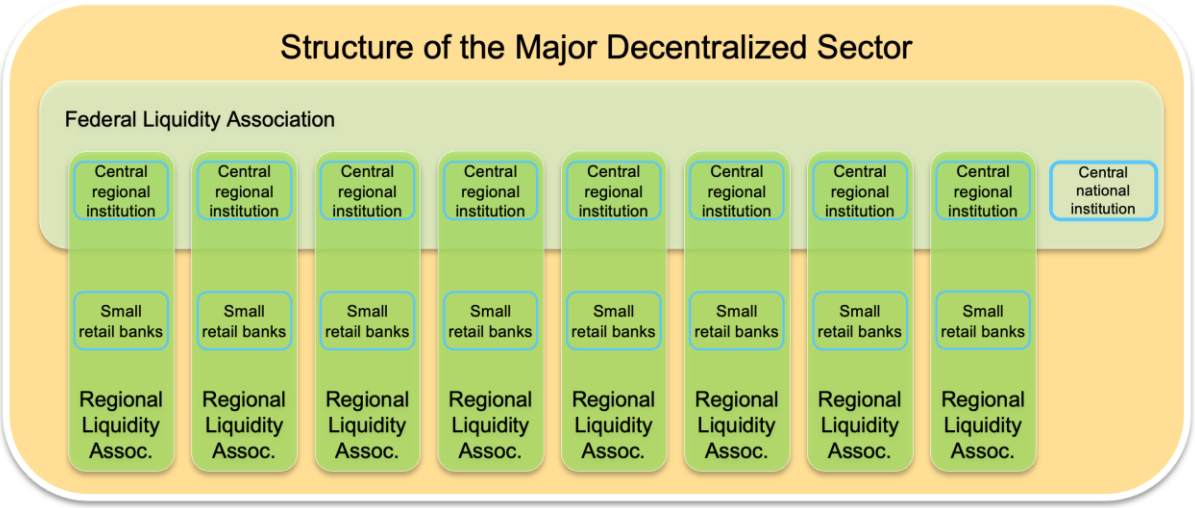
83. Further liquidity stress tests incorporating second-round effects from the IPS and liquidity associations are conducted to assess the effectiveness of these liquidity supports during stress periods. Standard liquidity stress testing methodologies evaluate banks independently, overlooking a set of mutual liquidity support mechanisms, a distinct feature of the Austrian banking system: many banks operate under shared contractual IPS arrangements within liquidity associations, which oblige them to provide mutual liquidity support in stress periods. Incorporating these mechanisms into stress tests is essential to explore systemwide liquidity risk absorption, quantify the aggregate capacity of system resilience, and determine the actual scope of

liquidity shortages. The analysis models these mechanisms within a major decentralized sector comprising 3 SIs and 274 LSIs, accounting for 39.2 percent market share in the Austrian banking system as of September 2025. This IPS features a two-layer structure, consisting of eight regional liquidity associations and one federal liquidity association (Figure 24). Each regional association contains a set of small retail banks and a central regional institutions. All the central regional institutions and a central national institution form the federal association. This overarching structure ensures that liquidity support applies to all participating institutions.

Figure 24. Austria: The Liquidity Support Mechanisms under a Major Decentralized Sector

In a major decentralized sector, the support mechanisms work under a two-layer structure …

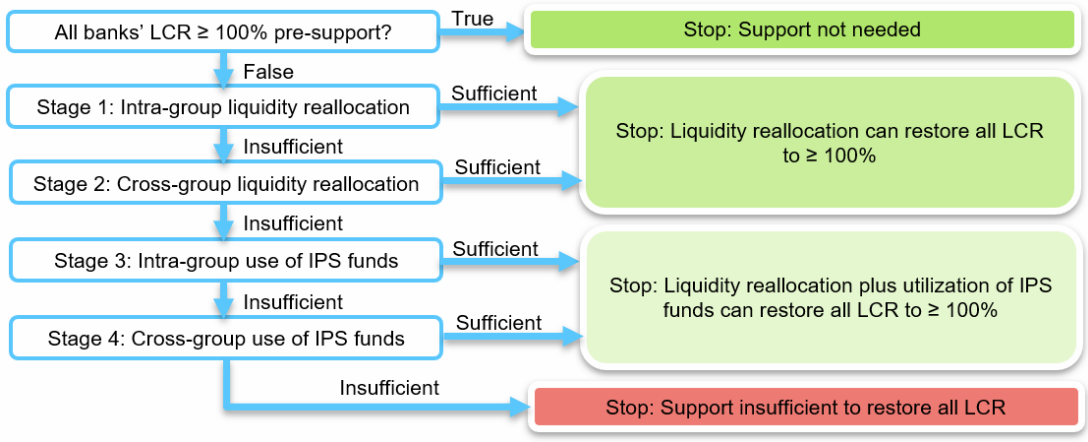
Structure of the Major Decentralized Sector



Sources: FMA, OeNB.

… in which liquidity support is provided through four sequential stages.

Modelling the Liquidity Support from IPS and Liquidity Associations in LCR Stress Tests



Source: IMF staff calculations.

84. The IPS and liquidity associations enable mutual liquidity support by reallocating available liquidity and by utilizing pre-contributed funds through a four-stage mechanism. During stress periods, member banks facing liquidity shortages can obtain support through two channels: they can receive excess liquidity from surplus banks, or they can draw down IPS funds built through prior member contributions.[54] The support follows four sequential stages (Figure 26). First, banks with liquidity surplus transfer their excess liquidity to banks with liquidity deficits within each local liquidity association. If deficits remain, the second stage triggers cross-group liquidity reallocation, sharing excess liquidity across all liquidity associations.[55] If deficits persist, the third stage draws down the pre-contributed IPS funds with each local liquidity association. In the final stage, all the residual IPS funds are pooled across associations to cover any remaining deficits.[56] For the LCR stress test, this sequential support is provided to member banks with an LCR falling below the 100 percent threshold. For the cash-flow stress test, the support is provided to member banks facing a negative net liquidity position within each time bucket.

85. These support mechanisms can restore regulatory compliance for all member banks in LCR stress tests. Under the milder Scenario 1, the total excess liquidity of the major decentralized sector is equivalent to 7.0 percent of the sector's total RWA. The liquidity transfer through Stage 1 (intra-group liquidity reallocation) support is sufficient to restore all the member banks falling below the 100 percent regulatory threshold, utilizing 13.4 percent of the total excess liquidity (Figure 25). Under the severe Scenario 2, the total excess liquidity reduces to 4.2 percent of the sector's total RWA. The liquidity support through Stage 1 (intra-group liquidity reallocation) and Stage 2 (cross-group liquidity reallocation) restore all member banks' LCR by consuming 74.6 percent of the total excess liquidity. The more severe shock in Scenario 2 exposes a capacity and vulnerability divergence in different liquidity associations. While some associations maintain sufficient surpluses that are enough for restoring the LCR of all banks within them, others present insufficient capacity. As a result, two associations exhaust their internal buffers and obtain external liquidity on Stage 2 (cross-group liquidity reallocation). Rescuing only these two associations consumes 29.1 percent of the total excess liquidity, implying a concentration of risks in the system under severe stress.

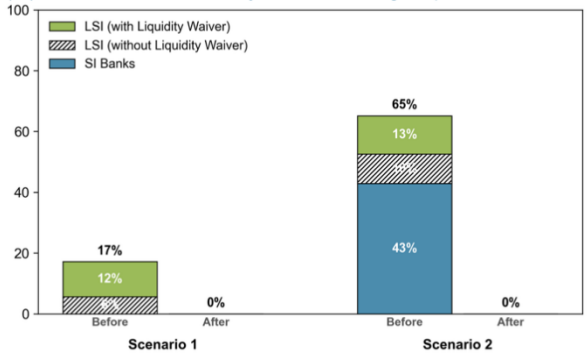
[54] Each member bank's contribution is approximately equal to 0.5 percent of its risk-weighted asset.

[55] In the LCR stress test, the excess liquidity is defined as the liquid assets a member bank holds above the amount required to maintain the 100 percent regulatory threshold. In the cash-flow stress test, the excess liquidity is a member bank's positive cumulative net liquidity position within a specific time bucket. When there are multiple surplus banks with excess liquidity, the model calculates their contributions to deficits banks in proportion to each bank's available excess, meaning the support obligation is shared across all surplus banks. When there are multiple deficit banks in need of liquidity support, the model assumes banks with larger market shares receive support first.

[56] Beyond the four stages modeled here, the broader IPS support also includes "ex-post" funding contributions from member banks. Because these ex-post contributions rely on the discretion of the IPS risk council, their use is more difficult to model or evaluate. For this reason, this exercise focuses on more deterministic support channels: the reallocation of available excess liquidity and the drawdown of pre-contributed "ex-ante" IPS funds.

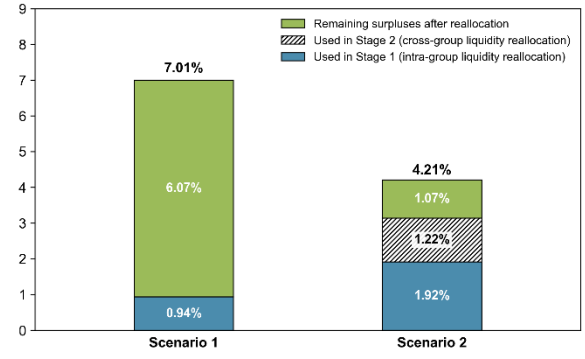
Figure 25. Austria: Effectiveness of Liquidity Support Mechanisms in LCR Stress Tests

Liquidity support restores the LCRs of all member banks under two scenarios …



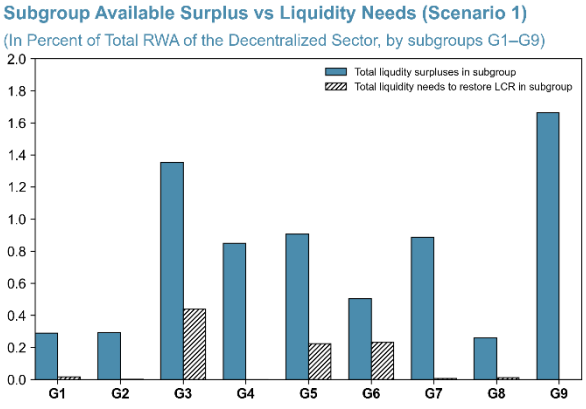
Sources: COREP and IMF staff calculations.

… by transferring liquidity from surplus banks to deficit banks within and across liquidity associations.



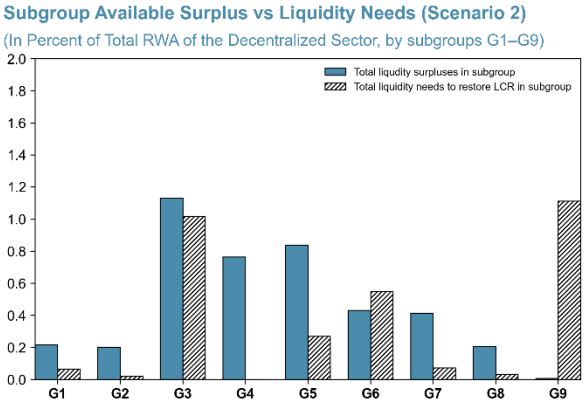
Sources: COREP and IMF staff calculations.

While liquidity reallocation within associations is already sufficient to restore LCRs in the milder Scenario 1 …



Sources: COREP and IMF staff calculations.

… cross-group liquidity reallocation is needed in Scenario 2 as liquidity needs exceed surplus in some associations.



Sources: COREP and IMF staff calculations.

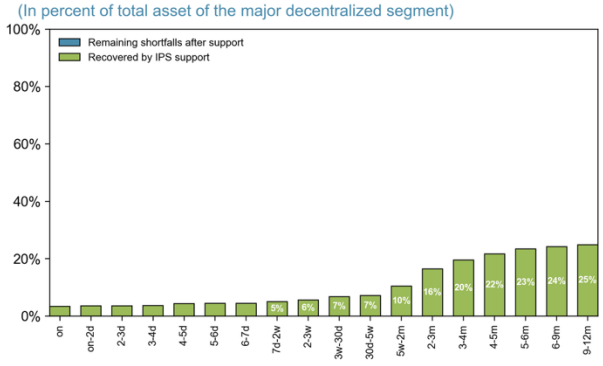
86. Support from IPS and liquidity associations can also address member bank liquidity shortfalls over extended horizons in cash-flow stress tests. Under the general risk aversion scenario, incorporating support mechanisms resolves liquidity shortfalls for all member banks across all time buckets (Figure 26). Stage 1 (intra-group liquidity reallocation) support absorbs all liquidity gaps for the initial two months. Starting the third month, Stage 2 (cross-group liquidity reallocation) support is activated to transfer liquidity from surplus to deficit liquidity associations. Under the idiosyncratic scenario, all member banks' shortfalls are fully offset using Stage 1 and Stage 2 support in the first three months. However, sustaining this support drives continuous erosion of aggregate buffers, creating a steep cliff effect on the 4–5-month bucket. Within this time bucket, the support network exhausts the excess liquidity from all liquidity associations in Stage 1 and Stage 2, followed by the depletion of all pre-contributed IPS funds in Stage 3 and Stage 4. As a result, banks representing over 73 percent of total sector assets experience liquidity shortfalls by the end of the fourth month, and this figure reaches over 96 percent by the end of the twelfth month.

Figure 26. Austria: Effectiveness of Liquidity Support Mechanisms in Cash-Flow Stress Tests

Support mechanisms resolve liquidity shortfalls of member banks in the milder general risk aversion (GRA) scenario …

Share of Shortfall Banks, Before/After Support (GRA Scenario)

(In percent of total asset of the major decentralized segment)

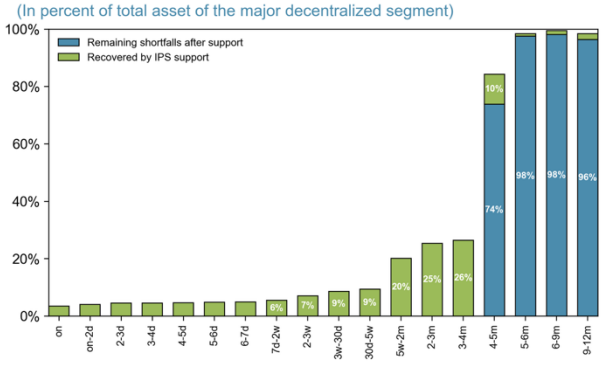


Sources: COREP and IMF staff calculations.

… and they also fully offset member banks' shortfalls up to the 3-4 month bucket in the idiosyncratic scenario.

Share of Shortfall Banks, Before/After Support (Idio Scenario)

(In percent of total asset of the major decentralized segment)

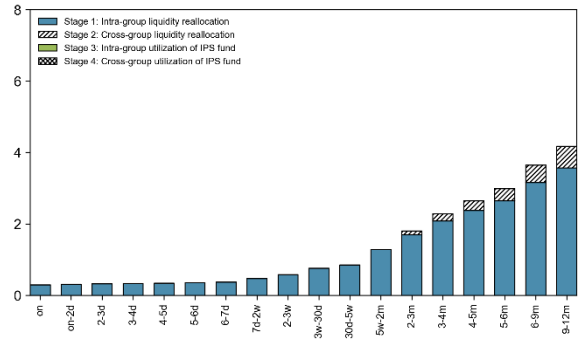


Sources: COREP and IMF staff calculations.

In the GRA scenario, IPS support through intra-group and cross-group liquidity reallocation is triggered …

Cumulative IPS Support Deployed Over Time (GRA Scenario)

(In Percent of Total RWA of the Decentralized Sector)

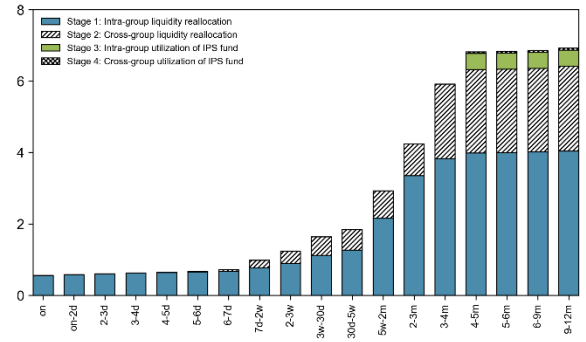


Sources: COREP and IMF staff calculations.

