Interbilanz

5. Auditor’s report

Report on the financial statements

We have audited the attached financial statements including the accounting of the

Financial Market Authority, 
1090 Vienna, Otto-Wagner-Platz 5

for the financial year from 1 January 2011 to 31 December 2011. These financial statements include the balance sheet as at 31 December 2011, the income statement for the financial year ending 31 December 2011, as well as the notes. The statement of costs pursuant to Article 19 FMABG was part of our audit.

Legal representatives’ responsibility for the financial statements and for the accounting

The FMA’s legal representatives are responsible for the accounting and for the preparation of financial statements which present a picture that is as true and fair as possible with respect to net assets, financial position and the results of operations of the FMA in accordance with Austrian company law. This responsibility includes the design, implementation and maintenance of an internal control system, to the extent that this is important for the preparation of the financial statements and the presentation of as true and fair a picture as possible of the authority’s net assets, financial position and the results of operations, so that these financial statements are free from material misrepresentations, whether due to intentional or unintentional mistakes; it also includes the selection and application of suitable accounting and valuation methods, as well as making estimates that appear appropriate under the existing circumstances.

Auditor’s responsibility and description of type and scope of the statutory audit

It is our responsibility to issue an audit opinion on these financial statements based on our audit. We have carried out our audit with due regard for the legal provisions valid in Austria and the principles of proper auditing. These principles require us to comply with the rules of professional conduct and to plan and perform the audit in a way to issue a sufficiently confident opinion as to whether the financial statements are free from material misrepresentations.

An audit involves performing procedures to obtain audit evidence about the amounts and other information in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misrepresentations in the financial statements, whether due to intentional or unintentional mistakes. In making those risk assessments, the auditor considers the internal control system relevant to the FMA’s preparation of the financial statements and the presentation of as true and fair a picture as possible of the authority’s net assets, financial position and the results of operations in order to determine audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the authority’s internal control procedures. The audit also includes the assessment of the appropriateness of the accounting and valuation methods used and the essential estimates made by the legal representatives, as well as an evaluation of the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
Audit opinion

Our audit did not lead to any objections. Based on the findings of the audit, we believe that the financial statements comply with the legal provisions and present a picture of the company that is as true and fair as possible with respect to net assets and the financial position of the Financial Market Authority as at 31 December 2011 as well as the results of operations of the Financial Market Authority for the financial year from 1 January 2011 to 31 December 2011 in accordance with the generally accepted Austrian accounting principles. The statement of costs pursuant to Article 19 FMABG complies with the statutory provisions.

Comments on the management report

Legal provisions require us to perform audit procedures to determine whether the management report is consistent with the financial statements and whether the other information made in the management report does not give a false impression of the situation of the Financial Market Authority. The auditor’s report also has to contain a statement as to whether the management report is consistent with the financial statements.

In our opinion, the management report is consistent with the financial statements.

Vienna, 11 April 2012

Andreas Röthlin
Auditor

Michael Szücs
Auditor

Publication or dissemination of the financial statements with our auditor’s report is only permitted in the version we have audited. This auditor’s report refers exclusively to the complete German version of the financial statements including the management report. With regard to other versions, the provisions contained in Article 281 para. 2 UGB are to be observed.
Balance sheet as at 31 December 2011
(amounts in €)

**Assets**

<table>
<thead>
<tr>
<th></th>
<th>Previous year</th>
<th>Previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>in € thousands</td>
<td>in € thousands</td>
</tr>
</tbody>
</table>

**A. FIXED ASSETS**

I. Intangible fixed assets
   - Industrial property and similar rights and licences in such rights: 218,493.34 320

II. Tangible fixed assets
   1. Buildings on third-party land: 462,057.75 486
   2. Other equipment, operating and office equipment: 1,198,245.98 844

**A. RESERVE PURSUANT TO ARTICLE 20 FMABG**

1.878,797.07 1,851

**B. PROVISIONS**

   1. Provisions for severance pay: 883,497.09 800
   2. Other provisions: 5,253,339.27 4,436

**C. LIABILITIES**

   1. Advance payments received pursuant to Article 19 FMABG: 27,088,192.36 21,061

**B. CURRENT ASSETS**

I. Services not yet invoiced to entities liable to pay costs: 38,129,432.78 31,165

II. Receivables and other assets
   1. Trade receivables: 3,011,224.75 1,612
   2. Other receivables and assets: 942,232.39 586
      - 3,953,457.14 2,200
      - 1,148,072.66 734

