Annual Report 2017

Seit 1828

Bankhaus Spängler

Executive Bodies

Supervisory Board:

KR Heinrich SPÄNGLER
Chairman

Hon.-Prof. Mag. Dr. Johann BERTL
Vice Chairman

Dr. Reinhard FRITZ

Dr. Arno GASTEIGER

Dr. Maria WIESMÜLLER

Delegates of the Staff Council:

Gisela KÖNIG

Christine RETTENBACHER

Alois SILBERER

Management Board:

Dr. Werner ZENZ
Spokesman

Dr. Helmut GERLICH (until 31 May 2017)

Dr. Rudolf OBERSCHNEIDER

Mag. Franz WELT

Dr. Nils KOTTKE (as of 1 June 2017)

State Commissioners:

Mag. Peter MAERSCHALK

Ministerialrat Kurt PARZER
Deputy State Commissioner

Supervisory Board Report

In financial year 2017, the Supervisory Board met on five different occasions (including the constituent session) to perform the responsibilities conferred upon it by law and the articles of incorporation. The Management Board provided the Supervisory Board with regular reports regarding the company's business situation and important transactions.

The management committee (credit committee) met four times during the year to review and approve the transactions that required its consent.

The audit committee also met once every quarter. It reviewed the internal control system and obtained reports regarding the effectiveness of the risk management systems, accounting processes and activities of the internal audit department.

The nomination committee met once to perform its responsibilities pursuant to § 29 lines 1 to 8 of the Austrian Banking Act (Bankwesengesetz, BWG).

The risk committee met twice to discuss the risk strategy as well as all other subjects required by law.

The remuneration committee held one meeting to discuss adequate implementation of the remuneration provisions set out in § 39b BWG.

The Supervisory Board chairman was in regular contact with the Management Board to discuss strategic matters and obtain comprehensive information regarding the company's business development and risk management.

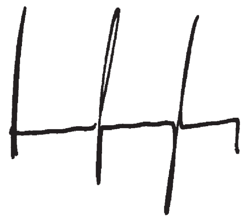
The annual financial statements and the management report for financial year 2017 were audited by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H, Vienna. Since the audit did not give rise to any reservations and the statutory provisions were complied with, an unqualified audit certificate was issued.

At its meeting on 9 May 2018, the audit committee audited the annual financial statements and the management report and submitted a respective report to the Supervisory Board. The Supervisory Board agrees with the result of the audit and with the annual financial statements, management report and proposed profit appropriation and endorses the 2017 annual financial statements, which are thereby approved pursuant to § 96 (4) of the Austrian Stock Corporation Act (Aktiengesetz, AktG).

The Supervisory Board would like to thank the staff and the Management Board for their outstanding commitment and the satisfactory results achieved in financial year 2017.

Salzburg, 14 May 2018

Supervisory Board



KR Heinrich Spängler
Chairman of the Supervisory Board

Management Report

Business environment in 2017

In 2017, the economy picked up speed in our core markets of Austria and Southern Germany. Interest rates on the money market and the capital market remained at a particularly low level, while stock markets recorded a positive development.

Business development in 2017

In our 189th year in business, we generated the following results:

Earnings from net interest income and income from securities and investments declined by 24.8% from EUR 21.7 million to EUR 16.4 million. Due to significant special effects in financial year 2016, a large part of this decline had been expected and planned. On top of this, the persistent negative interest rate environment and the Supreme Court decisions on the invalidity of interest rate floors in the field of consumer credit also had a negative effect.

Commission earnings increased by 3.5% from EUR 22.3 million to EUR 23.1 million. The operating income went down 10.2% to EUR 42.2 million while operating expenses remained at EUR 35.3 million.

The operating result dropped from EUR 11.8 million to EUR 7.0 million (- 40.7%) and the result from ordinary activities from EUR 10.1 million to EUR 5.1 million (- 48.9%). The surplus for the year amounts to EUR 3.5 million (previous year: EUR 9.6 million). EUR 1.9 million of this amount (previous year: EUR 6.7 million) were allocated to the reserves.