… while additional support from pre-contributed IPS funds is also fully utilized in the idiosyncratic scenario.

Cumulative IPS Support Deployed Over Time (Idio Scenario)

(In Percent of Total RWA of the Decentralized Sector)

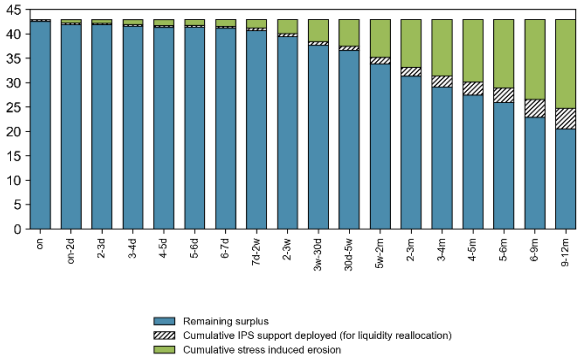


Sources: COREP and IMF staff calculations.

Initial liquidity buffers are primarily consumed by stress outflows rather than liquidity reallocation …

Utilization of Liquidity Surplus Over Time (GRA Scenario)

(In Percent of Total RWA of the Decentralized Sector)

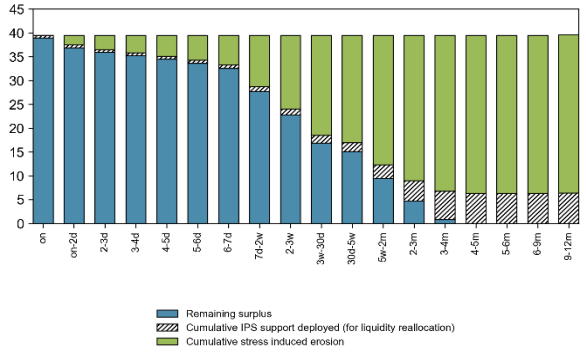


Sources: COREP and IMF staff calculations.

… which holds true in both scenarios and across different time buckets.

Utilization of Liquidity Surplus Over Time (Idio Scenario)

(In Percent of Total RWA of the Decentralized Sector)



Sources: COREP and IMF staff calculations.

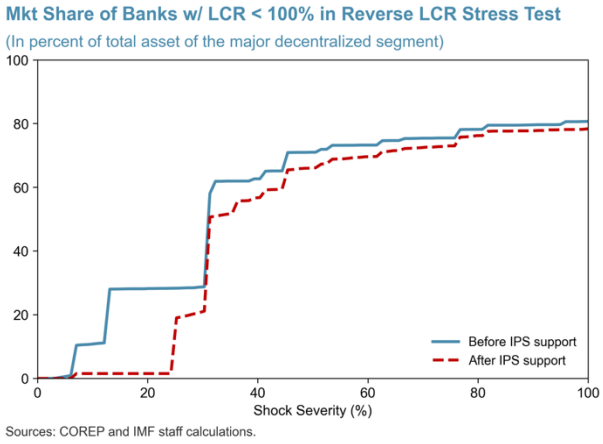
87. Analyzing the support mechanics in cash-flow stress tests reveal additional patterns. From the perspective of banks receiving liquidity support, the total volume of liquidity received from different stages maintains a Stage 1 > Stage 2 > Stage 3 > Stage 4 ranking across all scenarios and time horizons. This pattern highlights the important role of liquidity relocation, especially within each liquidity association, in absorbing shocks. From the perspective of banks contributing to liquidity support, their initial buffers are mainly drained by stress outflows, while reallocating liquidity to deficit banks only represents a marginal drain. This implies that mutual support within liquidity associations does not seem to pose significant burden to healthy banks with surpluses; the underlying shocks still dictate liquidity exhaustion for these banks.

88. Reverse stress test results demonstrate the robustness of support mechanisms in mitigating liquidity gaps across varying shock severities. In reverse stress tests, the analysis constructs a continuum of 50 scenarios, which starts from a baseline scenario (Scenario 1 for LCR and General Risk Aversion for cash flows) and progresses to an extreme scenario where haircuts and runoff rates double. As shock severity increases, the market share of banks facing shortfalls increases due to higher asset devaluations and larger funding outflows. However, incorporating support mechanisms through IPS and liquidity associations provides significant stabilization (Figure 27). In reverse LCR stress tests, the support consistently reduces the market share of banks with LCR lower than the regulatory threshold across all severity levels. In reverse cash-flow stress tests, this mitigation effect holds true across all severities for short-term horizons, and for small to moderate severities over long-term horizons.

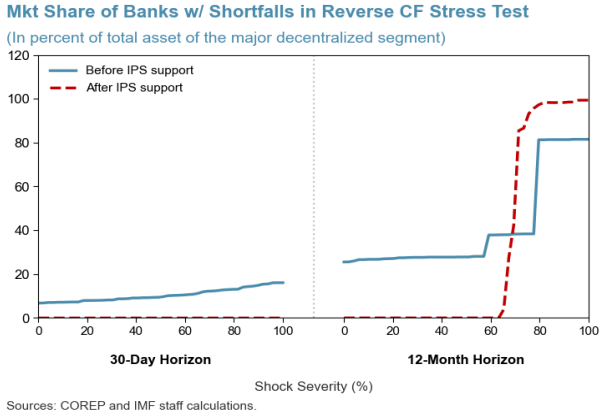
89. This exercise also indicates that support mechanisms may transmit liquidity risk across time. Contractual obligations require surplus banks to transfer their excess liquidity toward deficit banks, leaving them more exposed to severe and protracted stress potentially. As shown in reverse cash-flow stress tests, at longer time horizons (six months or longer) and under high shock severity, the market share of banks facing shortfalls becomes larger with support than it would be without it (Figure 29). This occurs because early shocks force surplus banks to draw down their excess liquidity buffers for saving deficit banks. In absence of central bank intervention, this could make them less resilient to counter further outflows in later periods. This highlights an inter-temporal risk transmission channel: exhausting the system's capacity early may limit its ability to absorb shocks in subsequent periods if stress is severe and sustained.

Figure 27. Austria: Effectiveness of Liquidity Support Mechanisms in Reverse Stress Tests

Reverse stress tests show that support mechanisms can restore LCR for different levels of shock severities …



… and they can also reduce liquidity gaps in most time buckets and shock severities in cash-flow stress tests.



90. The simplified assumptions in the analysis may mask potential vulnerabilities associated with IPS and liquidity associations. When modelling liquidity reallocation, the model assumes instantaneous liquidity transfers from surplus banks to deficit banks without decision lags. In practice, administrative frictions can delay the support process, which may push deficit banks to miss payment obligations and thus amplify systemic distress. Besides, the model assumes that liquid assets can be reallocated freely among member banks without costs. In practice, while the source of liquidity support in Stages 3 and 4 (pre-contributed IPS funds) is maintained in cash and can be transferred without minimal costs, the source of liquidity support in Stages 1 and 2 (the excess liquidity of surplus banks) consists largely of HQLA assets. When surplus banks are required to monetize these assets for liquidity reallocation through forced liquidation or collateral pledging, it may trigger further asset haircuts and could potentially generate systemic liquidity spirals.

F. Special Topic: Liquidity to Solvency Interactions

91. A sensitivity analysis assessed the solvency impact from a bank run. The analysis builds on the methodology of Chapter 2 of the October 2023 Global Financial Stability Report (GFSR). It assumes that banks have to sell government bonds held at amortized cost when other (non-amortized cost) components of the counterbalancing capacity are insufficient to cover the potential funding gap arising at two-week and 30-day horizon as a result of cash outflows. The analysis is done for each of two cash flow stress test scenarios (the general risk aversion scenario and the idiosyncratic scenario). The valuation effects on fixed income securities are calibrated based on the term premium shocks occurring in the first quarter of 2026 in the recession scenario. The analysis is done solely for the SIs, and the top eight exposures of each bank to sovereigns reported in COREP are considered, resulting in 24 different country exposures to general government securities. The shocks to term premia are reported in Table 9 below. A modified duration approach is relied upon to estimate the resulting valuation loss, based on remaining maturities reported by each bank in COREP.

Table 9. Austria: Term Premium Shocks during 2026: Q1 (Recession Scenario)

(In percentage points)

1	AT (Austria)	1.46	13	SK (Slovakia)	3.40
2	FR (France)	2.28	14	HR (Croatia)	2.72
3	BE (Belgium)	2.57	15	HU (Hungary)	2.86
4	ES (Spain)	4.79	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)	4.58	19	BG (Bulgaria)	2.72
8	IE (Ireland)	2.43	20	PL (Poland)	4.94
9	FI (Finland)	1.27	21	BA (Bosnia and Herzegovina)	2.72
10	NL (Netherlands)	1.31	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

92. In practice, banks would access central bank liquidity to close a liquidity gap - instead of resorting to fire sales of fixed income securities. While a haircut may be applied by the central bank on the securities' AC valuation, any resulting solvency loss would be significantly smaller than a valuation shock due to a fire sale. However, even if the assumption of fire sales is unrealistic, it remains a useful and informative exercise to assess banks' resilience to potential losses stemming from forced asset liquidation.

93. The results suggest that liquidity shortages resulting from bank runs as in the two cash flow stress tests would lead to significant additional depletion of bank capital (Table 10). Under the general risk aversion scenario, banks would need to sell AC government bonds resulting in a solvency impact of 1 percent of RWAs over two weeks and 1.3 percent over one month, with substantial differences across banks. Under the idiosyncratic bank run scenario, the solvency impact would be larger, reaching 2.4 percent of RWAs (or 13.7 percent of initial total CET1) over two weeks and 3.9 percent of RWAs (or 22.2 percent of total CET1) over one month, with even greater variations across banks. These findings underline the importance of liquidity dynamics in potentially generating capital losses.

Table 10. Austria: Solvency Impact of a Forced Sell-off of Amortized Cost Fixed Income Securities

		General Risk Aversion Scenario		Idiosyncratic bank run scenario	
		2 weeks outflows	30 days outflows	2 weeks outflows	30 days outflows
In percent of RWA	AVERAGE	1.0%	1.3%	2.4%	3.9%
	STD DEV	2.9%	3.7%	3.7%	5.0%
In percent of CET1	AVERAGE	5.6%	7.7%	13.7%	22.2%
	STD DEV	16.3%	21.2%	20.7%	28.1%
MEMO: AGGREGATE CUMULATIVE NET OUTFLOWS (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 unsufficient 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 occuring in 2026:Q1 in the recession scenario. The general risk aversion scenario and the idiosyncractic 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 and geographical exposures from FINREP F.20

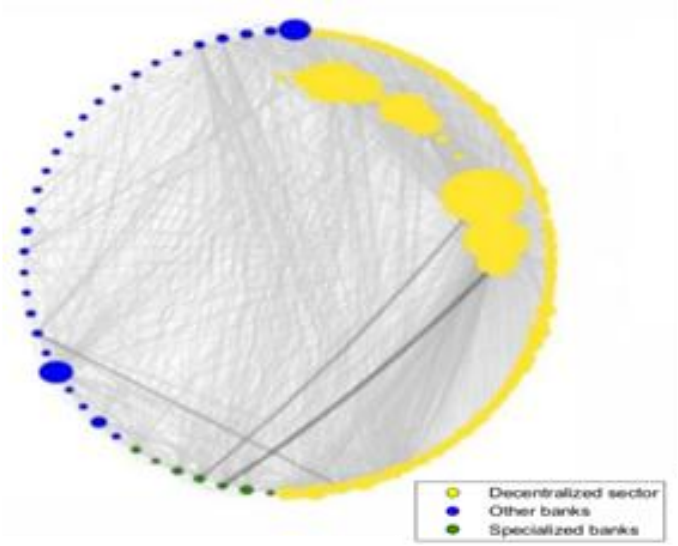
Term premium shocks are country specific and are from the Euro Area FSAP scenarios, except for Hungary, Slovakia, Romania and Croatia, Serbia and Bosnia

Sources: COREP, FINREP and IMF staff estimates

INTERCONNECTEDNESS AND CONTAGION ANALYSIS

94. A contagion stress test was performed to analyze the highly concentrated interbank market in the Austrian banking system. As it is demonstrated in Figure 28, the Austrian banking system has a complex interbank interconnectedness pattern. Interbank exposures are centered around large SIs. Interbank transactions within the decentralized sector are mostly between smaller and larger members, and large SIs' have mostly exposures to each other between the decentralized and non-decentralized sectors. The role of the large banks in the decentralized sector is prominent in the interbank transactions as the non-decentralized sector also has large exposure to the decentralized sector. In addition, complex protection schemes are in place to prevent contagion and to reduce vulnerabilities. We focus on the role of protection scheme only in the decentralized sector, as all other segments are treated on a consolidated basis.

Figure 28. Austria: Interconnectedness in the Austrian Interbank Market
(Gross Interbank Exposures as of December 2024)



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

A. General Approach and Scenario

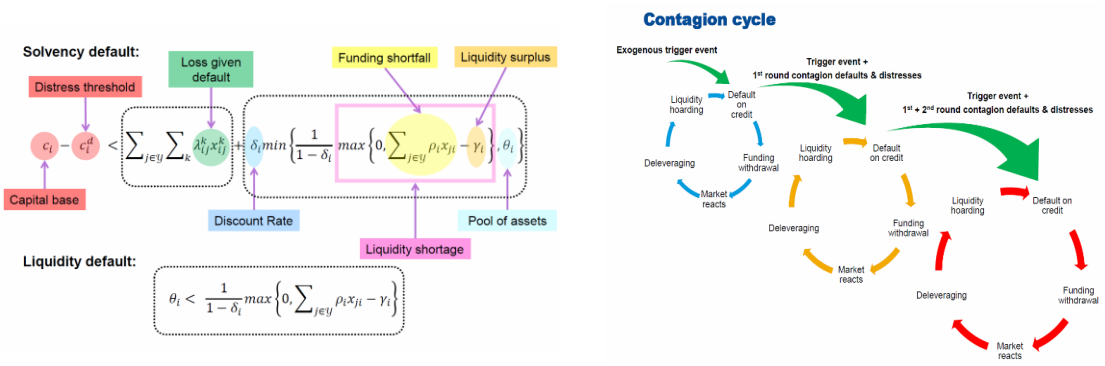
95. The general approach to contagion analysis was based on the CoMAP framework calibrated to the Austrian interbank market.[57] In this setup contagion through interbank exposures arises from two main channels. In our simulations, the most important channel is the credit loss channel which demonstrates how a hypothetical default of one bank feeds into credit losses to other banks through interbank exposures. The second, the funding/liquidity channel refers to an effect when the loss creates further funding shortfalls which should be either backed by HQLA holdings (available for central bank support) or by an asset pool which can be sold at a fire sales discount. A default/distress occurs if the impacted bank's capital falls below the regulatory threshold amended by the credit losses, fire sales or liquidity pool. The distress of a second bank may feed through the system affecting other banks, i.e. cascade/domino effects occur. The model is run until convergence, until no new default arises (see Figure 30). We used interbank bilateral exposures data for December 2024.

96. Results are reported from two different (systemwide contagion and individual vulnerability) angles. The so-called contagiousness measures how one bank's default affects the whole system's capital and liquidity position. The other angle, the vulnerability of one bank measures how (on average) a bank's individual capital is affected by other banks' hypothetical

[57] For details on the CoMAP framework see Covi, Giovanni, Gorpe, Mehmet Zyad and Kok, Christoffer (2021), "CoMap: Mapping Contagion in the Euro Area Banking Sector", Journal of Financial Stability, Volume 53, April 2021, 100814

defaults. Due to data constraints, we only focus on potential cascade effects within Austria, potential cross-border effects are not modelled here.