III. Cash at bank and in hand: 7,224,503.50 4,218
   - 49,307,393.42 37,584

**C. PREPAID EXPENSES**

   862,657.96 1,161

**D. DEFERRED INCOME**

   575,480.00 588

52,048,848.45 40,395
### Income statement for the financial year
from 1 January to 31 December 2011
(amounts in €)

<table>
<thead>
<tr>
<th></th>
<th>Previous year in € thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Federal Government contribution pursuant to Article 19 FMABG</td>
<td>3,500,000.00</td>
</tr>
<tr>
<td>2. Other operating income</td>
<td></td>
</tr>
<tr>
<td>a) Income from the disposal of fixed assets with the exception of financial assets</td>
<td>11,500.00</td>
</tr>
<tr>
<td>b) Income from the release of provisions</td>
<td>274,413.94</td>
</tr>
<tr>
<td>c) Other</td>
<td>2,825,414.83</td>
</tr>
<tr>
<td></td>
<td>3,111,328.77</td>
</tr>
<tr>
<td>3. Personnel expenses</td>
<td></td>
</tr>
<tr>
<td>a) Salaries</td>
<td>-21,226,731.87</td>
</tr>
<tr>
<td>b) Expenses for severance pay and contributions to corporate staff provision funds</td>
<td>-343,734.6</td>
</tr>
<tr>
<td>c) Expenses for old-age pensions</td>
<td>-684,049.95</td>
</tr>
<tr>
<td>d) Cost of statutory social security, payroll-related taxes and mandatory contributions</td>
<td>-4,150,607.64</td>
</tr>
<tr>
<td>e) Other social costs</td>
<td>-267,443.90</td>
</tr>
<tr>
<td></td>
<td>-26,672,567.96</td>
</tr>
<tr>
<td>4. Amortisation and write-downs of intangible fixed assets, depreciation and write-downs of tangible fixed assets</td>
<td>-858,257.84</td>
</tr>
<tr>
<td>5. Other operating expenses</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>-16,998,494.94</td>
</tr>
<tr>
<td></td>
<td>-37,917,991.97</td>
</tr>
<tr>
<td>7. Other interest</td>
<td>52,568.80</td>
</tr>
<tr>
<td>8. Interest</td>
<td>-4,053.67</td>
</tr>
<tr>
<td></td>
<td>48,515.13</td>
</tr>
<tr>
<td>9. Subtotal of items 7 to 8</td>
<td></td>
</tr>
<tr>
<td></td>
<td>38,129,432.78</td>
</tr>
<tr>
<td>10. Appropriation to reserve pursuant to Article 20 FMABG</td>
<td>-259,955.94</td>
</tr>
<tr>
<td>11. Share of entities liable to pay costs</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.00</td>
</tr>
<tr>
<td>12. NET RESULT</td>
<td></td>
</tr>
</tbody>
</table>
Notes pursuant to Article 236 UGB
(amounts in €, previous year’s amounts in € thousands)

A. GENERAL INFORMATION

1. The FINANCIAL MARKET AUTHORITY (FMA) is an institution under public law and was established by the Finanzmarktaufsichtsbehördengesetz (FMABG; Financial Market Authority Act) (Federal Law Gazette 97/2001) on 22 October 2001. The official competence of the FMA commenced on 1 April 2002. The FMA is in charge of banking supervision, insurance supervision, securities supervision and pension companies supervision.

As at 31 March 2002, the Austrian Securities Authority (ASA) was incorporated into the FMA by way of universal legal succession pursuant to Article 1 of the Wertpapieraufsichtsgesetz (WAG; Securities Supervision Act).

2. The financial statements were prepared in conformity with the generally accepted accounting principles and the general principle of presenting a picture that is as true and fair as possible with respect to net assets, financial position and the results of operations. In accordance with Article 18 FMABG, the provisions of the Unternehmensgesetzbuch (UGB; Corporate Code) were applied correspondingly to the present financial statements.

3. The accounting policies applied to the individual items of the financial statements were based on the general provisions of Articles 193 to 211 UGB, taking the special provisions for large corporations into account.

4. The financial statements were prepared in accordance with the going concern principle.
B. INFORMATION ON THE BALANCE SHEET INCLUDING THE DESCRIPTION OF THE ACCOUNTING POLICIES

1. Fixed assets

The changes in fixed assets and the breakdown of the annual depreciation according to individual items can be seen in Annex III/page 11 (changes in fixed assets).

1.1. Tangible fixed assets

Depreciation is calculated on a straight-line basis.

The useful life of the individual asset groups is as follows:

1. Industrial property and similar rights and licences in such rights: 3 years
2. Buildings on third-party land: 8 to 20 years
3. Other equipment, operating and office equipment: 3 to 10 years

There was no need for depreciation pursuant to Article 204 para. 2 UGB as there was no impairment loss.