This allocation strengthened our capital base. As per the balance sheet date, the common equity tier 1 ratio amounted to 13.0% (previous year: 12.7%) and the total capital ratio to 16.0% (previous year: 15.6%). The return on equity tier 1 amounts to 5.8% before taxes.

Savings deposits declined by 2.3% from EUR 331.2 million to EUR 323.4 million, call and time deposits by 3.7%, from EUR 598.1 million to EUR 576.1 million. This reduction pursues the strategic objective of scaling down the bank's significant liquidity surplus which has a very negative impact in the current interest rate environment. The balance sheet total dropped to EUR 1,164.6 million (- 7.5%).

As per the balance sheet date, loans to customers amounted to EUR 716.5 million (previous year: EUR 733.6 million) and continued to relate almost exclusively to Austrian and Bavarian borrowers. The lending ratio rose from 67% to 71%.

Private assets under custody went up 6.8% to EUR 2.8 billion. Our asset management had client assets of around EUR 1.9 billion (previous year: EUR 1.9 billion) under management.

Bankhaus Carl Spängler & Co. AG has formed a credit institution group according to § 30 BWG in conjunction with the subsidiaries BS Liegenschaften GmbH and Zellinvest Anlageberatung GmbH. In compliance with § 249 (2) UGB, Spängler does not prepare consolidated financial statements or a group management report pursuant to § 59 BWG since the subsidiaries are of minor relevance to the company's net assets, financial position and results of operations, both individually and together.

Trend in balance sheet total, tier 1 capital and selected key ratios:

	2017	2016	2015
Balance sheet total in million EUR	1,164.6	1,259.4	1,217.8
Common equity tier 1 capital in million EUR	89.2	87.5	80.9
Cost/Income-Ratio in %	83.5	75.0	73.4
Return on Equity (before taxes) in %	5.8	11.5	12.1

Number of staff

The average number of staff in the financial year was 260 (previous year: 261).

Our employees have a high level of relevant skills and have enjoyed the trust of our customers for many years. We consider basic and advanced training of our staff to be of crucial importance in maintaining high quality in the fields of consulting and customer support.

Risk report

The specific and controlled taking of risks in consideration of return-oriented parameters represents an integral part of the internal capital adequacy assessment process at Bankhaus Spängler.

The counterparty risk is the risk of Spängler's clients or business partners failing to meet their contractual payment obligations either partially or entirely.

The counterparty risks arising from our client business remain broadly diversified and are appropriately backed by normal banking security. The credit risk is juxtaposed with provisions in the amount of EUR 22.9 million representing approx. 3.1% of the credit volume.

Broad diversification of borrowers and a voluntary risk limit (e.g. in the credit amounts) largely limit the counterparty risk to the borrower default risk. The country risk is low both in the credit and the interbank business. As regards our own securities holdings, we have been concentrating on core European government and bank bonds with high credit ratings for many years.

With respect to our interbank business, all trading partners are subject to an annual rating as well as counterparty-specific, rating-based and partially duration-based limits. To minimize the processing risk, we either involve clearing houses, which process transactions after performance by both parties, or focus on selected partners with excellent credit standing. Bankhaus Spängler neither held nor holds any credit derivatives.

The interest risk is the risk arising from unforeseen changes in market interest rates with varying fixed interest rates applying to asset and liability items. The interest risk is regularly modelled via gap analysis and interest income simulations and is managed and limited by the Management Board via voluntary risk limits suggested by a dedicated committee (Assets / Liabilities Committee).

The liquidity risk, which is of paramount importance to the long-term survival and independence of the company, is accorded particular attention. The liquidity risk is the risk of failing to meet current or future payment obligations, either partly or entirely, or of failing to procure the required liquidity at the expected conditions when needed. This risk is monitored via regular capital commitment balances and various early warning indicators and is also bound by various voluntary limits.

Exchange rate risks refer to the potential loss that may arise from a negative change in the value of open spot exchange positions, outstanding receivables or payables denominated in a foreign currency or open forward exchange transactions. Open foreign exchange positions are usually closed on the same day or limited to the operational need. The exchange rate risk is thus very low.