Figure 29. Austria: Major Model Mechanisms



Source: Covi et al (2021).

97. Three scenarios were considered; a baseline calibration when the IPS protection scheme was in place, a counterfactual scenario when the IPS scheme was missing and one where the Austrian banking system suffers losses from exposures from CESEE countries. The Loss Given Defaults (LGD, λ in Figure 30) were assumed to be equal to the ratio of Gross Exposure minus Collateralized Lending to Gross exposures for each individual exposure. The bilateral exposures matrix used December 2024 data. On average, λ was found to be between 0.9 to 1 for the non-decentralized banks, i.e., most of the interbank exposures are uncollateralized. To capture the role of the IPS mechanism in the decentralized sector, we took a simplifying assumption: if either the lender or the borrower was among the smaller LSI banks in the decentralized sector we set λ to 0.3 for those exposures. As a result, we assume that the IPS scheme covers a large portion of potential losses if a smaller member suffers losses or defaults. However, if the default impacted Tier 2 and Tier 3 banks in the decentralized sector then we took the calculated bilateral λs (which lie between 0.9 and 1). In the counterfactual scenario (the scenario without IPS) we used the λs calculated for all banks (on average around 0.9) for the smaller IPS member LSIs too. In our third (CESEE loss) scenario we shocked the initial capital stock of seven SI banks with large CESEE exposures (including Russia) to nonfinancial corporations and households. The overall capital shock to the system amounted to 8.7 billion euros. The net liquidity pool (γ) was calculated at individual bank level as Liquidity Buffers minus Net Liquidity Outflows which equals Net Liquidity Position above the value required by an LCR ratio of 1). Firesales haircuts (δ) were calibrated to be 35 percent. The discount rates (ϱ) were calculated as the ratio of total interbank funding is short term (lower than 30 days maturity) for each bank and averaged around 0.3 in the sample. We defined the distress threshold as CET1 capital plus all buffers over the regulatory minimum. The pool of assets available for fire sales (θ) was calculated as the counterbalancing capacity minus non tradable assets eligible for central banks minus HQLA holdings. In all scenarios we assumed that available HQLA can be used for central bank support. The major assumptions are summarized on Table 11.

Table 11. Austria: Major Scenario Assumptions

	Loss Given Default (LGD)			
	Average	Weighted Average	median	Standard error
Baseline (with IPS) and CESEE loss	0.88	0.95	1.00	0.27
Without IPS	0.99	0.99	1.00	0.08
	Funding Shortfall (FS)			
	Average	Weighted Average	median	Standard error
All scenarios	0.33	0.25	0.27	0.29
	Shock to Capital in bn euros for 7 SI banks			
CESEE loss		8.74		

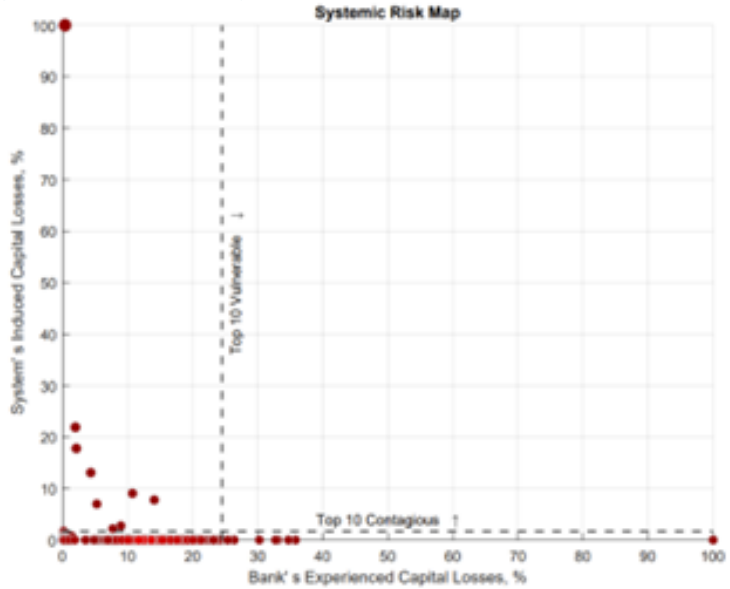
B. Bank Contagion Analysis

98. The analysis suggests that contagion risks are highly concentrated and originate from a few SIs (Table 12). Vulnerabilities from interconnectedness are found to be limited in the Austrian banking system. The system is resilient to hypothetical defaults, and only a limited number of banks would create contagion risks. The most contagious bank's hypothetical default would induce a system-wide loss reaching the total capital of the whole system. This 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[58] through cascade effects is large in the case of the most contagious bank, while less important for other banks. The most vulnerable banks were smaller in size.

99. The systemic risk map found no banks to be contagious and at the same time vulnerable (Figure 31). The overwhelming majority of banks were found neither contagious nor vulnerable. Only a few banks were found contagious, but their High-Quality Liquid Asset (HQLA) holdings, liquidity pools available for fire sales and capital prevent them from being vulnerable. Most vulnerable LSIs with relatively tight liquidity or capital position are found to be small relative to the whole system.

[58]Amplification is defined as losses induced by a bank's simulated default in the initial round vis-à-vis those occurring in all successive rounds

Figure 30. Austria: Systemic Risk Map under Baseline Calibration



Note: Normalized Contagion Index: system-wide losses induced by bank i in percent of total capital in the system (excluding bank i), Normalized Vulnerability Index: average loss experienced by banks across all simulations in percent of its own capital. Both variables are normalized by their maximum values

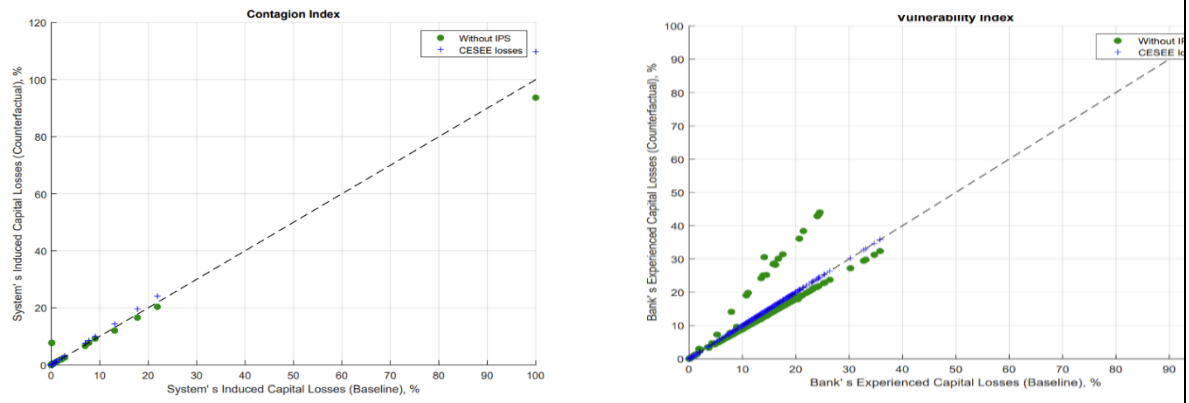
100. The IPS scheme in the decentralized sector generally dampens vulnerabilities and may amplify interconnections in case of stress to larger banks. A counterfactual analysis on the impact of the role of IPS scheme highlighted that the scheme generally lowers the vulnerability of participating institutions. 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 may strengthen interconnections due to their significant size, making it more likely that stress in these banks will increase spillover effects to lower-tier banks. This result is based on the assumption that some of the losses may be covered by fire sales (which are not valued at mark-to-market) and on the assumption that in practice, larger banks would have to contribute relatively more than their pro-rata share than smaller ones. These losses are muted by the non-modelled regulatory limits in practice.

Table 12. Austria: Contagion Stress Test Results

Contagion index						
	Baseline (with IPS mechanism)		Without IPS mechanism		CESEE losses	
Rank	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	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

Note: 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. Amplification of contagion is defined as losses induced by a bank's simulated default in the initial round vis-à-vis those occurring in all successive rounds. Amplification of vulnerability is defined as the ration of the losses experienced by an individual bank across all simulations relative to losses in successive rounds.

Figure 31. Austria: Counterfactual Scenarios



Note: Normalized Contagion Index: system-wide losses induced by bank i in percent of total capital in the system (excluding bank i) divided by the maximum value of contagion index the baseline simulation. Normalized Vulnerability Index: average loss experienced by bank i across all simulations in percent of its own capital divided by the maximum value of the vulnerability index baseline simulation. The x-axis shows the simulation in the baseline calibration while the y-axis refers to counterfactual scenarios. Points above the 45-degree line refer to banks with higher contagion/vulnerability in the counterfactual than in the baseline calibration

C. Interconnectedness Including Cross-Border Exposures

101. Large exposures of the SIs in the CESEE region account for a significant share of their assets. Losses from CESEE region would intensify the contagiousness of the most contagious banks, while the vulnerability of the most vulnerable banks is less impacted (Table 13). As group and individual large exposures are correctly reported in multiple entries, proper data handling is required to produce a consistent database on large exposures to CESEE countries. Our comprehensive data analysis of large exposures found that 18.5 percent of SIs total assets (before credit mitigation) are exposed to the CESEE region. This comes mostly from assets held in government and central bank liabilities and around 3 percent of total assets from non-financial corporations, 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 exposures from CESEE[59], demonstrates that these losses would be amplified in the network. This is mostly because most of these losses would affect the capital of the most contagious banks which then would cascade through the interbank market. On the other hand, vulnerability of the system is less affected as the directly impacted banks are generally not the most vulnerable ones.

Table 13. Austria: SIs' Large Exposures to CESEE Countries[1/]
(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 calculated for end of December 2024.

[59]Large exposures were then multiplied by five times the probabilities of default used by OeNB in its stress testing model (ARNIE).

Table 14. Austria: Risk Assessment Matrix

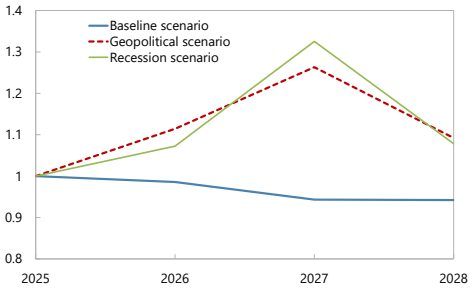
Risks	Likelihood	Impact if Realized	Policy Responses
Conjunctural risks			
Geopolitical Tensions and Intensification of Conflicts. Rising geopolitical tensions, and a weakening of multilateralism, raise the risk of an escalation in military conflicts, accompanied by damage to key physical and financial 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 14. 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.

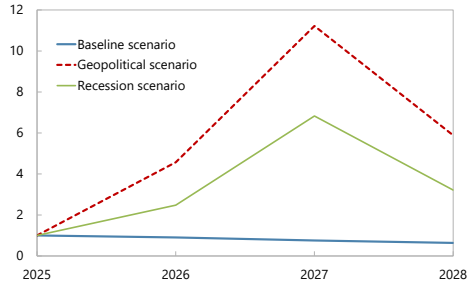
Figure 32a. Austria: Elasticities of PDs for Cross-Border NFC Exposures

PD Elasticities for NFCs, Germany
(In multiple of 2025 value)



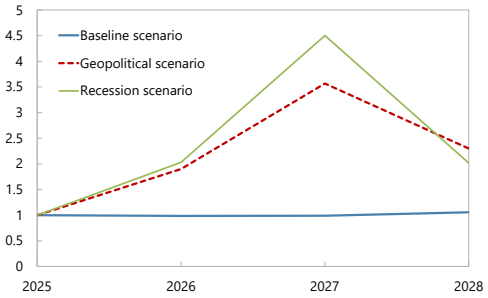
Sources: Moody's KMV and IMF Staff estimates.

PD Elasticities for NFCs, Hungary
(In multiple of 2025 value)



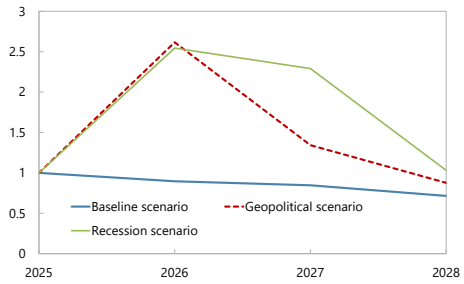
Sources: Moody's KMV and IMF Staff estimates.

PD Elasticities for NFCs, Czech Republic
(In multiple of 2025 value)



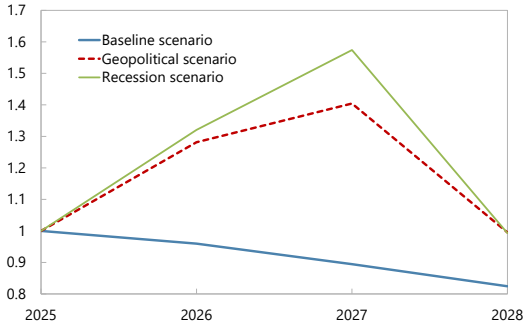
Sources: Moody's KMV and IMF Staff estimates

PD Elasticities for NFCs, Slovakia
(In multiple of 2025 value)



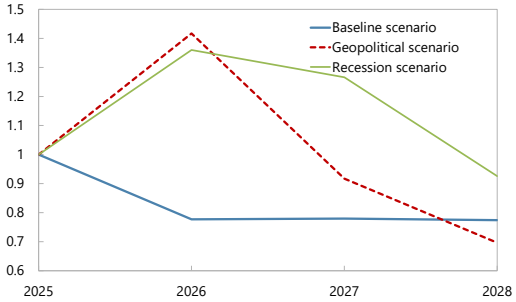
Sources: Moody's KMV and IMF Staff estimates.

PD Elasticities for NFCs, Romania
(In multiple of 2025 value)



Sources: Moody's KMV and IMF Staff estimates.

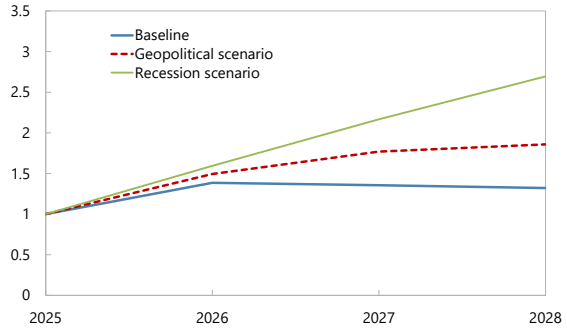
PD Elasticities for NFCs, Croatia
(In multiple of 2025 value)



Sources: Moody's KMV and IMF Staff estimates.

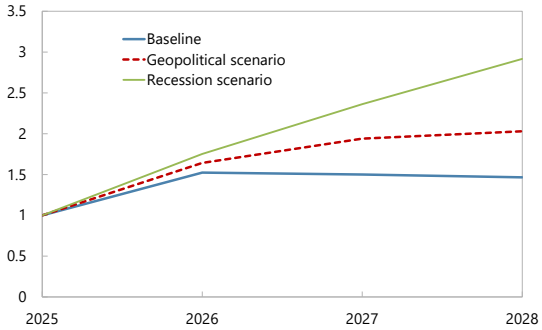
Figure 32b. Austria: PD Elasticities for Household Cross-border Exposures

PD Elasticities for Mortgages, Hungary
(In multiple of 2025 value)



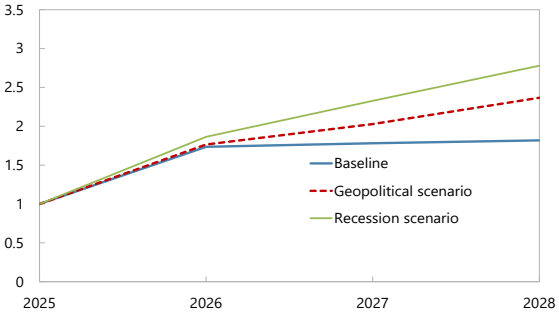
Sources: 2021 ECB HFCS and IMF Staff estimates.