The low-value assets pursuant to Article 13 of the Einkommensteuergesetz (EStG, Income Tax Law) with individual acquisition values of below €400.00 each were reported as disposals in their year of acquisition.

2. Services not yet invoiced to entities liable to pay costs

This item comprises the expenses to be borne by the entities liable to pay costs pursuant to Article 19 FMABG in the amount of €38,129,432.78 (previous year: €31,165k). The statement of costs is prepared according to the procedures stipulated under Article 19 FMABG.
In this connection, the FMA has set up four accounting groups to which the cost shares are apportioned as follows:

<table>
<thead>
<tr>
<th>Accounting Group</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Banking supervision costs</td>
<td>19,807,887.91</td>
<td>13,503</td>
</tr>
<tr>
<td>2. Insurance supervision costs</td>
<td>7,695,322.23</td>
<td>7,318</td>
</tr>
<tr>
<td>3. Securities supervision costs</td>
<td>9,534,032.35</td>
<td>9,460</td>
</tr>
<tr>
<td>4. Pension companies supervision costs</td>
<td>1,092,190.29</td>
<td>884</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>38,129,432.78</strong></td>
<td><strong>31,165</strong></td>
</tr>
</tbody>
</table>

The costs are apportioned to the individual entities liable to pay costs, and the advance payments made by the entities liable to pay costs in the 2011 financial year are offset based on the reference data, listed in the relevant supervisory laws and reported to the FMA, which is only available after the financial statements have been prepared.

3. **Trade receivables**

The receivables are carried at nominal values and show a residual maturity of less than a year. Individual valuation allowances were recognised for identifiable risks in the measurement of receivables.

Receivables of €3,114,927.61 (previous year: €1,736k) are still carried from the actual cost accounting of previous years. Itemised valuation allowances of €103,702.86 (previous year: €124k) were recognised for receivables from actual cost accounting.

4. **Other receivables**

Other receivables include mostly receivables from orders imposing fees, administrative penalties, penalty interest, trustee fees, interest pursuant to the *Betriebliches Mitarbeiter- und Selbstständigenvorsorgegesetz* (BMSVG; Company Employee and Self-Employment Provisions Act), as well as reimbursed salary cost and transitory items concerning the Electronic File (ELAK). The itemised valuation allowance amounts to €2,340.00 (previous year: €2k).

5. **Prepaid expenses**

The item prepaid expenses comprises in particular insurance expenses, royalties and maintenance fees, membership fees, as well as subscriptions.
6. **Reserve pursuant to Article 20 FMABG**

Article 20 FMABG specifies the option of establishing a reserve in the amount of 1% of the FMA's total costs based on the latest adopted financial statements as at 31 December 2010 (1% of the total costs of the FMA in 2010 in the amount of €38,406,115.80 is €384,061.16). The maximum amount of the reserve may not, however, exceed the amount of 5% of the FMA's total costs based on the latest adopted financial statements as at 31 December 2010 (5% of the total costs of the FMA in 2010 in the amount of €38,406,115.80 is €1,920,305.79). As at 31 December 2010, the total in the reserve was €1,660,349.85. Following allocation of €259,955.94 (the maximum amount possible), the reserve pursuant to Article 20 FMABG totalled the maximum amount of €1,920,305.79 as at 31 December 2011.

7. **Provisions**

Provisions are established taking the prudent person rule pursuant to Article 211 para. 1 UGB into account.

7.1 **Provisions for severance pay**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Change:</strong></td>
<td>€</td>
<td>€ thousands</td>
</tr>
<tr>
<td>As at 1 January 2011</td>
<td>799,698.26</td>
<td>714</td>
</tr>
<tr>
<td>Use</td>
<td>6,853.75</td>
<td>8</td>
</tr>
<tr>
<td>Appropriation</td>
<td>90,652.58</td>
<td>94</td>
</tr>
<tr>
<td>As at 31 December 2011</td>
<td>883,497.09</td>
<td>800</td>
</tr>
</tbody>
</table>

The provisions for severance pay were calculated in accordance with financial principles. The basis for the computation was an interest rate of 3.5% and a retirement age of 65 for men and 60 for women.

7.2 **Other provisions**

Other provisions were determined by exercising sound business judgement in accordance with the prudent person rule pursuant to Article 211 para. 1 UGB and include all risks recognisable at the balance sheet date and all liabilities of the past financial year not yet fixed in terms of their amount.
The provision for anniversary bonuses was computed in accordance with financial principles. The computation was based on an interest rate of 3.5%, a retirement age of 65 for men and 60 for women, and a rate of non-wage labour costs of 4.5% for contractual employees.