Derivative instruments essentially serve to hedge interest and exchange rate risks and are frequently hedged via margin agreements. The primary financial instrument holding is specified in the Appendix. In the period under review, the bank did not hold any positions in the securities trading portfolio.

The operational risk is defined as the risk of losses arising due to the inadequacy or failure of internal processes, individuals or systems or due to external events. Operational risks are minimized via clearly structured and documented responsibilities and operating processes, a constantly developing internal control system and sufficient insurance cover.

Other disclosures

As far as possible, Bankhaus Spängler endeavours to make a contribution to climate protection. The bank raises awareness among its staff to promote the prudent use of resources and aims to reduce consumption of energy, paper and water as well as waste.

As an institution active in the banking industry, the company does not incur any “research & development” expenses.

Bankhaus Spängler has a branch office in Zell am See and further offices in the state of Salzburg as well as in Vienna, Linz, Graz and Kitzbühel.

Outlook for 2018

In financial year 2018, we expect further solid economic activity in our core markets of Austria and Southern Germany and little change in the interest environment, at least in the short run. However, it is not unlikely that political risks will lead to further distortion on the capital markets.

According to our new ‘BEST IN FAMILY BANKING’ mission, we will continue to pursue the company’s consistent strategic focus on top consulting quality in our core areas of private assets and family enterprises. The second consecutive award of the title ‘Asset manager of the year’ (Fuchsbriefe ‘TOPs 2018 – the best asset managers’ for the entire German-speaking region) confirms that we are on the right path.

We respond to rapidly changing customer needs arising from increasing digitalisation by investing selectively in the bank’s multi-channel structure. In the first quarter 2018, we were the first Austrian bank to launch an online asset management tool, CARL, which met with wide-spread interest among potential customers and the media. Further steps will follow. Irrespective thereof, we still believe that a local presence and personal meetings are essential success factors, especially where high-net-worth private clients are concerned.

Due to the sustained low interest rate environment, we do not anticipate any significant dynamics on the revenue side in 2018. Consequently, we will increase our efforts in the cost management field.

Bankhaus Spängler is supported by two profitable mainstays, its interest and retail brokerage businesses, which make a substantial contribution to the stability of our business model.

Our success is built on the continuity of our shareholder structure, the reasonable size of our business, the outstanding commitment of our staff and, above all, the trust our clients place in us, particularly in challenging times.

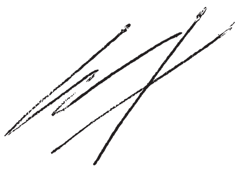
The management would like to thank all members of staff for their excellent work and mutually respectful cooperation.

Salzburg, 25 April 2018

Bankhaus Carl Spängler & Co.
Aktiengesellschaft

Dr. Werner Zenz

Dr. Rudolf Oberschneider



Mag. Franz Welt

Dr. Nils Kottke

Balance sheet as per 31 December 2017

Assets

	31 Dec. 2017		31 Dec. 2016
	EUR	EUR	kEUR
1. Cash in hand, balances with central banks		99,411,918.57	158,331
2. Public sector debt instruments eligible for refinancing with central banks			
Public sector debt instruments and similar securities		32,776,396.40	37,352
3. Due from credit institutions			
a) repayable on demand	18,512,331.84		43,131
b) other receivables	86,332,177.69		84,044
		104,844,509.53	127,175
4. Due from customers		716,490,537.60	734,595
5. Debt obligations and other fixed-interest securities			
by other issuers thereof: own debt obligations EUR 0.00 (2016: kEUR 0.0)		119,352,929.99	117,357
6. Shares and other variable-interest securities		41,264,431.87	41,012
7. Investments thereof: in credit institutions EUR 367,586.45 (2016: kEUR 367.6)		10,278,627.25	8,573
8. Shares in affiliated companies thereof: in credit institutions EUR 0.00 (2016: kEUR 0.0)		14,860,107.47	14,860
9. Intangible fixed assets		363,797.04	188
10. Tangible fixed assets thereof: land and buildings occupied by the credit institution for its own activities EUR 7,365,349.20 (2016: kEUR 7,446.9)		15,246,920.86	13,901
11. Other assets		7,953,521.71	4,205
12. Prepayments and accrued income		166,321.37	150
13. Deferred tax assets		1,601,500.00	1,751
		1,164,611,519.66	**1,259,450**