PD Elasticities for Consumer Loans, Hungary
(In multiple of 2025 value)



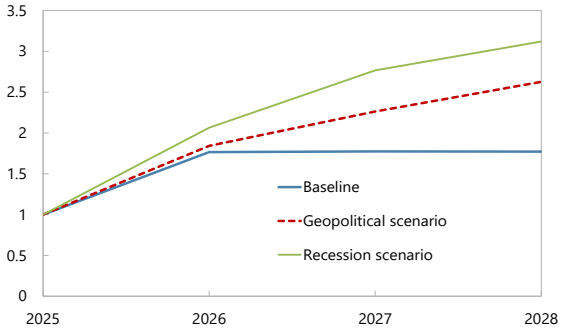
Sources: 2021 ECB HFCS and IMF Staff estimates.

PD Elasticities for Mortgages, Germany
(In multiple of 2025 value)



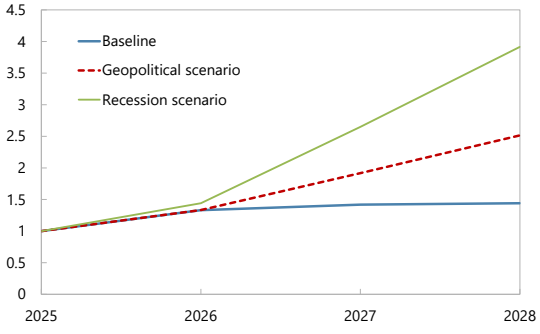
Sources: 2021 ECB HFCS and IMF Staff estimates.

PD Elasticities for Consumer Loans, Germany
(In multiple of 2025 value)



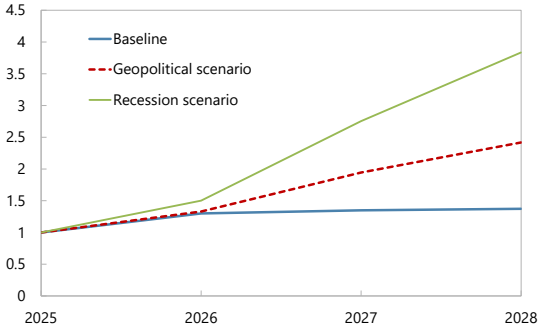
Sources: 2021 ECB HFCS and IMF Staff estimates.

PD Elasticities for Mortgages, Czech Republic
(In multiple of 2025 value)



Sources: 2021 ECB HFCS and IMF Staff estimates.

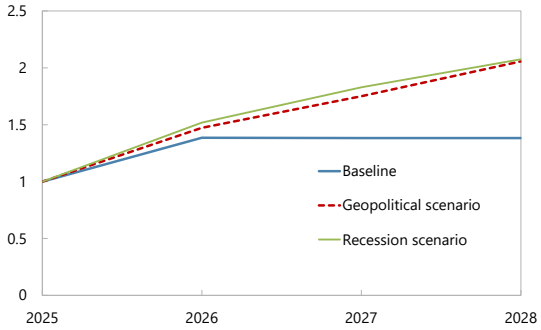
PD Elasticities for Consumer Loans, Czech Republic
(In multiple of 2025 value)



Sources: 2021 ECB HFCS and IMF Staff estimates

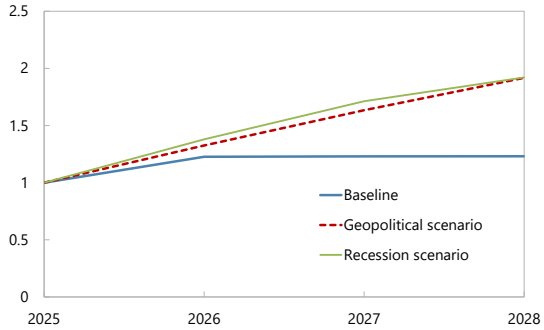
Figure 32b. Austria: PD Elasticities for Household Cross-border Exposures
(Concluded)

PD Elasticities for Mortgages, Slovakia
(In multiple of 2025 values)



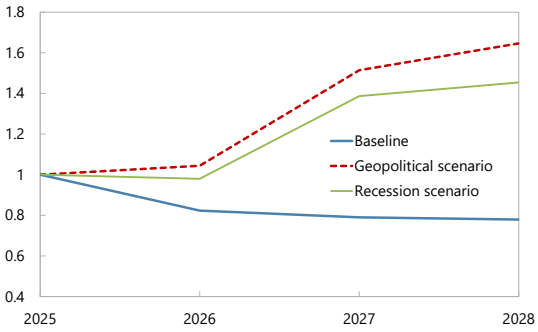
Sources: 2021 ECB HFCS and IMF Staff estimates.

PD Elasticities for Consumer Loans, Slovakia
(In multiple of 2025 value)



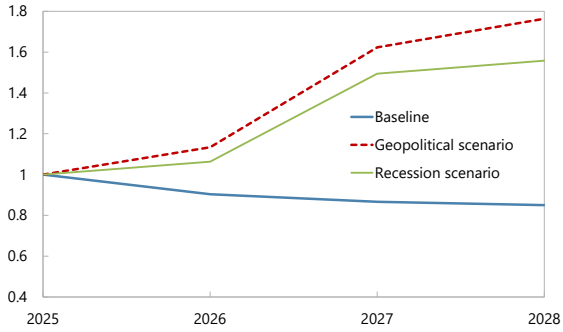
Sources: 2021 ECB HFCS and IMF Staff estimates.

PD Elasticities for Mortgages, Croatia
(In multiple of 2025 value)



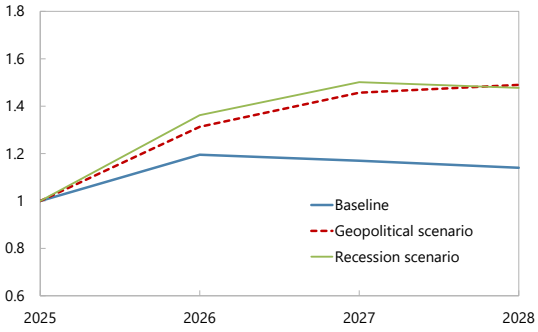
Sources: 2021 ECB HFCS and IMF Staff estimates.

PD Elasticities for Consumer Loans, Croatia
(In multiple of 2025 value)



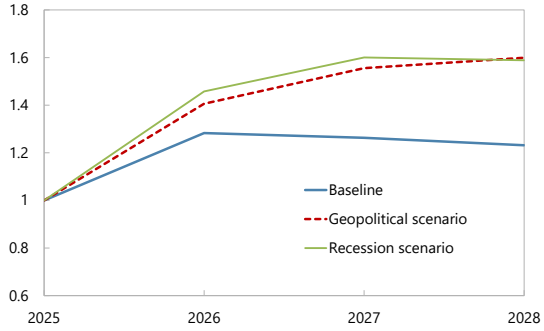
Sources: 2021 ECB HFCS and IMF Staff estimates.

PD Elasticities for Mortgages, Romania
(In multiple of 2025 value)



Sources: 2021 ECB HFCS and IMF Staff estimates.

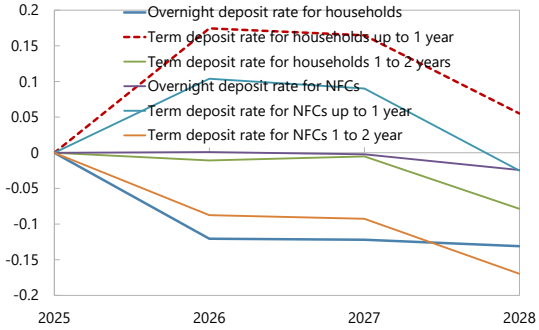
PD Elasticities for Consumer Loans, Romania
(In multiple of 2025 value)



Sources: 2021 ECB HFCS and IMF Staff estimates.

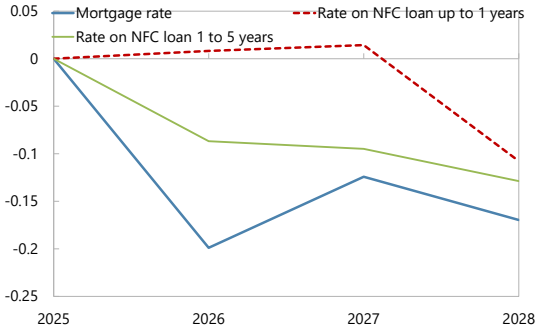
Figure 33a. Austria: Shocks to Interest Rates for Activities in Hungary

Hungary Deposit Rates, Baseline Scenario
(Annual shocks, in percentage points)



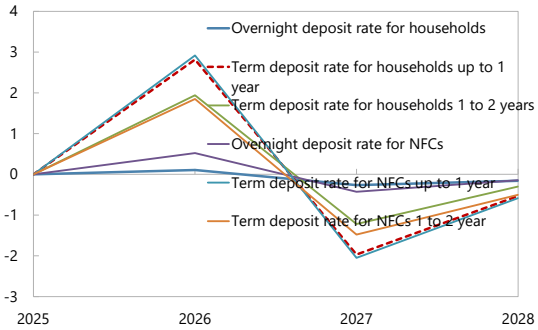
Sources: Haver Analytics and IMF Staff estimates.

Hungary Lending Rates, Baseline Scenario
(Annual shocks, in percentage points)



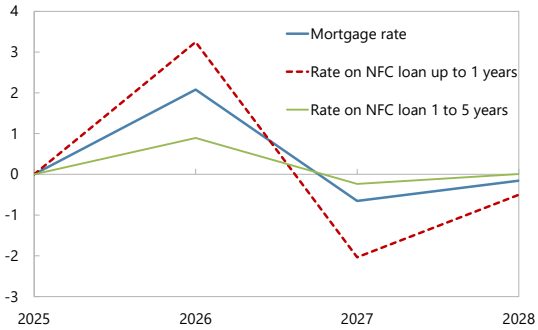
Sources: Haver Analytics and IMF Staff estimates.

Hungary Deposit Rates, Geopolitical Scenario
(Annual shocks, in percentage points)



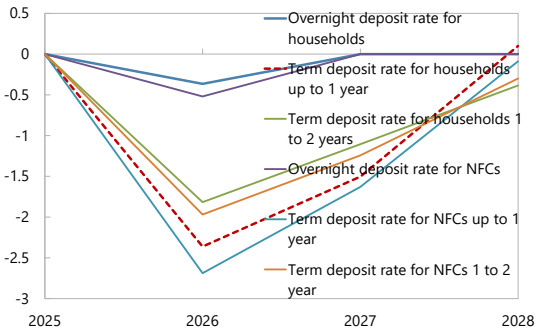
Sources: Haver Analytics and IMF Staff estimates.

Hungary Lending Rates, Geopolitical Scenario
(Annual shocks, in percentage points)



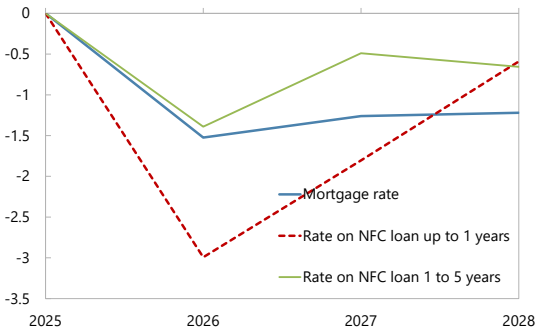
Sources: Haver Analytics and IMF Staff estimates

Hungary Deposit Rates, Recession Scenario
(Annual shocks, in percentage points)



Sources: Haver Analytics and IMF Staff Estimates

Hungary Lending Rates, Recession Scenario
(Annual shocks, in percentage points)

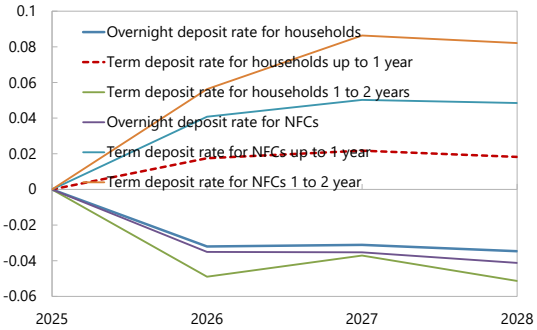


Sources: Haver Analytics and IMF Staff estimates.

Figure 33b. Austria: Shocks to Interest Rates for Activities in Germany

Germany Deposit Rates, Baseline Scenario

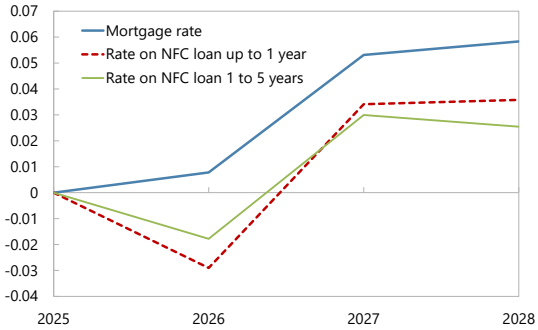
(Annual shocks, in percentage points)



Sources: Haver Analytics and IMF Staff estimates.

Germany Lending Rates, Baseline Scenario

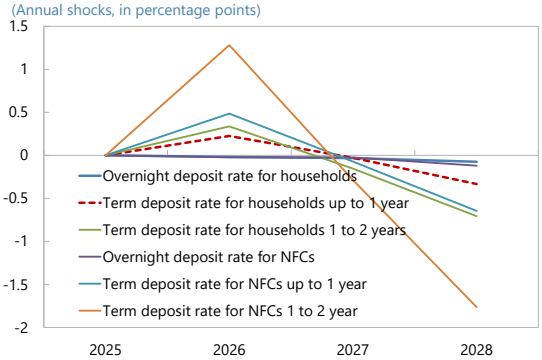
(Annual shocks, in percentage points)



Sources: Haver Analytics and IMF Staff estimates.

Germany Deposit Rates, Geopolitical Scenario

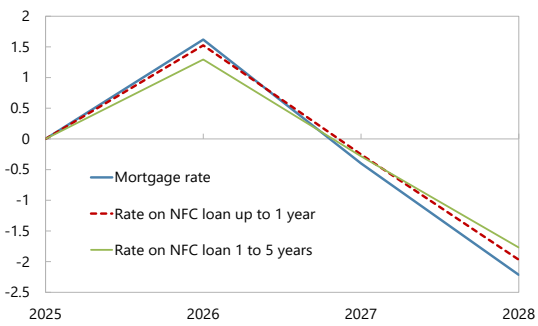
(Annual shocks, in percentage points)



Sources: Haver Analytics and IMF Staff estimates.