The other provisions comprise the following items:

| Payments of arrears of salary, labour court proceedings | 722,000.00 |
| Reimbursement to the OeNB for analysis of market risk models under Solvency 2 | 250,000.00 |
| Operating expenses | 111,598.21 |
| Consulting costs and external services | 64,619.02 |
| Expenses FMA Annual Report | 53,456.68 |
| Objections to payment notices | 43,200.00 |
| Exemption levy for non-employment of disabled persons | 41,080.00 |
| Miscellaneous | 27,515.04 |
| Electricity, gas | 20,000.00 |
| Usage fees, licences | 8,925.00 |
| **Total** | **1,342,393.95** |
2009 provision for actual costs of Banking Supervision:
The provision established pursuant to Article 69a BWG in one financial year must be released in the following financial statements of the FMA, i.e. the provision established in the 2010 financial statements for the actual costs incurred in 2009 was released in the 2011 financial statements of the FMA; by way of derogation to Article 19 para. 4 FMABG, the resulting income is only to be deducted from the costs of accounting group 1.

2010 provision for actual costs of Banking Supervision:
Pursuant to Article 69a BWG the difference between the calculated cost shares and the minimum amounts to be paid by the credit institutions (€1,000 per credit institution) for 2010 is to be allocated to a provision in 2011.

8. Liabilities

The liabilities are computed with the amount repayable taking the prudent person rule into account. All liabilities have a residual maturity of up to one year.

8.1 Advance payments received pursuant to Article 19 FMABG

For the 2011 financial year, the entities liable to pay costs had to make advance payments in the amount of €27,012,613.00 (previous year: €20,995k) as prescribed by administrative decision. Of the prescribed advance payments, €180,639.14 (previous year: €93k) had not been paid by the balance sheet date. Itemised valuation allowances of €1,278.75 (previous year: €6k) were recognised for the amounts not yet paid.

The 2011 advance payments are compared with the cost share to be borne by the entities liable to pay costs within the scope of preparing the statement of costs. The resulting balance is either charged or repaid to the entities liable to pay costs.

As at 31 December 2011, €254,939.75 (previous year: €154k) had already been paid in advance for the 2012 financial year.
8.2 Trade payables

With the reform of financial market supervision in Austria having taken effect on 1 January 2008, a clear demarcation was drawn between the FMA and the Oesterreichische Nationalbank in the area of banking supervision, with the FMA remaining the sole authority and with responsibility for inspection and analysis (including reporting and approval of models) being concentrated at the OeNB. In this context, the FMA must reimburse Oesterreichische Nationalbank for the direct costs of on-site inspections and the analysis of individual banks (Article 19 para. 5a FMABG). The amounts reimbursed are to be calculated on the basis of the direct costs of banking supervision notified for the respective preceding financial year pursuant to Article 79 para. 4b BWG. Amendments to the Nationalbankgesetz 1984 (NGB; Nationalbank Act) and to the FMABG, which entered into force on 1 August 2011 (Federal Law Gazette I no. 50 /2011), specified the maximum amount at €8 million (previously €4 million), retroactively effective for 2011 as well. The reimbursement is to be effected no later than by the end of March of the following financial year.

The liabilities owed to the Oesterreichische Nationalbank have increased to a total of €12 million, of which the €4 million for 2010 are to be reimbursed by 31 March 2012 and the €8 million for 2011 by 31 March 2013.

The fee for the audit of the 2011 financial statements and share of costs, agreed with the auditing firm IB Interbilanz Hübner Wirtschaftsprüfung GmbH upon commissioning the audit, is included in the 2011 incoming invoices still expected; it amounts to €33,600.00 (previous year: €34k).

8.3 Other liabilities

A liability of €1,211,801.50 (previous year: €697k) is still carried from the actual cost of previous years.

9. Contingent liabilities

As at 31 December 2011, there were no contingent liabilities or guarantees.

10. The liabilities from the use of tangible fixed assets not shown in the balance sheet amount to approximately €3,023,600.00 (previous year: €2,834k) for the following year and a total of approximately €15,011,700.00 (previous year: €13,837k) for the following five years.
C. INFORMATION ON THE INCOME STATEMENT

1. **Income from federal grant**

   Pursuant to Article 19 para. 4 FMABG, the Federal Government paid a total of €3,500,000.00 (previous year: €3,500k) in advance for the 2011 financial year, which was used to cover part of the costs incurred during the 2011 financial year.

2. **Share of entities liable to pay costs**

   Please refer to Point B. 2. “Services not yet invoiced to entities liable to pay costs” in the Notes.