Liabilities

	31 Dec. 2017		31 Dec. 2016
	EUR	EUR	kEUR
1. Due to credit institutions			
a) repayable on demand	10,903,437.76		29,703
b) with agreed maturities or notice periods	53,344.40		22
		10,956,782.16	29,725
2. Due to customers			
a) Savings deposits thereof:			
aa) repayable on demand	66,619,981.39		62,478
bb) with agreed maturities or notice periods	256,823,694.29		268,711
	323,443,675.68		331,189
b) other liabilities thereof:			
aa) repayable on demand	520,499,163.11		535,836
bb) with agreed maturities or notice periods	55,643,588.07		62,304
	576,142,751.18		598,140
		899,586,426.86	929,329
3. Securitised liabilities other securitised liabilities		125,611,222.20	172,657
4. Other liabilities		3,475,756.91	4,451
5. Prepayments and accrued income		26,973.57	38
6. Provisions			
a) provisions for severance payments	6,848,500.00		7,545
b) provisions for pensions	3,675,928.93		3,232
c) tax provisions	32,000.00		480
d) other	3,546,218.20		4,245
		14,102,647.13	15,502
7. Tier 2 capital pursuant to Part Two Title I Chapter 4 of Regulation (EU) No. 575/2013		18,228,912.25	16,658
8. Non-voting instruments acc. to § 26a BWG		1,818,181.82	1,818
9. Subscribed capital		18,181,818.18	18,182
10. Capital reserve allocated		2,000,000.00	2,000
11. Revenue reserve other reserves		55,800,244.57	53,900
12. Liability reserve pursuant to § 57 (5) BWG		11,757,000.00	11,757
13. Net profit for the year		3,065,554.01	3,433
		1,164,611,519.66	**1,259,450**

Items shown below the balance sheet

Assets

	31 Dec. 2017		31 Dec. 2016
	EUR	EUR	kEUR
Foreign assets		325,282,162.84	330,257

Liabilities

	31 Dec. 2017		31 Dec. 2016
	EUR	EUR	kEUR
1. Contingent liabilities			
a) acceptances and liabilities from the endorsement of rediscounted bills	1,186,000.00		1,186
b) obligations arising from guarantees and liability from the provision of collateral security	15,441,358.51		17,719
		16,627,358.51	18,905
2. Lending risks		143,419,000.00	137,989
thereof: liabilities arising from pension transactions EUR 0,00 (2016: kEUR 0,0)			
3. Eligible capital pursuant to Part Two of Regulation (EU) No. 575/2013		110,004,462.39	107,539
thereof tier 2 capital pursuant to Part Two Title I Chapter 4 of Regulation (EU) No. 575/2013		20,811,014.86	20,069
4. Own funds requirements pursuant to Art. 92 of Regulation (EU) Nr. 575/2013		686,244,890.92	690,990
a) own funds requirements pursuant to Art. 92 (1) letter a of Regulation (EU) No. 575/2013		13.0%	12.7%
b) own funds requirements pursuant to Art. 92 (1) letter b of Regulation (EU) No. 575/2013		13.0%	12.7%
c) own funds requirements pursuant to Art. 92 (1) letter c of Regulation (EU) No. 575/2013		16.0%	15.6%
5. Foreign liabilities		91,299,052.43	112,406