Germany Lending Rates, Geopolitical Scenario

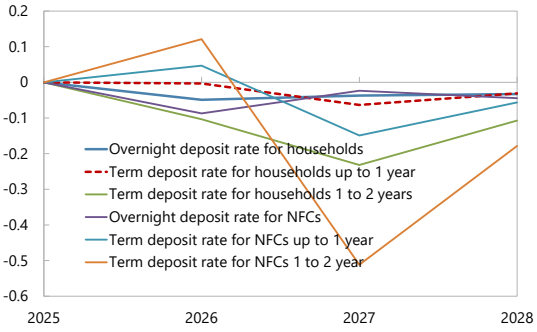
(Annual shocks, in percentage points)



Sources: Haver Analytics and IMF Staff estimates

Germany Deposit Rates, Recession Scenario

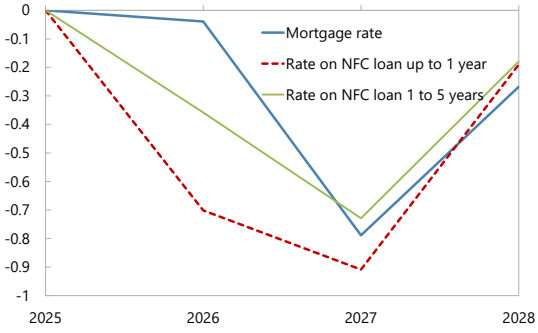
(Annual shocks, in percentage points)



Sources: Haver Analytics and IMF staff estimates

Germany Lending Rates, Recession Scenario

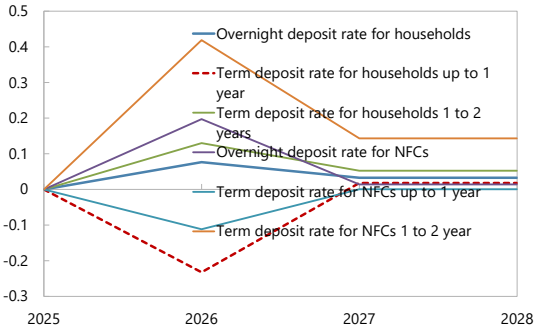
(Annual shocks, in percentage points)



Sources: Haver Analytics and IMF Staff estimates

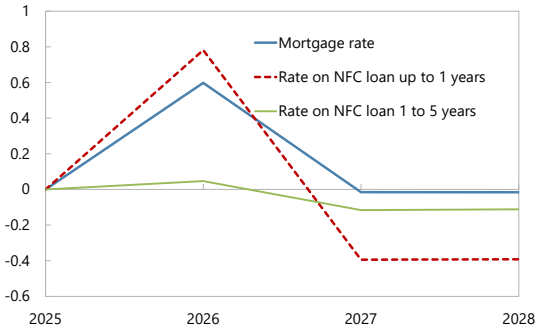
Figure 33c. Austria: Shocks to Interest Rates for Activities in the Czech Republic

Czech Republic Deposit Rates, Baseline Scenario
(Annual shocks, in percentage points)



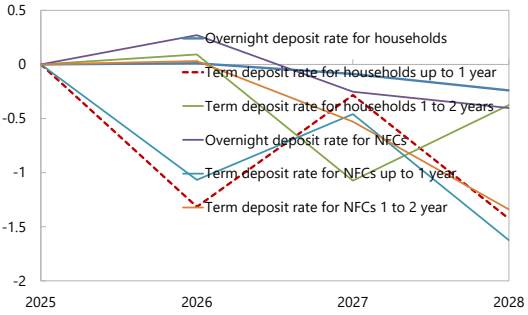
Sources: Haver Analytics and IMF Staff estimates

Czech Republic Lending Rates, Baseline Scenario
(Annual shocks, in percentage points)



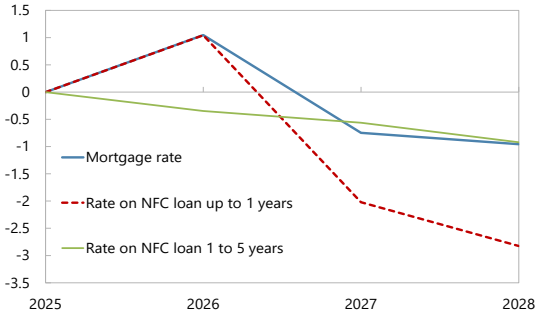
Sources: Haver Analytics and IMF Staff estimates

Czech Republic Deposit Rates, Geopolitical Scenario
(Annual shocks, in percentage points)



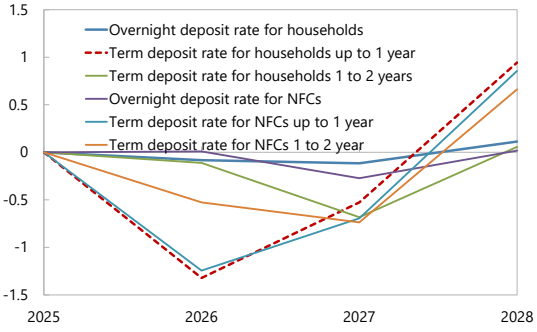
Sources: Haver Analytics and IMF Staff estimates.

Czech Republic Lending Rates, Geopolitical Scenario
(Annual shocks, in percentage points)



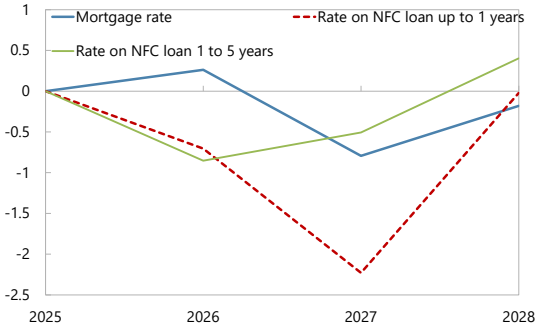
Sources: Haver Analytics and IMF Staff estimates.

Czech Republic Deposit Rates, Recession Scenario
(Annual shocks, in percentage points)



Sources: Haver Analytics and IMF Staff estimates.

Czech Republic Lending Rates, Recession Scenario
(Annual shocks, in percentage points)

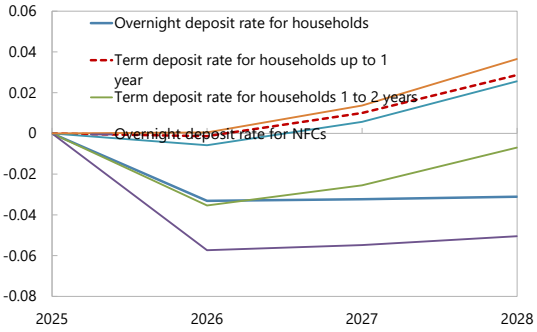


Sources: Haver Analytics and IMF Staff estimates.

Figure 33d. Austria: Shocks to Interest Rates for Activities in Slovakia

Slovakia Deposit Rates, Baseline Scenario

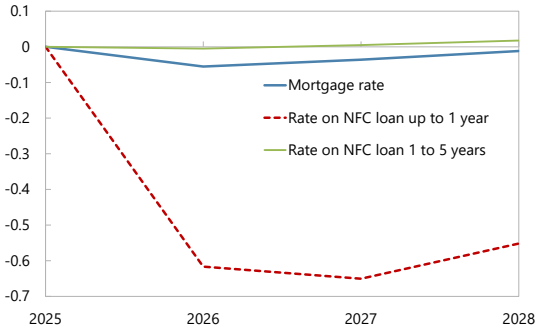
(Annual shocks, in percentage points)



Sources: Haver Analytics and IMF Staff estimates

Slovakia Lending Rates, Baseline Scenario

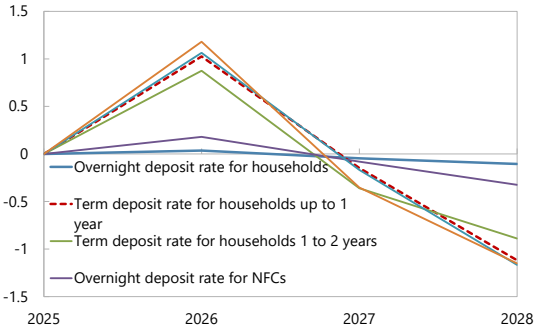
(Annual shocks, in percentage points)



Sources: Haver Analytics and IMF Staff estimates

Slovakia Deposit Rates, Geopolitical Scenario

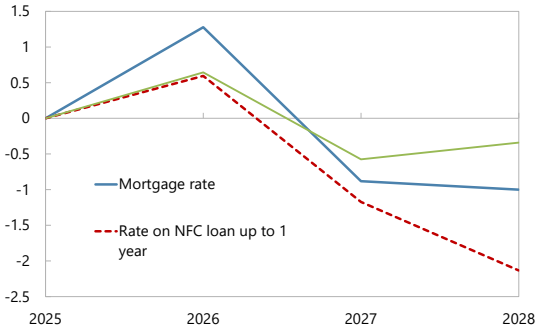
(Annual shocks, in percentage points)



Sources: Haver Analytics and IMF Staff estimates.

Slovakia Lending Rates, Geopolitical Scenario

(Annual shocks, in percentage points)



Sources: Haver Analytics and IMF Staff estimates

Slovakia Deposit rates, Recession Scenario

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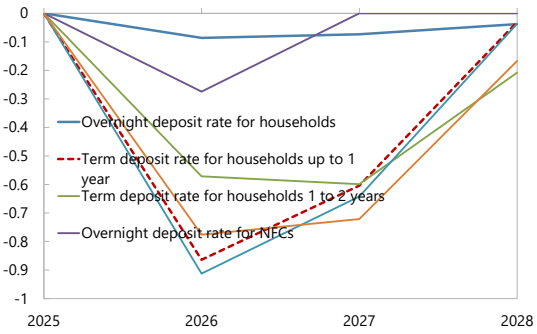
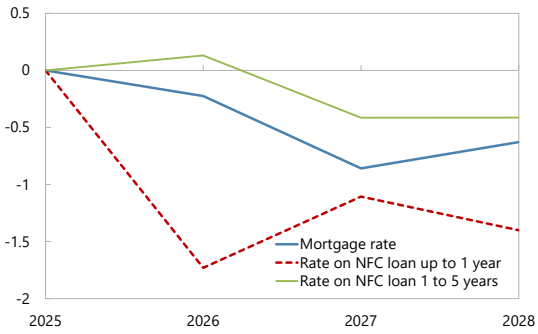


Sources: Haver Analytics and IMF Staff estimates.

Slovakia Lending Rates, Recession Scenario

(Annual shocks, in percentage points)

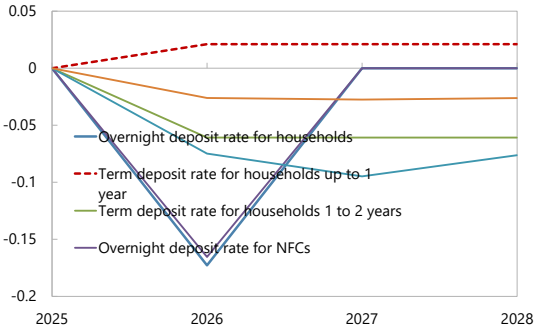


Sources: Haver Analytics and IMF Staff estimates.

Figure 33e. Austria: Shocks to Interest Rates for Activities in Romania

Romania Deposit Rates, Baseline Scenario

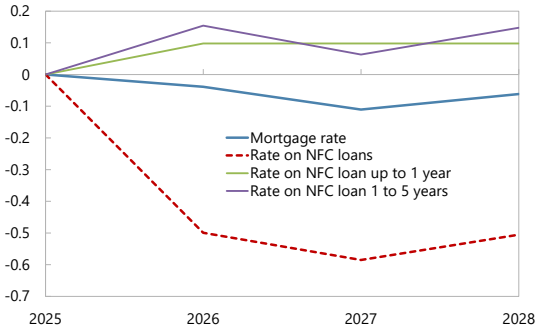
(Annual shocks, in percentage points)



Sources: Haver Analytics and IMF Staff estimates.

Romania Lending Rates, Baseline Scenario

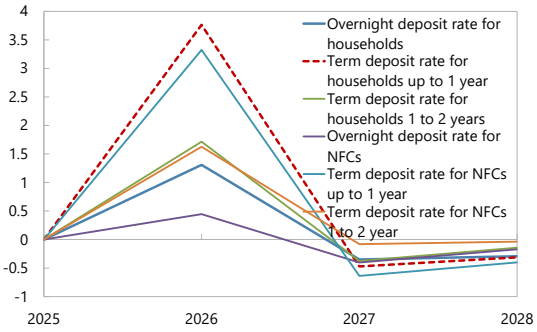
(Annual shocks, in percentage points)



Sources: Haver Analytics and IMF Staff estimates

Romania Deposit Rates, Geopolitical Scenario

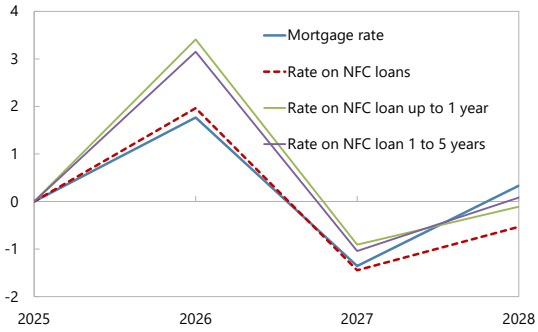
(Annual shocks, in percentage points)



Sources: Haver Analytics and IMF Staff estimates.

Romania Lending Rates, Geopolitical Scenario

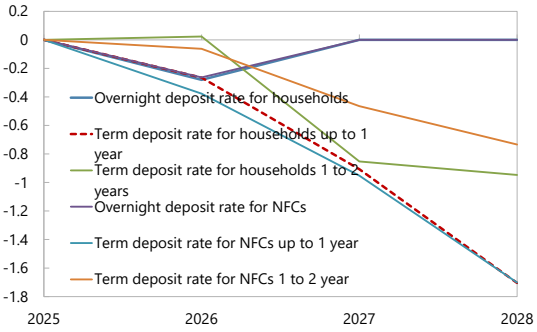
(Annual shocks, in percentage points)



Sources: Haver Analytics and IMF Staff estimates.

Romania Deposit Rates, Recession Scenario

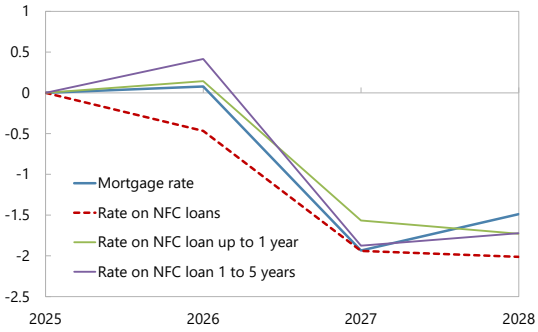
(Annual shocks, in percentage points)



Sources: Haver Analytics and IMF Staff estimates.

Romania Lending Rates, Recession Scenario

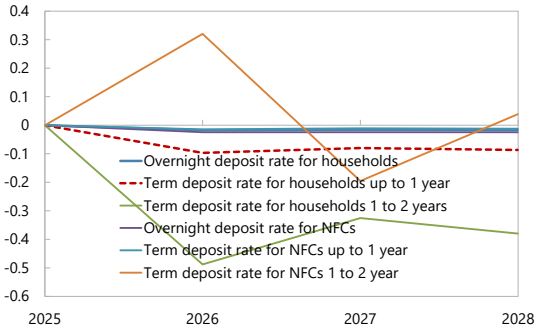
(Annual shocks, in percentage points)



Sources: Haver Analytics and IMF Staff estimates.

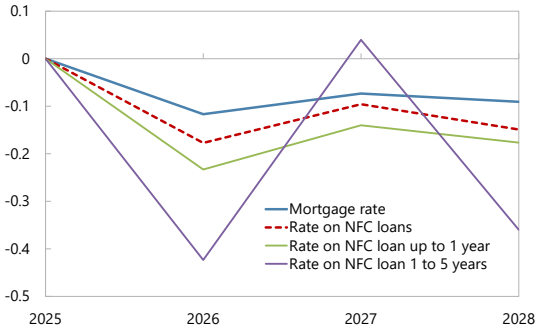
Figure 33f. Austria: Shocks to Interest Rates for Activities in Croatia

Croatia Deposit Rates, Baseline Scenario
(Annual shocks, in percentage points)



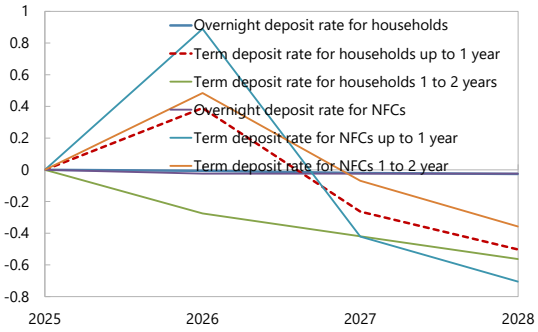
Sources: Haver Analytics and IMF Staff estimates.