3. **Personnel expenses**

   In the income statement, Item 3b shows “Contributions to corporate staff provision funds” in the amount of €242,009.09 (previous year: €220k). The remaining amount of €101,725.51 (previous year: €94k) is attributed to “Expenses for severance pay”.

D. OTHER INFORMATION

1. **The average number of staff pursuant to Article 239 UGB is as follows:**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civil servants</td>
<td>22</td>
<td>23</td>
</tr>
<tr>
<td>Employees (incl. contractual employees)</td>
<td>314</td>
<td>298</td>
</tr>
<tr>
<td>Staff total</td>
<td>336</td>
<td>321</td>
</tr>
</tbody>
</table>

2. **Management of the FMA pursuant to Article 6 FMABG**

   Mr Kurt Pribil and Mr Helmut Ettl were appointed to serve as members of the FMA’s Executive Board for the 2011 financial year.
Mr Kurt Pribil was reappointed by the Federal President on 29 September 2009 to serve as member of the FMA’s Executive Board from 22 October 2009 to 21 October 2014.

Mr Helmut Ettl was appointed by the Federal President on 14 February 2008 to serve as member of the FMA’s Executive Board from 14 February 2008 to 13 February 2013.

With regard to Article 241 para. 4 UGB, the details pursuant to Article 239 para. 1 nos. 3 and 4 UGB are not disclosed.

3. **Members of the Supervisory Board pursuant to Article 8 FMABG**

The remuneration budgeted for the members of the Supervisory Board for the 2011 financial year amounted to €15,300.00 (previous year: €15k).

Members of the Supervisory Board reappointed by the Federal Ministry of Finance as at 1 September 2011:

Alfred LEJSEK (Chairperson)
*Federal Ministry of Finance*

Ewald NOWOTNY (Vice-Chairperson)
*Governor of the Oesterreichische Nationalbank (OeNB)*

Andreas ITTNER
*Executive Director of the OeNB Governing Board; Director of Financial Stability, Banking Supervision and Statistics at the Oesterreichische Nationalbank*

Friedrich KARRER
*Head of the Accounting Department at the Oesterreichische Nationalbank*

Michael HÖLLERER
*Federal Ministry of Finance*

Gerhard BAUMGARTNER
*Faculty of Law, University of Klagenfurt*
The co-opted members were nominated by the Austrian Federal Economic Chamber.

Walter KNIRSC (co-opted member)
Sworn auditor and tax adviser

In-house lawyer Herbert PICHLER (co-opted member)
Bank and Insurance Division, Austrian Federal Economic Chamber

Vienna, 11 April 2012 .................................................................
Kurt Pribil, signed in person

Vienna, 11 April 2012 .................................................................
Helmut Ettl, signed in person
**Statement of changes in fixed assets (Article 226 para. 1 UGB)**

<table>
<thead>
<tr>
<th>Fixed assets</th>
<th>Cost</th>
<th>Depreciation, amortisation and write-downs in the financial year</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Intangible fixed assets</td>
<td>€</td>
<td>€</td>
</tr>
<tr>
<td>Industrial property and similar rights and licences in such rights</td>
<td>1,002,523.40</td>
<td>120,293.27</td>
</tr>
<tr>
<td>II. Tangible fixed assets</td>
<td>€</td>
<td>€</td>
</tr>
<tr>
<td>1. Buildings on third-party land</td>
<td>561,930.55</td>
<td>39,131.24</td>
</tr>
<tr>
<td>2. Other equipment, operating and office equipment</td>
<td>2,536,384.03</td>
<td>841,222.81</td>
</tr>
<tr>
<td>3. Low-value assets</td>
<td>85,830.31</td>
<td>85,830.31</td>
</tr>
<tr>
<td>Total</td>
<td>5,030,837.98</td>
<td>1,086,477.63</td>
</tr>
</tbody>
</table>
MANAGEMENT REPORT

1. Report on the business developments and economic situation

Business developments

➢ 2011 financial year

Changes in expenses and income in 2011:

The share contributed by entities liable to pay costs increased over the previous year by some €7 million to about €38.1 million. This is specifically due to increases in personnel expenses (approximately €1.9 million) and in other operating expenses (approximately €4.6 million).

The reduction of approximately €0.6 million in other operating income compared with 2010 was mainly attributable to falling income from the disposal of assets, the writing back of reserves and reimbursed salary costs.

The year-on-year rise of €1.9 million in personnel expenses to about €26.7 million was due to the higher number of staff, up by an average of 14 full-time equivalents (FTEs), and to the annual salary progressions and the adjustment of salary levels for inflation.