Income Statement
for the period from 1 January 2017 to 31 December 2017

	2017			2016	
	EUR	EUR	EUR	kEUR	
1. Interest and similar income			16,240,298.65		19,563
thereof: from fix-interest securities	1,444,756.35			1,621	
2. Interest and similar expenses			-1,747,914.92		-2,206
I. NET INCOME			**14,492.383.73**		**17,357**
3. Income from Securities and investments			1,860,288.63		4,380
a) Income from shares, other equity interests and variable-interest securities		439,889.47		170	
b) Income from investments		1,271,649.16		4,070	
c) Income from shares in affiliated companies		148,750.00		140	
4. Commission income			24,216,748.19		23,322
5. Commission expenses			-1,131,967.78		-1,024
6. Income/expenses associated with financial transactions			1,598,206.90		2,040
7. Other operating income			1,213,968.79		973
II. OPERATING INCOME			**42,249,628.46**		**47,048**
8. General administrative expenses					
a) Staff expenses		-23,690,345.06			-23,320
aa) salaries	-17,614,436.23			-17,085	
bb) statutory social-security contributions as well as levies and compulsory contributions dependent on salaries	-4,063,844.59			-4,060	
cc) other social welfare expenses	-501,210.70			-529	
dd) expenses for retirement benefits and other benefits	-386,838.04			-391	
ee) allocation to pension provision	-444,109.84			-351	
ff) expenses for severance pay and allocations to in-house staff provident funds	-679,905.66			-904	
b) other administrative expenses (cost of material)		-8,854,321.43			-8,565
			-32,544,666.49		-31,885
9. Allowanced for assets included in 9. and 10.			-1,419,939.95		-1,386
10. Other operating expenses			-1,296,885.48		-1,996
III. OPERATING EXPENSES			**-35,261,491.92**		**-35,267**

	2017			2016	
	EUR	EUR	EUR	kEUR	
IV. OPERATING RESULT			**6,988,136.54**		**11,781**
11./12. Net income/expenses arising from the sale and valuation of loans and securities			-2,234,465.00		-155
13./14. Net income/expenses arising from the sale and valuation of securities valued as financial assets and of investments in affiliates companies and holdings			387,966.70		-1,574
V. RESULT FROM ORDINARY ACTIVITES			**5,141,638.24**		**10,052**
15. Taxes on income			-1,446,077.46		-350
thereof deferred taxes		-149,400.00		1,946	
16. Other taxes unless included in item 15.			-155,733.30		–142
VI. SURPLUS FOR THE YEAR			**3,539,827.48**		**9,560**
17. In/decrease in reserves			-1,900,000.00		-6,700
thereof: allocation to the liability reserve EUR 0.00 (2016: kEUR 0)					
thereof: release of the liability reserve EUR 0.00 (2016: kEUR 0)					
VII. PROFIT OF THE YEAR			**1,639,827.48**		**2,860**
18. Profit brought forward			1,425,726.53		573
VIII. NET PROFIT FOR THE YEAR			**3,065,554.01**		**3,433**

Notes to the annual financial statements 2017

(previous year's figures in brackets)

The annual financial statements 2017 were drawn up in accordance with the provisions of the Austrian Banking Act (Bankwesengesetz, BWG) and the Austrian Companies Act (Unternehmensgesetzbuch, UGB). The balance sheet and the income statement were prepared according to the structure defined in Appendix 2 of Article 1 § 43 BWG.

I. Accounting and valuation methods

The annual financial statements were drawn up in accordance with the principles of proper accounting and the general principle requiring companies to provide as far as possible a true and fair view of their net assets, financial position and results of operations. The accounting and valuation methods comply with the going concern principle.

Receivables were stated at their nominal value as a matter of principle. Adequate allowances have been made to provide for any discernible risks in the bank's lending business.

In compliance with the statutory valuation regulations, among others the prudence concept, Bankhaus Spängler includes discernible risks and imminent losses in its valuation of due from customers. The following instruments are used:

Specific allowances for bad debt: Specific allowances for bad debt are formed in the financial year in which the borrower's financial development suggests a possible default. If insolvency proceedings are instigated against the assets of a borrower or bankruptcy is declined due to lack of assets, a specific allowance for bad debt must be applied for immediately, but no later than by the end of the subsequent quarter, if loan provisions formed for this commitment are likely to be insufficient.

Customers under intensive management (inter alia due to rating-related reasons) are monitored periodically by the special management department (restructuring and liquidation) as to their potential default risk and assessed as to the need for the formation of a provision according to the internal credit risk guidelines. In the case of customers which have received one of the two lowest possible performing ratings on the basis of the annual financial statements of two consecutive years, an allowance must be formed unless a clear improvement in the borrower's financial position is discernible or the commitment is comprehensively and sustainably collateralized.