Croatia Lending Rates, Baseline Scenario
(Annual shocks, in percentage points)



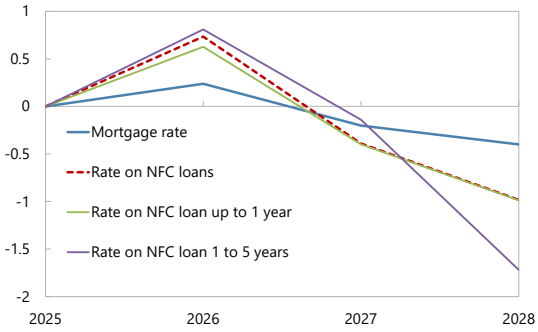
Sources: Haver Analytics and IMF Staff estimates.

Croatia Deposit Rates, Geopolitical Scenario
(Annual shocks, in percentage points)



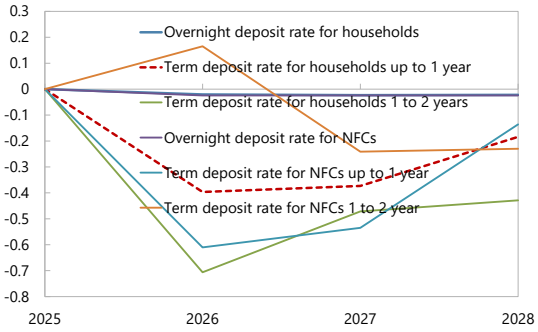
Sources: Haver Analytics and IMF Staff estimates.

Croatia Lending Rates, Geopolitical Scenario
(Annual shocks, in percentage points)



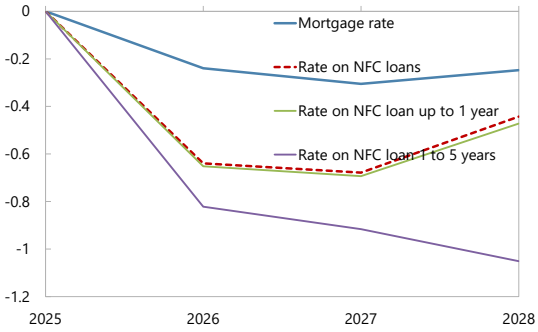
Sources: Haver Analytics and IMF Staff estimates.

Croatia Deposit Rates, Recession Scenario
(Annual shocks, in percentage points)



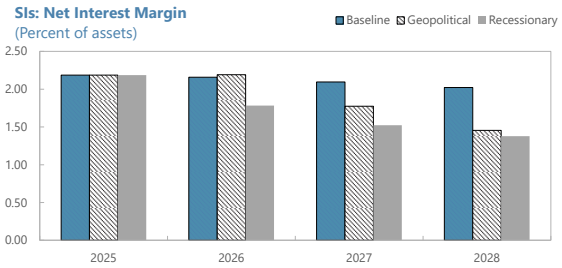
Sources: Haver Analytics and IMF Staff estimates.

Croatia Lending Rates, Recession Scenario
(Annual shocks, in percentage points)

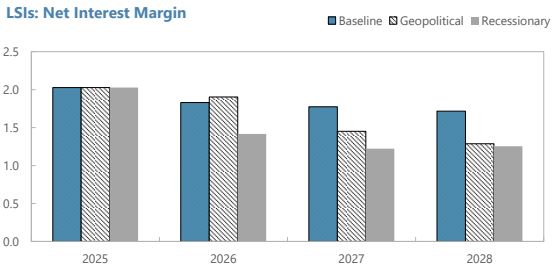


Sources: Haver Analytics and IMF Staff estimates

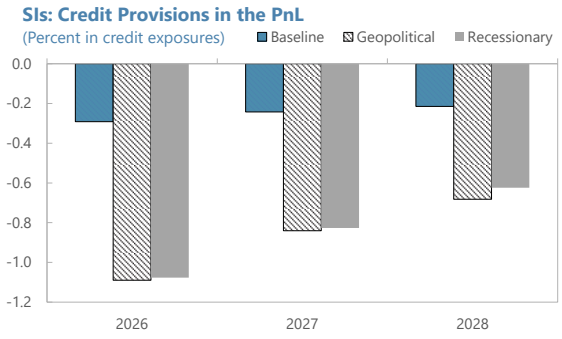
Figure 34. Austria: P&L of SIs and LSIs in the Solvency Stress Tests



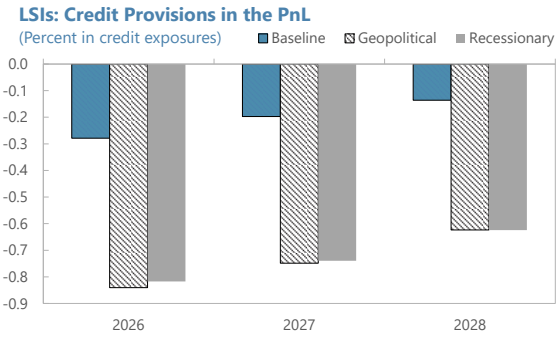
Source: IMF staff calculations



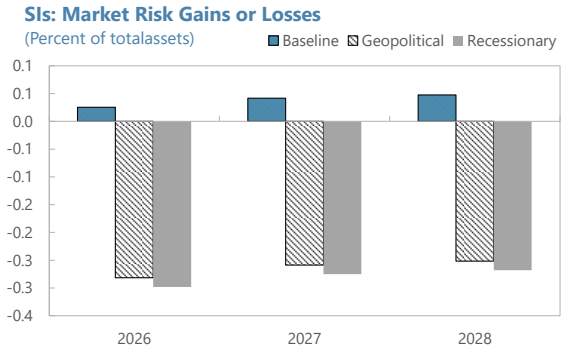
Source: IMF staff calculations



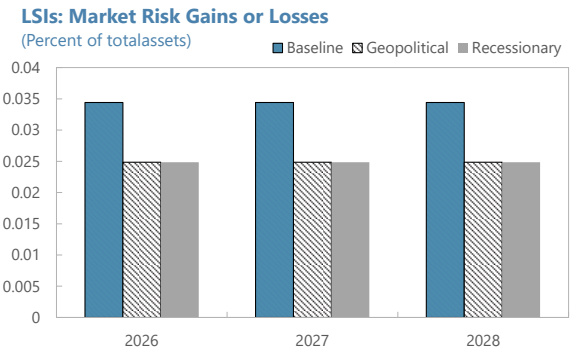
Source: IMF staff calculations



Source: IMF staff calculations



Source: IMF staff calculations



Source: IMF staff calculations

Appendix I. Econometric Models for Interest Rates on Deposits and on New Loans

Models for Exposures in Austria

Deposit rates

	Dependent variable: Change in Deposit Rate			
	Retail		Other sectors	
	Sight	Term	Sight	Term
Lagged dependent variable	0.200**	-0.378***	-0.0194	-0.403***
Δ Euribor (1 month)	0.0307	0.792***		0.958***
Δ Euribor (1 month) (t-1)	0.150***		0.225***	
Δ 10Y bond yield				0.114*
Δ 10Y bond yield (t-1)		0.0985		
Observations	3,160	3,102	3,172	1,884
R2	0.399	0.417	0.261	0.360

Robust standard errors in parentheses, *** p<0.01, ** p<0.05, * p<0.1
Regressions include bank fixed effects

Lending rates: Households

Dependent variable:	Fixed rate		Floating rate	
Change in interest rate	Consumer	Mortgage	Consumer	Mortgage
Lagged dependent variable	-0.434***	-0.434***	-0.464***	-0.444***
Δ Euribor (1 month)	0.526***	0.549***	1.080***	1.290***
Δ 10Y bond yield (t-1)	0.524***	0.482***	0.222*	0.0760
YoY Real GDP growth	2.861**	0.654	0.115	0.151
Constant	0.0362	-0.0471	0.0191	-0.0218
Observations	11,822	11,558	17,569	15,169
R2	0.241	0.330	0.301	0.420

Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1
Regressions include bank fixed effects

Lending rates: Other (NFCs)

Dependent variable: Change in interest rate	Fixed rate	
	SME loans	Loans to Large Corporations
Lagged dependent variable	-0.401***	-0.452***
Δ Euribor (1 month)	0.639***	0.434***
Δ 10Y bond yield	0.202	0.302***
Δ 10Y bond yield (t-1)	0.114	0.141
YoY Real GDP growth (t-1)	2.293	0.231
Constant	-0.00951	-0.0142
Observations	4,018	1,600
R2	0.222	0.301

Robust standard errors in parentheses, *** p<0.01, ** p<0.05, * p<0.1
Regressions include bank fixed effects

Dependent variable: Change in interest rate	Floating rate	
	SME loans	Loans to Large Corporations
Lagged dependent variable	-0.499***	-0.497***
Δ Euribor (1 month)	0.968***	1.080***
Δ Euribor (1 month) (t-1)	0.387***	0.222**
Δ 10Y bond yield (t-1)	0.0120	0.0181
YoY Real GDP growth (t-1)	0.446	0.183
Constant	0.00289	0.0232
Observations	8,177	5,291
R2	0.387	0.365

Robust standard errors in parentheses, *** p<0.01, ** p<0.05, * p<0.1
Regressions include bank fixed effects

Models for Exposures in Germany

Deposit rates

	Dependent variable: change in:					
	Overnight deposit rate for households	Term deposit rate for households up to 1 year	Term deposit rate for households 1 to 2 years	Overnight deposit rate for NFCs	Term deposit rate for NFCs up to 1 year	Term deposit rate for NFCs 1 to 2 years
Change in 1 month euribor (t)	0.116**	0.734***	0.555***	0.293***	0.814***	0.551***
Change in 1 month euribor (t-1)	0.101**					
Change in 10 year sovereign yield (t)		0.109	0.211**	0.0289	0.212*	0.565***
Change in 10 year sovereign yield (t-1)	0.0144					
YoY real GDP growth (t)		0.0326		0.581		
YoY real GDP growth (t-1)	0.232		1.619**			1.301
Constant	-0.00933	0.000176	-0.0215	-0.0119	0.00304	-0.00494
Observations	89	89	89	89	89	87
R2	0.744	0.789	0.608	0.579	0.791	0.565

Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Lending rates

	Dependent variable: change in:		
	Interest rate on new mortgages	Interest rate on new NFC loan up to 1 year	Interest rate on new NFC loan 1 to 5 years
Dependent variable (t-1)			-0.315***
Change in 1 month euribor (t)	0.171***	0.660***	0.465***
Change in 10 year sovereign yield (t)	0.601***	0.274**	0.488***
YoY real GDP growth		0.522	
YoY real GDP growth (t-1)	0.779***		1.775
Constant	-0.0123	-0.00326	-0.0127
Observations	89	89	88
R2	0.872	0.708	0.465

Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Models for Exposures in the Czech Republic

Deposit rates

	Dependent variable: change in:					
	Overnight deposit rate for households	Term deposit rate for households up to 1 year	Term deposit rate for households 1 to 2 years	Overnight deposit rate for NFCs	Term deposit rate for NFCs up to 1 year	Term deposit rate for NFCs 1 to 2 year
Dependent variable (t-1)						-0.445***
Change in 1 month euribor (t)	0.111***	0.765***		0.127***	0.798***	0.864***
Change in 1 month euribor (t-1)			0.415***			
Change in 10 year sovereign yield (t)		0.0296				0.388
Change in 10 year sovereign yield (t-1)	0.0464**		0.127	0.122**	0.108	
Constant	0.00820	0.00458	0.0131	0.00353	0.000188	0.0517
Observations	85	85	69	85	85	57
R2	0.511	0.705	0.125	0.339	0.666	0.283

Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Lending rates

	Dependent variable: change in:		
	Interest rate on new mortgages	Interest rate on new NFC loan up to 1 year	Interest rate on new NFC loan 1 to 5 years
Dependent variable (t-1)			-0.327*
Change in 1 month euribor (t)	0.211***	0.761***	0.532**
Change in 10 year sovereign yield (t)	0.103**	0.773***	0.227
Change in 10 year sovereign yield (t-1)	0.261***		
YoY real GDP growth (t-1)	-0.295	1.774	5.374
Constant	-0.00411	-0.0982	-0.0373
Observations	85	31	30
R2	0.664	0.834	0.433

Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Models for Exposures in Slovakia

Deposit rates

	Dependent variable: change in:					
	Overnight deposit rate for households	Term deposit rate for households up to 1 year	Term deposit rate for households 1 to 2 years	Overnight deposit rate for NFCs	Term deposit rate for NFCs up to 1 year	Term deposit rate for NFCs 1 to 2 years
Dependent variable (t-1)						-0.414***
Change in 1 month euribor (t)	0.0419***	0.661***	0.403***	0.165***	0.689***	0.833***
Change in 10 year sovereign yield (t)			0.150		0.0355	0.210
Change in 10 year sovereign yield (t-1)	0.00433	0.0317				
			0.0612			
Constant	-0.00862**	-0.00532	-0.0138	-0.0155	-0.00686	-0.00853
Observations	69	69	69	69	69	67
R2	0.200	0.526	0.393	0.296	0.545	0.315

Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Lending rates

	Dependent variable: change in:		
	Interest rate on new mortgages	Interest rate on new NFC loan up to 1 year	Interest rate on new NFC loan 1 to 5 years
Dependent variable (t-1)		-0.422***	-0.346**
Change in 1 month euribor (t)	0.170***	0.527*	-0.112
Change in 10 year sovereign yield (t)	0.203***	0.728	0.269
Change in 10 year sovereign yield (t-1)	0.259***		0.177
YoY real GDP growth (t)		9.449	
Constant	-0.0204	-0.249	-0.00656
Observations	69	59	68
R2	0.563	0.341	0.200

Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Models for Exposures in Hungary

Deposit rates

	Dependent variable: change in:					
	Overnight deposit rate for households	Term deposit rate for households up to 1 year	Term deposit rate for households 1 to 2 years	Overnight deposit rate for NFCs	Term deposit rate for NFCs up to 1 year	Term deposit rate for NFCs 1 to 2 years
Dependent variable (t-1)	0.150*					
Change in 1 month euribor (t)	0.0544***	0.852***	0.479***	0.174***	0.877***	0.562*
Change in 10 year sovereign yield (t)	0.0263	0.0706	0.275	0.0119	0.152	0.159
YoY real GDP growth (t)		0.144			1.135	0.864
YoY real GDP growth (t-1)	0.276		1.089	0.134		
Constant	-0.0311**	-0.00658	-0.0463	-0.0128	-0.0302	-0.0669
Observations	81	82	82	82	82	78
R2	0.473	0.873	0.386	0.680	0.834	0.252

Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Lending rates

	Dependent variable: change in:		
	Interest rate on new mortgages	Interest rate on new NFC loan up to 1 year	Interest rate on new NFC loan 1 to 5 years
Dependent variable (t-1)			-0.518**
Change in 1 month euribor (t)	0.153*	0.808***	0.224
Change in 10 year sovereign yield (t)	0.301***	0.433**	0.637
Change in 10 year sovereign yield (t-1)	0.524***		
YoY real GDP growth		1.601	
YoY real GDP growth (t-1)	0.752		7.136**
Constant	-0.0859	-0.0678	-0.0840
Observations	82	31	30
R2	0.623	0.916	0.410

Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Models for Exposures in Romania

Deposit rates

	Dependent variable: change in:					
	Overnight deposit rate for households	Term deposit rate for households up to 1 year	Term deposit rate for households 1 to 2 years	Overnight deposit rate for NFCs	Term deposit rate for NFCs up to 1 year	Term deposit rate for NFCs 1 to 2 years
Dependent variable (t-1)	0.398***	0.202***	-0.255			-0.480***
Change in 1 month euribor (t)	0.161***	0.601***	0.162	0.172***	0.823***	
Change in 1 month euribor (t-1)	0.0976**	0.256***	0.319**		0.149*	0.723***
Change in 10 year sovereign yield (t)				0.0520		
Change in 10 year sovereign yield (t-1)			0.283			0.0515
YoY real GDP growth (t)				1.732*		
YoY real GDP growth (t-1)					0.865	0.0929
Constant	-0.0262	0.00420	-0.0193	-0.0545	-0.0223	-0.0106
Observations	72	72	72	73	73	69
R2	0.751	0.859	0.284	0.523	0.840	0.329

Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Lending rates

	Dependent variable: change in:			
	Interest rate on new mortgages	Interest rate on new NFC loans	Interest rate on new NFC loans up to 1 year	Interest rate on new NFC loans 1 to 5 years
Dependent variable (t-1)	0.361***	-0.366**		-0.384*
Change in 1 month euribor (t)		0.627***	0.610***	0.615
Change in 10 year sovereign yield (t)	0.615***	0.203*	0.249**	0.111
Change in 10 year sovereign yield (t-1)		0.430***	0.294***	0.911**
YoY real GDP growth (t)	0.935			
YoY real GDP growth (t-1)		5.058**		5.452
Constant	-0.0131	-0.189***	0.0245	0.0325
Observations	72	72	31	30
R2	0.389	0.826	0.909	0.660

Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Models for Exposures in Croatia

Deposit rates

	Dependent variable: change in:					
	Overnight deposit rate for households	Term deposit rate for households up to 1 year	Term deposit rate for households 1 to 2 years	Overnight deposit rate for NFCs	Term deposit rate for NFCs up to 1 year	Term deposit rate for NFCs 1 to 2 year
Dependent variable (t-1)		-0.315**	0.247**		0.120	-0.323**
Change in 1 month euribor (t)	0.00322	0.187	0.0101	5.12e-05	0.140	0.0222
Change in 1 month euribor (t-1)		0.157	0.101**		0.338***	
Change in 10 year sovereign yield (t)						0.248
Change in 10 year sovereign yield (t-1)	0.00416	0.0588	0.0161		0.00807	
YoY real GDP growth (t)						-2.991
YoY real GDP growth (t-1)			1.083			
Constant	-0.00447**	-0.0322	-0.0723	-0.00617	-0.00326	0.0119
Observations	54	53	53	54	53	53
R2	0.087	0.233	0.244	0.14	0.510	0.117

Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Lending rates

	Dependent variable: change in:			
	Interest rate on new mortgages	Interest rate on new NFC loans	Interest rate on new NFC loans up to 1 year	Interest rate on new NFC loans 1 to 5 years
Dependent variable (t-1)		-0.315**	-0.218	-0.330**
Change in 1 month euribor (t)	0.112	0.374**	0.423***	0.438
Change in 1 month euribor (t-1)		0.149		
Change in 10 year sovereign yield (t)		0.0738		0.666
Change in 10 year sovereign yield (t-1)	0.113	0.172	0.256	
YoY real GDP growth (t)				0.912
YoY real GDP growth (t-1)			0.128	
Constant	-0.0383	-0.0696	-0.0736	-0.120
Observations	54	53	53	50
R2	0.266	0.363	0.355	0.378

Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Box 7. Austria: Corporate Credit Risk Model

The corporate PD generation is based on PD methodology described in Tressel and Ding (2021). The process starts by generating forward-looking financial statements for almost 23,000 listed non-financial corporations in 42 countries. Using 2024 balance-sheet data as a common anchor, country-specific panel regressions are estimated in which key performance ratios—sales growth, return on assets, leverage and the interest-coverage ratio—depending on their own lags and two exogenous drivers: real-GDP growth and a broad financial-conditions index that captures changes in spreads and equity valuations.

The macro inputs are taken directly from the IMF's World Economic Outlook baseline and the FSAP adverse scenarios, so each firm's projected path is automatically conditioned on the relevant national macro narrative. Accounting identities transform the projected income-statement items into stock variables—debt, equity, cash buffers—over a three-year horizon. Interest expenses evolve with both the firm's own historical funding mix and the scenario-specific shifts in short- and long-term corporate borrowing rates, ensuring that debt-service capacity reacts to the interest-rate environment as well as to changes in leverage and earnings. Interest rate shocks of the current year of a given scenario are applied to the portion of debt that matures within the year, and the interest rate shock of year +1 is applied to the portion of the debt that matures after one year. The maturity structure (remaining maturity of less than one year, above one year) is assumed to remain unchanged during the scenarios.

The simulated balance-sheet indicators are mapped into one-year forward PDs. The mapping uses a matrix, originally built by Moody's for U.S. data over 1970-2012, that assigns an empirical default frequency to each cell defined by an interest-coverage ratio band and a debt-to-equity band. Once every firm is placed in a cell for each projected year, the corresponding historical default rate becomes its PD. Aggregating across firms with debt weights yields a scenario-specific corporate default rate for each country.

Because the Moody's matrix is U.S.-centric and reflects an earlier credit cycle, the aggregated PDs are benchmarked to country-specific default measures. Two alternative anchors are employed. For a market-based view of large-listed corporates, the country aggregate for 2025 is rescaled so that it matches Moody's-KMV one-year expected default frequency (EDF); both mean and median EDFs are considered to guard against fat-tail distortions in countries such as the US and Canada. The resulting scaling factor is then applied to the entire forward path of raw PDs under each macro scenario, so differences across scenarios reflect only the impact of the macro shocks and not cross-country calibration quirks.

Appendix II. Liquidity Stress Test Parameters

Table 1. Austria: LCR Stress Test Parameters

Panel A. HQLA Parameters (COREP 72.00)

Row	ID	Item	Scearo 1	Scearo 2
010	1	**TOTAL UNADJUSTED LIQUID ASSETS**		
020	1.1	**Total unadjusted level 1 assets**		
030	1.1.1	Total unadjusted LEVEL 1 assets excluding extremely high quality covered bonds		
040	1.1.1.1	Coins and banknotes	100.00%	100.00%
050	1.1.1.2	Withdrawable central bank reserves	100.00%	100.00%
060	1.1.1.3	Central bank assets	100.00%	100.00%
070	1.1.1.4	Central government assets	87.00%	81.00%
080	1.1.1.5	Regional government / local authorities assets	87.00%	81.00%
090	1.1.1.6	Public Sector Entity assets	87.00%	81.00%
100	1.1.1.7	Recognisable domestic and foreign currency central government and central bank assets	87.00%	81.00%
110	1.1.1.8	Credit institution (protected by Member State government, promotional lender) assets	87.00%	81.00%
120	1.1.1.9	Multilateral development bank and international organisations assets	100.00%	100.00%
130	1.1.1.10	Qualifying CIU shares/units: underlying is coins/banknotes and/or central bank exposure	100.00%	100.00%
140	1.1.1.11	Qualifying CIU shares/units: underlying is Level 1 assets excluding extremely high quality covered bonds	95.00%	95.00%
150	1.1.1.12	Alternative Liquidity Approaches: Central bank credit facility	100.00%	100.00%
160	1.1.1.13	Central institutions: Level 1 assets excl. EHQ CB which are considered liquid assets for the depositing credit	0.00%	0.00%
170	1.1.14	Alternative Liquidity Approaches: Level 2A assets recognised as Level 1	80.00%	80.00%
180	1.1.2	Total unadjusted LEVEL 1 extremely high quality covered bonds		
190	1.1.2.1	Extremely high quality covered bonds	93.00%	93.00%
200	1.1.2.2	Qualifying CIU shares/units: underlying is extremely high quality covered bonds	88.00%	88.00%
210	1.1.2.3	Central institutions: Level 1 EHQ covered bonds which are considered liquid assets for the depositing credit	100.00%	100.00%
220	1.2	**Total unadjusted level 2 assets**		
230	1.2.1	Total unadjusted LEVEL 2A assets		
240	1.2.1.1	Regional government / local authorities or Public Sector Entity assets (Member State, RW20%)	85.00%	85.00%
250	1.2.1.2	Central bank or central / regional government or local authorities or Public Sector Entity assets (Third Country,	85.00%	85.00%
260	1.2.1.3	High quality covered bonds (CQS2)	85.00%	80.00%
270	1.2.1.4	High quality covered bonds (Third Country, CQS1)	85.00%	80.00%
280	1.2.1.5	Corporate debt securities (CQS1)	85.00%	80.00%
290	1.2.1.6	Qualifying CIU shares/units: underlying is Level 2A assets	80.00%	80.00%
300	1.2.1.7	Central institutions: Level 2A assets which are considered liquid assets for the depositing credit institution	80.00%	80.00%
310	1.2.2	Total unadjusted LEVEL 2B assets		
320	1.2.2.1	Asset-backed securities (residential, CQS1)	75.00%	75.00%
330	1.2.2.2	Asset-backed securities (auto, CQS1)	75.00%	75.00%
340	1.2.2.3	High quality covered bonds (RW35%)	70.00%	70.00%
350	1.2.2.4	Asset-backed securities (commercial or individuals, Member State, CQS1)	65.00%	65.00%
360	1.2.2.5	Corporate debt securities (CQS2/3)	50.00%	50.00%
370	1.2.2.6	Corporate debt securities - non-interest bearing assets (held by credit institutions for religious reasons)	50.00%	50.00%
380	1.2.2.7	Shares (major stock index)	50.00%	50.00%
390	1.2.2.8	Non-interest bearing assets (held by credit institutions for religious reasons) (CQS3-5)	50.00%	50.00%
400	1.2.2.9	Restricted-use central bank committed liquidity facilities	100.00%	100.00%
410	1.2.2.10	Qualifying CIU: underlying is asset-backed securities (residential or auto, CQS1)	70.00%	70.00%
420	1.2.2.11	Qualifying CIU: underlying is High quality covered bonds (RW35%)	65.00%	65.00%
430	1.2.2.12	Qualifying CIU: underlying is asset-backed securities (commercial or individuals, Member State, CQS1)	60.00%	60.00%
440	1.2.2.13	Qualifying CIU: underlying is corporate debt securities (CQS2/3) shares or non-interest bearing assets (CQS3-5)	45.00%	45.00%
450	1.2.2.14	Deposits by network member with central institution (no obligated investment)	75.00%	75.00%
460	1.2.2.15	Liquidity funding available to network member from central institution (non-specified collateralisation)	75.00%	75.00%
470	1.2.2.16	Central institutions: Level 2B assets which are considered liquid assets for the depositing credit institution	75.00%	75.00%

Table 1. Austria: LCR Stress Test Parameters (concluded)

Panel B. Outflow Parameters (COREP 73.00)

Row	ID	Item	Scenario 1	Scenario 2
0010	1	OUTFLOWS		
0020	1.1	Outflows from unsecured transactions/deposits		
0030	1.1.1	Retail deposits		
0035	1.1.1.1	deposits exempted from the calculation of outflows	0.00%	0.00%
0040	1.1.1.2	deposits where the payout has been agreed within the following 30 days	100.00%	100.00%
0050	1.1.1.3	deposits subject to higher outflows		
0060	1.1.1.3.1	category 1	14.9%	14.9%
0070	1.1.1.3.2	category 2	19.9%	19.9%
0080	1.1.1.4	stable deposits	5.00%	5.00%
0090	1.1.1.5	derogated stable deposits	3.00%	3.00%
0100	1.1.1.6	deposits in third countries where a higher outflow is applied		
0110	1.1.1.7	other retail deposits	10.00%	10.00%
0120	1.1.2	Operational deposits		
0130	1.1.2.1	maintained for clearing, custody, cash management or other comparable services		
0140	1.1.2.1.1	covered by DGS	5.00%	5.00%
0150	1.1.2.1.2	not covered by DGS	25.00%	25.00%
0160	1.1.2.2	maintained in the context of IPS or a cooperative network		
0170	1.1.2.2.1	not treated as liquid assets for the depositing institution	25.00%	25.00%
0180	1.1.2.2.2	treated as liquid assets for the depositing credit institution	100.00%	100.00%
0190	1.1.2.3	maintained in the context of an established operational relationship (other) with nonfin customers	25.00%	25.00%
0200	1.1.2.4	maintained to obtain cash clearing and central credit institution services within a network	25.00%	25.00%
0203	1.1.3	Excess operational deposits		
0204	1.1.3.1	deposits by financial customers	100.00%	100.00%
0205	1.1.3.2	deposits by other customers		
0206	1.1.3.2.1	covered by DGS	20.00%	20.00%
0207	1.1.3.2.2	not covered by DGS	40.00%	40.00%
0210	1.1.4	Non-operational deposits		
0220	1.1.4.1	correspondent banking and provisions of prime brokerage deposits	100.00%	100.00%
0230	1.1.4.2	deposits by financial customers	100.00%	100.00%
0240	1.1.4.3	deposits by other customers		
0250	1.1.4.3.1	covered by DGS	20.00%	20.00%
0260	1.1.4.3.2	not covered by DGS	40.00%	40.00%
0270	1.1.5	Additional outflows		
0280	1.1.5.1	collateral other than Level 1 assets collateral posted for derivatives	20.00%	20.00%
0290	1.1.5.2	Level 1 EHQ Covered Bonds assets collateral posted for derivatives	10.00%	10.00%
0300	1.1.5.3	material outflows due to deterioration of own credit quality	100.00%	100.00%
0310	1.1.5.4	impact of an adverse market scenario on derivatives transactions	100.00%	100.00%
0340	1.1.5.5	outflows from derivatives	100.00%	100.00%
0350	1.1.5.6	short positions		
0360	1.1.5.6.1	covered by collateralized SFT	0.00%	0.00%
0370	1.1.5.6.2	other	100.00%	100.00%
0380	1.1.5.7	callable excess collateral	100.00%	100.00%
0390	1.1.5.8	due collateral	100.00%	100.00%
0400	1.1.5.9	liquid asset collateral exchangable for non-liquid asset collateral	100.00%	100.00%
0410	1.1.5.10	loss of funding on structured financing activites		
0420	1.1.5.10.1	structured financing instruments	100.00%	100.00%
0430	1.1.5.10.2	financing facilites	100.00%	100.00%
0450	1.1.5.11	internal netting of client´s positions	50.00%	50.00%
0460	1.1.6	Committed facilities		
0470	1.1.6.1	credit facilities		
0480	1.1.6.1.1	to retail customers	5.00%	5.00%
0490	1.1.6.1.2	to non-financial customers other than retail customers	10.00%	10.00%
0500	1.1.6.1.3	to credit institutions		
0510	1.1.6.1.3.1	for funding promotional loans of retail customers	5.00%	5.00%
0520	1.1.6.1.3.2	for funding promotional loans of non-financial customers	10.00%	10.00%
0530	1.1.6.1.3.3	other	40.00%	40.00%
0540	1.1.6.1.4	to regulated financial institutions other than credit institutions	40.00%	40.00%
0550	1.1.6.1.5	within a group or an IPS if subject to preferential treatment		
0560	1.1.6.1.6	within IPS or cooperative network if treated as liquid asset by the depositing institution	75.00%	75.00%
0570	1.1.6.1.7	to other financial customers	100.00%	100.00%
0580	1.1.6.2	liquidity facilities		
0590	1.1.6.2.1	to retail customers	5.00%	5.00%
0600	1.1.6.2.2	to non-financial customers other than retail customers	30.00%	30.00%
0610	1.1.6.2.3	to personal investment companies	40.00%	40.00%
0620	1.1.6.2.4	to SSPEs		
0630	1.1.6.2.4.1	to purchase assets other than securities from non-financial customers	10.00%	10.00%
0640	1.1.6.2.4.2	other	100.00%	100.00%
0650	1.1.6.2.5	to credit institutions		
0660	1.1.6.2.5.1	for funding promotional loans of retail customers	5.00%	5.00%
0670	1.1.6.2.5.2	for funding promotional loans of non-financial customers	30.00%	30.00%
0680	1.1.6.2.5.3	other	40.00%	40.00%
0690	1.1.6.2.6	within a group or an IPS if subject to preferential treatment		
0700	1.1.6.2.7	within IPS or cooperative network if treated as liquid asset by the depositing institution	75.00%	75.00%
0710	1.1.6.2.8	to other financial customers	100.00%	100.00%
0720	1.1.7	Other products and services		
0731	1.1.7.1	Uncommitted funding facilities	25.00%	40.00%
0740	1.1.7.2	undrawn loans and advances to wholesale counterparties	25.00%	40.00%
0750	1.1.7.3	mortgages that have been agreed but not yet drawn down	25.00%	40.00%
0760	1.1.7.4	credit cards	25.00%	40.00%
0770	1.1.7.5	overdrafts	25.00%	40.00%
0780	1.1.7.6	planned outflows related to renewal or extension of new retail or wholesale loans	25.00%	40.00%
0850	1.1.7.7	derivatives payables	25.00%	40.00%
0860	1.1.7.8	trade finance off-balance sheet related products	5.00%	5.00%
0870	1.1.7.9	others	25.00%	40.00%
0885	1.1.8	Other liabilities and due commitments		
0890	1.1.8.1	liabilities resulting from operating expenses	0.00%	0.00%
0900	1.1.8.2	in the form of debt securities if not treated as retail deposits	100.00%	100.00%
0912	1.1.8.4	the excess of funding to non-financial customers		
0913	1.1.8.4.1	the excess of funding to retail customers	100.00%	100.00%
0914	1.1.8.4.2	the excess of funding to non financial corporates	100.00%	100.00%
0915	1.1.8.4.3	the excess of funding to sovereigns, MLDBs and PSEs	100.00%	100.00%
0916	1.1.8.4.4	the excess of funding to other legal entities	100.00%	100.00%
0917	1.1.8.5	assets borrowed on an unsecured basis	100.00%	100.00%
0918	1.1.8.6	others	100.00%	100.00%
0920	1.2	Outflows from secured lending and capital market-driven transactions		
0930	1.2.1	Counterparty is central bank		
0940	1.2.1.1	level 1 excl. EHQ Covered Bonds collateral	5.00%	5.00%
0950	1.2.1.2	level 1 EHQ Covered Bonds collateral	5.00%	5.00%
0960	1.2.1.3	level 2A collateral	5.00%	5.00%
0970	1.2.1.4	level 2B asset-backed securities (residential or automobile, CQS1) collateral	5.00%	5.00%
0980	1.2.1.5	level 2B covered bonds	5.00%	5.00%
0990	1.2.1.6	level 2B asset-backed securities (commercial or individuals, Member State, CQS1) collateral	5.00%	5.00%
1000	1.2.1.7	other Level 2B assets collateral	5.00%	5.00%
1010	1.2.1.8	non-liquid assets collateral	5.00%	5.00%
1020	1.2.2	Counterparty is non-central bank		
1030	1.2.2.1	level 1 excl. EHQ Covered Bonds collateral	5.00%	5.00%
1040	1.2.2.2	level 1 EHQ Covered Bonds collateral	15.00%	15.00%
1050	1.2.2.3	level 2A collateral	20.00%	20.00%
1060	1.2.2.4	level 2B asset-backed securities (residential or automobile, CQS1) collateral	25.00%	25.00%
1070	1.2.2.5	level 2B covered bonds	40.00%	40.00%
1080	1.2.2.6	level 2B asset-backed securities (commercial or individuals, Member State, CQS1) collateral	40.00%	40.00%
1090	1.2.2.7	other Level 2B assets collateral	60.00%	60.00%
1100	1.2.2.8	non-liquid assets collateral	100.00%	100.00%
1130	1.3	Total outflows from collateral swaps		