Other operating expenses rose by €4.6 million compared with 2010, primarily due to the increase made during the course of the year to the maximum cost refunds payable to the OeNB for on-site inspections and analyses of individual banks pursuant to Articles 18 and 19 of the Finanzmarktaufsichtsbehördengesetz (FMABG; Financial Market Authority Act). The maximum amounts were raised from €4 million to €8 million. Additional reasons included adjustments made for inflation, higher staff numbers and increases in the membership fees due to the European Supervisory Authorities.
An allocation of €0.26 million was made to the reserve pursuant to Article 20 FMABG. This means that the upper limit of 5% of total costs based on the 2010 annual financial statements was reached.

Appointments

Mr Markus Öhlinger was appointed Head of Division IV/4 – Combat against Unauthorised Business for a period of five years (initially with a one-year contract) with effect from 1 January 2011.

Mr Christoph Kodada was appointed Head of Division IV/5 – Prevention of Money Laundering and Terrorism Financing for a period of five years with effect from 1 January 2011.

Ms Magdalena Ortner was appointed interim Head of Division III/3 – Rules of Conduct and Compliance for the duration of Ms Muther-Pradler’s leave with effect from 1 February 2011.

Ms Daniela Gorfer was appointed interim Head of Division III/3 – Rules of Conduct and Compliance for the duration of Ms Muther-Pradler’s leave with effect from 20 July 2011.

Mr Christoph Kapfer was appointed Head of Division IV/2 – International Affairs and European Integration for a period of five years (initially with a one-year contract) with effect from 19 September 2011.

Mr Gerhard Maierhofer was appointed interim Head of Division III/3 – Rules of Conduct and Compliance for the duration of Ms Muther-Pradler’s leave with effect from 20 December 2011.
Appointment extensions

Mr Johann Palkovitsch was reappointed Head of Division I/4 – Supervision of Decentralised Credit Institutions for a period of five years with effect from 1 January 2011.

Mr Peter Braumüller will be reappointed Director of Department II Insurance and Pension Companies Supervision for a period of five years with effect from 1 April 2012.

Mr Erich Schaffer will be reappointed Director of Department III Securities Supervision for a period of five years with effect from 1 April 2012.

Mr Gerald Resch will be reappointed Director of Department IV Integrated Supervision for a period of five years with effect from 1 August 2012.
Audit report on branches

The FMA is an independent, autonomous and integrated supervisory authority for the Austrian financial market, established as an institution under public law. It is responsible for supervising credit institutions, payment institutions, insurance undertakings, *Pensionskassen* (pension companies), corporate provision funds, investment funds, licensed investment service providers, rating agencies and stock exchanges, as well as for prospectus supervision. The FMA is also responsible for monitoring trading in listed securities to ensure that it is carried out properly and for monitoring issuers’ compliance with information and organisation obligations. Further tasks include combating the unauthorised provision of financial services and taking preventive action against money laundering and terrorist financing.

The FMA is an integral part of the European System of Financial Supervisors (ESFS) and represents Austria in the relevant European institutions, closely cooperating with the network of supervisors and actively contributing to its work.

The FMA has its head office in Vienna (9th district of Vienna) and has no branches.

Financial and non-financial performance indicators

Financial performance indicators

- Liquidity development in 2011

Liquidity at the start of 2011 totalled approximately €4.2 million. Due to income of some €33.3 million, expenses of about €39.8 million and the payments pursuant to Article 19 para. 5 FMABG (additional payments by the entities liable to pay costs of approximately €9.5 million), year-end liquidity as at 31 December 2011 amounted to about €7.2 million.

As a consequence of increased payments from entities liable to pay costs, income in 2011 rose by some €5.5 million year-on-year to about €33.3 million.
Expenses rose year-on-year by some €1.9 million in 2011 to around €39.8 million.

- The €1.7 million increase over 2010 in personnel expenses was due to the rise in the average number of staff, up by about 14 FTEs, as well as to the annual salary progressions and the adjustment of salary levels for inflation.
- The increase in material expenses over the previous year could, at roughly €0.4 million or 3%, be limited more or less to the level of price increases.
- Investments were approximately €0.2 million lower than in the previous year, after the authority’s relocation in 2010 had resulted in higher investments for improvements to leased buildings.

The calculation pursuant to Article 19 para. 5 FMABG mainly comprises the calculation of actual costs for 2009 (approximately €0.9 million) and for 2010 (approximately €8.6 million).

As at the end of 2011, year-end liquidity amounted to around €7.2 million.

