

# Austria

In Austria, banks dominate the financial system with a balance sheet total share of more than 50% (Q4 2023), with a high banking density and a banking sector size in relation to GDP that is above the EU average. The earnings position of domestic banks improved continuously in previous years, especially from 2021 onwards, mainly thanks to high operating profits and historically low credit risk costs. In an environment marked by rising interest rates, the sector's net interest income expanded by more than 30% to €25 billion. This boosted operating income by 17% year on year to €37 billion, despite fees and commissions income falling by 6%. Given that operating costs declined, the cost-to-income ratio dropped by 10 percentage points to 49%, for the first time ever reaching a level below 50%. The operating profit thus came to €19 billion. As risk provisioning remained stable year on year, profits rose by 37% to €14 billion. However, the increase was also supported by rising policy interest rates on deposits in risk-free overnight central bank accounts. Yet, also the cost side changed: Personnel cost accelerated by 13% year on year, as wage increases started to catch up with inflation. Administrative expenses rose by 5%. The biggest cost swing occurred in impairments on equity participations: one-off costs of €1.9 billion in 2022 reversed to a minor write-up in 2023. Consequently, operating cost fell by 4% to €18 billion.

An RoE of 15.7% equalled the highest yearly level of the Austrian banking sector since 2008, when the global financial crisis started. This strong result was driven by several factors:

- (1) an operating income margin (OIM) of slightly above 3%,
- (2) a cost-to-income ratio (CIR) of just below 50%,
- (3) provisioning that only cost 14% of the operating profit (before risk) and
- (4) leverage of 13 times.

Loan growth in Austria over the last ten years was primarily influenced by residential property loans and loans to companies. Due to the rise in interest rates and high inflation, growth rates have declined significantly in all segments since mid-2022 and have even been negative for property loans since mid-2023. Compared to capitalisation before 2008, this has more than doubled in line with higher regulatory requirements. At the end of 2023, the consolidated Common Equity Tier 1 capital ratio (CET1) of the entire Austrian banking sector was 17.5%, above the EU average of 16.4%. As CET1 capital increased in 2023, the leverage ratio of the Austrian banking sector rose to 8.4% at end-2023 (+37 basis points year on year). The liquidity coverage ratio (LCR) of the consolidated Austrian banking sector remained largely stable in 2023 at an average of 161%, which indicates a solid liquidity position in the short term.

At the end of 2023, the Austrian banking sector recorded an increase of the consolidated ratio of nonperforming loans (NPLs) to 2.6%, up from around 2%, where the rate had stood since 2021. Compared to historical figures, however, an NPL ratio of 2.6% is still moderate. The coverage ratio decreased on the back of new NPLs, for which provisions are still low, and the write-down of highly provisioned vintage NPLs.

Contributor: Austrian Bankers' Association - Bernhard Freudenthaler  
[freudenthaler@bankenverband.at](mailto:freudenthaler@bankenverband.at)