Table 2. Austria: Cash-flow Stress Test Parameters

Panel A. Outflow Parameters (COREP 66.01)

Code	ID	OUTFLOWS	Gen risk aver		Idio	
			Term	Openmat	Term	Openmat
0010	**1.1**	**Liabilities resulting from securities issued (if not treated as retail deposits)**				
0011	1.1.0.1	of which: Intragroup or IPS				
0020	1.1.1	unsecured bonds due	50%		100%	
0030	1.1.2	regulated covered bonds	50%		100%	
0040	1.1.3	securitisations due	50%		100%	
0050	1.1.4	other	50%		100%	
0065	**1.2**	**Liabilities resulting from secured lending and capital market driven transactions collateralised by**				
0066	1.2.0.1	of which: Intragroup or IPS				
0075	1.2.1	Level 1 tradable assets				
0085	1.2.1.1	Level 1 excluding covered bonds				
0095	1.2.1.1.1	Level 1 central bank	100%		100%	
0105	1.2.1.1.2	Level 1 (CQS 1)	100%		100%	
0115	1.2.1.1.3	Level 1 (CQS2, CQS3)	100%		100%	
0125	1.2.1.1.4	Level 1 (CQS4+)	100%		100%	
0135	1.2.1.2	Level 1 covered bonds (CQS1)	100%		100%	
0145	1.2.2	Level 2A tradable assets				
0155	1.2.2.1	Level 2A corporate bonds (CQS1)	100%		100%	
0165	1.2.2.2	Level 2A covered bonds (CQS1, CQS2)	100%		100%	
0175	1.2.2.3	Level 2A public sector (CQS1, CQS2)	100%		100%	
0185	1.2.3	Level 2B tradable assets				
0195	1.2.3.1	Level 2B Asset Backed Securities (ABS) (CQS1)	100%		100%	
0205	1.2.3.2	Level 2B covered bonds (CQS1-6)	100%		100%	
0215	1.2.3.3	Level 2B: corporate bonds (CQ1-3)	100%		100%	
0225	1.2.3.4	Level 2B shares	100%		100%	
0235	1.2.3.5	Level 2B public sector (CQS 3-5)	100%		100%	
0245	1.2.4	other tradable assets	100%		100%	
0251	1.2.5	other assets	100%		100%	
0252	**1.2a**	**Liabilities resulting from secured lending and capital market driven transactions collateralised by**				
0253	1.2a.1	Level 1 tradable assets	100%		100%	
0254	1.2a.2	Level 2A tradable assets	100%		100%	
0255	1.2a.3	Level 2B tradable assets	100%		100%	
0256	1.2a.4	other tradable assets	100%		100%	
0257	1.2a.5	other assets	100%		100%	
0260	**1.3**	**Liabilities not reported in 1.2, resulting from deposits received (excluding deposits received as collateral)**				
0261	1.3.0.1	of which: Intragroup or IPS				
0270	1.3.1	stable retail deposits	19%	0.16%	5%	0.17%
0280	1.3.2	other retail deposits	44%	0.44%	10%	0.39%
0290	1.3.3	operational deposits	15%	0.51%	49%	2.32%
0300	1.3.4	non-operational deposits from credit institutions	50%	0.52%	100%	100%
0310	1.3.5	non-operational deposits from other financial customers	50%	0.52%	100%	100%
0320	1.3.6	non-operational deposits from central banks	25%	0.22%	100%	100%
0330	1.3.7	non-operational deposits from non-financial corporates	25%	0.22%	76%	0.97%
0340	1.3.8	non-operational deposits from other counterparties	25%	0.22%	76%	1.11%
0350	**1.4**	**FX-swaps maturing**	50%		100%	
0360	**1.5**	**Derivatives amount payables other than those reported in 1.4**	50%		100%	
0370	**1.6**	**Other outflows**	50%		100%	
0380	**1.7**	**Total outflows**				

Panel B. Open Maturity Parameters for Calibrating 12-Month Cumulative Outflows

Code	ID	OUTFLOWS	GRA	Idio
0270	1.3.1	stable retail deposits	0.04%	0.16%
0280	1.3.2	other retail deposits	0.08%	0.44%
0290	1.3.3	operational deposits	0.26%	0.26%
0320	1.3.6	non-operational deposits from central banks	0.22%	0.22%
0330	1.3.7	non-operational deposits from non-financial corporates	1.07%	1.07%
0340	1.3.8	non-operational deposits from other counterparties	1.07%	1.07%

Table 2. Austria: Cash-flow Stress Test Parameters (Concluded)

Panel C. Inflow Parameters (COREP 66.01)

Code	ID	INFLOWS	Gen risk aver		Idio	
			Term	Openmat	Term	Openmat
0390	**2.1**	**Monies due from secured lending and capital market driven transactions collateralised by:**				
0391	2.1.0.1	of which: Intragroup or IPS				
0400	2.1.1	Level 1 tradable assets				
0410	2.1.1.1	Level 1 excluding covered bonds				
0420	2.1.1.1.1	Level 1 central bank	100%		100%	
0430	2.1.1.1.2	Level 1 (CQS 1)	100%		100%	
0440	2.1.1.1.3	Level 1 (CQS2, CQS3)	100%		100%	
0450	2.1.1.1.4	Level 1 (CQS4+)	100%		100%	
0460	2.1.1.2	Level 1 covered bonds (CQS1)	100%		100%	
0470	2.1.2	Level 2A tradable assets				
0480	2.1.2.1	Level 2A corporate bonds (CQS1)	100%		100%	
0490	2.1.2.2	Level 2A covered bonds (CQS1, CQS2)	100%		100%	
0500	2.1.2.3	Level 2A public sector (CQS1, CQS2)	100%		100%	
0510	2.1.3	Level 2B tradable assets				
0520	2.1.3.1	Level 2B ABS (CQS1)	100%		100%	
0530	2.1.3.2	Level 2B covered bonds (CQS1-6)	100%		100%	
0540	2.1.3.3	Level 2B: corporate bonds (CQ1-3)	100%		100%	
0550	2.1.3.4	Level 2B shares	100%		100%	
0560	2.1.3.5	Level 2B public sector (CQS 3-5)	100%		100%	
0570	2.1.4	other tradable assets	100%		100%	
0580	2.1.5	other assets	100%		100%	
0590	**2.2**	**Monies due not reported in 2.1 resulting from loans and advances granted to:**				
0600	2.2.1	retail customers	2%	0%	2%	0%
0610	2.2.2	non-financial corporates	2%	0%	2%	0%
0620	2.2.3	credit institutions	100%	100%	100%	100%
0621	2.2.3.1	of which: Intragroup or IPS				
0630	2.2.4	other financial customers	100%	100%	100%	100%
0640	2.2.5	central banks	100%	100%	100%	100%
0650	2.2.6	other counterparties	3%	0%	3%	0%
0660	**2.3**	**FX-swaps maturing**	100%		100%	
0670	**2.4**	**Derivatives amount receivables other than those reported in 2.3**	100%		100%	
0680	**2.5**	**Paper in own portfolio maturing**	100%		100%	
0690	**2.6**	**Other inflows**	100%		100%	
0691	2.6.1	of which: Intragroup or IPS				
0700	**2.7**	**Total inflows**				
0710	**2.8**	**Net contractual gap**				
0720	**2.9**	**Cumulated net contractual gap**				

Panel D. Counterbalancing Capacity and Contingency Parameters (COREP 66.01)

Code	ID	COUNTERBALANCING CAPACITY	GRA	Idio
0730	**3.1**	**coins and bank notes**	100%	100%
0740	**3.2**	**Withdrawable central bank reserves**	100%	100%
0750	**3.3**	**Level 1 tradable assets**		
0760	3.3.1	Level 1 excluding covered bonds		
0770	3.3.1.1	Level 1 central bank	100%	100%
0780	3.3.1.2	Level 1 (CQS 1)	98%	98%
0790	3.3.1.3	Level 1 (CQS2, CQS3)	95%	95%
0800	3.3.1.4	Level 1 (CQS4+)	75%	75%
0810	3.3.2	Level 1 covered bonds (CQS1)	97%	97%
0820	**3.4**	**Level 2A tradable assets**		
0830	3.4.1	Level 2A corporate bonds (CQS1)	90%	90%
0840	3.4.3	Level 2A covered bonds (CQS 1, CQS2)	90%	90%
0850	3.4.4	Level 2A public sector (CQS1, CQS2)	90%	90%
0860	**3.5**	**Level 2B tradable assets**		
0870	3.5.1	Level 2B ABS (CQS1)	75%	75%
0880	3.5.2	Level 2B covered bonds (CQS1-6)	75%	75%
0890	3.5.3	Level 2B corporate bonds (CQ1-3)	75%	75%
0900	3.5.4	Level 2B shares	75%	75%
0910	3.5.5	Level 2B public sector (CQS 3-5)	75%	75%
0920	**3.6**	**other tradable assets**		
0930	3.6.1	central government (CQS1)	75%	75%
0940	3.6.2	central government (CQS 2 & 3)	75%	75%
0950	3.6.3	shares	75%	75%
0960	3.6.4	covered bonds	75%	75%
0970	3.6.5	ABS	75%	75%
0980	3.6.7	other tradable assets	75%	75%
0990	**3.7**	**non tradable assets eligible for central banks**	62%	62%
0991	**3.7a**	**own issuances eligible for central banks**	62%	62%
1000	**3.8**	**undrawn committed facilities received**		
1010	3.8.1	Level 1 facilities	25%	25%
1020	3.8.2	Level 2B restricted use facilities	25%	25%
1030	3.8.3	Level 2B IPS facilities	25%	25%
1040	3.8.4	other facilities		
1050	3.8.4.1	from intragroup counterparties	25%	25%
1060	3.8.4.2	from other counterparties	25%	25%
1070	**3.9**	**Net change of Counterbalancing Capacity**		
1080	**3.10**	**Cumulated Counterbalancing Capacity**		

Code	ID	CONTINGENCIES	GRA	Idio
1090	**4.1**	**Outflows from committed facilities**		
1091	4.1.0.1	of which: Intragroup or IPS		
1100	4.1.1	Committed credit facilities		
1110	4.1.1.1	considered as Level 2B by the receiver	40%	40%
1120	4.1.1.2	other	40%	40%
1130	4.1.2	Liquidity facilities	40%	40%
1131	**4.1a**	**Outflows from uncommitted funding facilities**	0%	0%
1140	**4.2**	**Outflows due to downgrade triggers**	25%	25%

Table 15. Austria: Banking Sector Stress Test Matrix		
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 data such as NII 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.
2. Channels of Risk Propagation	Methodology	• Derived from the 2025 EA FSAP and France FSAP methodology, enriched with Austrian FSAP specific models also drawing on the OeNB stress testing framework including reverse ownership income and dividend channels. • 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

A. **Banking Sector: Solvency Stress Test** (continued)		
		• 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, based on the 2025 EA FSAP approach for SIs • 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 a model based on aggregate EDFs. 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 derived from satellite models 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.

A. **Banking Sector: Solvency Stress Test** (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 Spring 2026 WEO 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 • 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).
	Behavioral Adjustment	• For the growth of the banks' balance sheet over the stress-test horizon, a static approach is used. Asset allocation and the composition of funding remain the same, whereas the balance sheet remains static in nominal Euro terms. 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.

A. **Banking Sector: Solvency Stress Test** (concluded)		
		• 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. The model includes dividend payments and equity valuation losses from reverse ownership structure of the decentralized sector.
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, 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.

B. Banking Sector: Liquidity 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	More than 95 percent of the deposit-taking institutions.
	Data and horizon	Data vintage and time span: monthly from October 2020 to September 2025 for SIs. September 2025 for LSIs. 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 positions for significant currencies (CZK and EUR). Cash flow-based liquidity stress test, focusing on net liquidity position, defined as the difference between aggregate cumulated CBC and net outflows. Breakdown by aggregate currency positions for significant currencies (CZK and EUR). Further liquidity stress test, incorporating the second-round effects from IPS for liquidity reallocation between banks and use of pre-contributed liquidity pools in response to funding gaps in the LCR-based stress tests and the cash flow stress tests.
	Stress test horizon	30 days for LCR-based tests; From overnight up to 12 months for with varying time buckets for cash flow-based tests.
3. Type of analyses	Scenario analysis	Stress scenarios are derived from similar scenarios in the 2025 Euro Area FSAP, with varying intensity of adverse liquidity conditions affecting deposit outflows and asset reevaluations. Both general risk aversion shock (triggered by, for example, adverse macroeconomic outlook) and idiosyncratic shocks (triggered by, for example, credit rating downgrade) to individual banks are examined. To tailor to the specificities of the Austrian banking sector, deposit runoff rates as well as the outflow rates for several unsecured outflow items are re-calibrated. 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 and the survival period. Both LCR-based analysis and cash flow-based analysis examine the results before and after the use of IPS support mechanisms.
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.

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 Zyad 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 the 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

D. 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
1/ The authorities recommended that the stress tests not rely on intra-year data which may have important seasonality aspects, especially for LSIs.		