➢ Details of 2011 cash flow statement pursuant to expert report KFS BW2

<table>
<thead>
<tr>
<th>in € thousands</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash flow from ordinary activities</td>
<td>4,081</td>
<td>1,218</td>
</tr>
<tr>
<td>Net cash flow from investing activities</td>
<td>-1,075</td>
<td>-642</td>
</tr>
<tr>
<td>Net change in cash and cash equivalents</td>
<td>3,006</td>
<td>576</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of period</td>
<td>4,215</td>
<td>3,639</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of period</td>
<td>7,223</td>
<td>4,215</td>
</tr>
</tbody>
</table>

Rounding differences are not taken into account.

The difference in amounts between cash and cash equivalents at the end of the period and the balance sheet item results from the fact that petty cash was not taken into account. Deposits made to petty cash (€1,553.76 in 2011 and roughly €2,800 in 2010) were entered as expenses on the dates of deposit.
Non-financial performance indicators

- Staff

Staff turnover

The staff turnover rate was 10.86% in 2011 (after 5.67% in 2010). However, after allowing for the fixed-term contracts that expired during 2011, the turnover rate for 2011 is 9.24%. Furthermore, FMA employees who moved to work for sister authorities abroad have also been included in the turnover calculation and, after adjusting for these, the turnover rate falls to 7.94%. The rise in the staff turnover rate is to be attributed to two factors: the high degree of mobility among FMA staff, and the great demand for highly qualified financial market experts.

Training and career development

As a specialist organisation, the FMA places particular emphasis on the CPD of its workforce, which rests on five pillars:

- the University Programme in Financial Market Supervision offered in conjunction with the OeNB;
- the newly introduced Management Curriculum;
- the FMA Academy;
- international seminars organised by the European Supervisory Authorities (ESAs);
- third-party seminars, funded by departmental budgets and offered on an individual basis.

The joint Academy of Supervision by the FMA and OeNB opened its doors in April 2010 with its first Financial Market Supervisor course. Certification of the University Programme in Financial Market Supervision, conducted in cooperation with the Executive Academy of the Vienna University of Economics and Business (WU), followed in autumn 2011. A total of 50 participants in each course (25 employees each from the FMA and the OeNB) will complete a challenging programme of standardised training, in two classes held simultaneously with professional activities, on 49 seminar days within an 18-month period.
The course of studies in the university programme entails a total of 60 ECTS credits (European Credit Transfer and Accumulation System; 1 ECTS credit equals 25 to 30 hours of work). The curriculum, structured in modules, encompasses courses, each entailing a final exam lasting several hours, as well as a work placement and a final paper. Students successfully completing the programme graduate with the title of “Academic Financial Market Supervisor”. The next goal in the area of postgraduate professional advancement has already been set: the development of an MBA programme with the University Programme in Financial Market Supervision as a recognised specialisation.

Recruitment process

At the outset of the FMA recruitment process is a requirements profile, prepared in joint consultation between the respective division and Human Resources. Vacant positions are then usually advertised on the FMA’s website as well as on a leading job website and, in specific cases, in daily newspapers. Short-listed candidates undergo a three-tier selection process. A first round of interviews takes place with the management of the division concerned. After the field of candidates is further narrowed down, a second interview is held with the responsible Director and Head of Division, as well as one representative from Human Resources. The third and final interview takes place with the Executive Directors. When recruiting staff members with a number of years of specialised professional experience (specialists), the third interview is staged as a hearing preceded by a potential assessment.

Recruiting fairs, some of which provide an opportunity to interview pre-selected candidates, have proved a highly effective method for recruiting and personnel marketing among university graduates, so that participation in additional events of this kind is planned for 2012. The FMA will also take part in more events aimed especially at the target group of high-potential graduates. The main focus of the FMA’s recruiting efforts will, however, be on professionals, i.e. individuals having at least five to ten years of specialised professional experience.

Health and safety

Widespread activities continue to be offered in the area of health and safety. Occupational physicians and safety experts are available to the staff on site, during the periods required by law and specifically during consultation hours. Other offerings in the way of preventive health
care are also available: extensive health checks, immunisation programmes, subsidised exercise courses and a fitness room.

Events of particular importance after the balance sheet date

Quarterly report pursuant to Article 6 para. 5 FMABG for Q4 2011

The FMA’s quarterly report, pursuant to Article 6 para. 5 FMABG, for the fourth quarter of 2011 concerning its ongoing activities and the liquidity report, which describes the FMA’s income and expenses as well as the asset additions for 2011, was presented to the Supervisory Board of the FMA at its meeting of 9 March 2012. The Supervisory Board was also provided with an outlook of the 2011 financial statement figures.

Annual report pursuant to Article 16 para. 3 FMABG

The FMA’s 2011 Annual Report must be submitted to the Supervisory Board for approval, pursuant to Article 16 para. 3 FMABG. After approval by the Supervisory Board, the Annual Report is submitted to the Finance Committee of the National Council and the Federal Minister of Finance.

2. Report on the expected development and risks of the company

Expected development of the company

- **Outlook for 2012**

An important component of financial planning are the FMA’s goals for 2012 as well as intensive planning discussions with the FMA’s Executive Board and management. Based on these activities, a financial plan including an investment and staff plan were prepared and submitted to the Supervisory Board pursuant to Article 17 FMABG on 31 October 2011.

The financial plan was approved at the Supervisory Board meeting on 18 November 2011.

- The 2012 financial plan does not provide for hiring any new staff members, and the planned staffing level for 2012 consequently remains unchanged at 326.85 employees (FTEs).
• Due to an amendment of the FMABG, expenses are planned at €8 million in 2012 for the purpose of reimbursing to the OeNB the costs of on-site inspections and the analysis of individual banks as specified in Article 19 FMABG (€4 million was planned for this purpose in the 2011 financial plan).

• Plans for putting a secondary data centre into service are included in the 2012 financial plan.

• Funds have been budgeted to cover the expense of remodelling the meeting and seminar facilities in the basement of the FMA building in 2012.

The focus of efforts in 2012 will be to further develop the Academy of Supervision, which was established jointly with the OeNB in 2010, expanding the certified University Programme in Financial Market Supervision to become an individually tailored MBA programme.

**Business Continuity Management project**

The project Business Continuity Management (BCM) in the FMA, which has been going on since November 2011, is dedicated to the goal of enhancing organisational stability and of ensuring that the FMA is adequately prepared to meet emergency situations with the potential of threatening the authority’s existence. This requires, firstly, the implementation of precautionary measures to safeguard against related risks and, secondly, the preparation of suitable mechanisms and plans in order to be able to act even in emergencies and critical situations and to contain any potential damage. The implementation and maintenance of the BCM plans at the FMA are based on the emergency management process defined in the recognised Standard 100-4 (2008) of the German Federal Office for Information Security (BSI). Project planning is roughly structured according to two phases: the concept phase and the implementation phase. With planned completion of the project in October 2013, the post-project phase will begin, involving continuous improvement of BCM in ongoing operations.
Material risks and uncertainties

Liability for the FMA’s activities (Article 3 FMABG as amended by Federal Law Gazette I no. 136/2008)

The Federal Government shall be liable pursuant to the provisions of the Amtshaftungsgesetz (AHG; Public Liability Act), Federal Law Gazette no. 20/1949, for damage caused by the FMA’s bodies and employees in the enforcement of the federal acts specified under Article 2. Damages as defined in the present provision is such that was directly caused to the legal entities subject to supervision pursuant to this federal act. The FMA as well as its employees and bodies shall not be liable towards the injured party (Article 3 para 1 FMABG). If the Federal Government made good the damage to the injured party pursuant to para. 1, it shall be entitled to demand reimbursement from the FMA’s bodies or employees according to the provisions of the AHG (Article 3 para. 3 FMABG). The law does not, however, provide the Federal Government with a right of recourse against the FMA (819 annex to the shorthand verbatim records of the National Council, 22nd legislative period).

Staff

Any personnel risks at the FMA have been mitigated as far as possible through specific measures, including a system of deputies, clear documentation and management of limited contracts. Scenarios entailing the inability to replace staff due to demographic change continue to pose only little risk as well. Only a small number of staff are expected to retire in the coming years, and the average age of employees remained constant in 2011 at a relatively low level of 37.

The turnover rate was moderate in 2011, and vacant positions are filled quickly with qualified candidates. When hiring new staff, it was more frequently possible to recruit experts having several years of specialised professional experience. Any possible losses among key employees can be made up for quickly since every division has a deputy for the Head of Division. Furthermore, many divisions are structured to include teams, with the team leaders able to compensate for management staff losses. The prevalence of team structures became further entrenched as at 1 March 2012, with the introduction of this structure in Insurance and Pension Companies Supervision. In the event of any indications of an increase in turnover rate, the FMA performs evaluations and takes steps for timely response.
In 2011 as well, periods of leave, such as due to illness or excused absence, did not present the organisation as a whole with any appreciable challenges. The corresponding levels at the FMA continue to be clearly below the national average.

3. Report on research and development

Unlike other organisations such as manufacturing companies, due to its position as a supervisory authority the FMA does not publish a report on research and development.

Vienna, 11 April 2012

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Helmut Ettl, signed in person

Vienna, 11 April 2012

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Kurt Pribil, signed in person