The amount of the specific allowance for bad debt depends on the blank liability (part of the liability that exceeds the clearly sustainable collateral). The minimum is 50% of the blank liability, the maximum the full blank liability. The de minimis rule (in relation to the blank liability per customer) applies to the formation of new specific allowances for bad debt since a provision for such cases is formed in the context of a general allowance. The increase of any existing specific allowances for bad debt is also subject to the de minimis rule.

Provisions for contingent liabilities: The above requirements applying to specific allowances for bad debt apply mutatis mutandis.

General bad debt allowances: All general bad debt allowances are centrally calculated and documented by the department responsible for lending and capital adequacy risk management.

General bad debt allowances in de minimis cases: In cases which are subject to the de minimis rule on efficiency grounds, between 80% and 100% of the blank liability - depending on the default rating - will be revalued in the context of the general bad debt allowance.

General bad debt allowances for customers in default: In respect of the default risk of customers in the '90-day default' rating class, a general bad debt allowance will be formed in the amount of 2.5% of the blank liability.

General bad debt allowances for receivables with performing rating classes: In the context of the 2014 Accounting Amendment Act (Rechnungslegungsänderungsgesetz, RÄG), § 201 UGB was amended such that, where applicable, the valuation of receivables must now be based on empirical statistical values recorded in similar circumstances. Bankhaus Spängler therefore forms a general bad debt allowance for its entire receivables volume that involves performing rating classes. The amount of this general bad debt allowance is determined with the help of the statistical processes in pillar II (ICAAP), in specific the PD and LGD assumptions.

By management board resolution, further general bad debt allowances may be formed.

The financial assets have been stated at their cost of acquisition or at the lower going-concern value taking the diluted lower value principle into account. The right to elect pro-rata write-downs and writeups under § 56 (2) and (3), respectively, of the BWG has been exercised. Marketable securities were reported under the respective balance sheet items in accordance with the strict principle of the lower of cost or market and in consideration of the applicable write-up requirements. In the financial year, no items were held in the securities trading account.

Intangible fixed assets and tangible assets were measured at acquisition cost less straight-line amortisation and depreciation. Minor assets were fully written off in the year of acquisition and recorded as disposals.

Liabilities were reported at their amount repayable. Discounts and premiums on issues are capitalised or carried as liabilities and written down over the respective term.

Provisions were formed in the amount required according to prudent commercial assessment.

Provisions for pensions were assessed at the present value determined in accordance with an actuarial appraisal. For part of the pension commitments, allowance has been made for monetary depreciation. The provision for severance pay for Management Board members was also defined on the basis of an actuarial appraisal. The provision for severance pay for the staff was formed according to the discounted cash flow method. The pension age for both men and women has been assumed to be 62 years, with the pension age having been gradually raised to this figure in the case of women. In consideration of the salary forecast, the assumed rate of interest for provisions for pensions, severance pay and anniversary bonuses was reduced from 1.30% in the previous year to 0.98%. The respective calculation was based on the 'AVÖ 2008-P-Rechnungsgrundlagen für die Pensionsversicherung – Pagler & Pagler' reference figures for employees. As in the previous year, a fluctuation discount of 5% was assumed in the calculation of the provisions for anniversary bonuses.

Receivables and payables denominated in foreign currencies were measured at the mean ECB rate as per the balance sheet date.

II. Information regarding the balance sheet

Public sector debt instruments

The fixed assets include listed debt instruments (including accrued interest) in the amount of EUR 14,575,458.62 (kEUR 15,062). The difference between the balance sheet value and the lower repayment value (nominal) pursuant to § 56 BWG amounts to EUR 43,726.33 (kEUR 51). The difference between the balance sheet value and the higher repayment value (nominal) pursuant to § 56 BWG amounts to EUR 204,315.03 (kEUR 238).

The current assets include listed debt instruments (including accrued interest) in the amount of EUR 18,200,937.78 (kEUR 22,290). The difference between the book value and the higher market value amounts to EUR 232,380.00 (kEUR 261).

In 2018, public sector debt instruments (excluding accrued interest) will be due in the amount of EUR 499,620.00 (kEUR 4,520).

Due from credit institutions

Residual terms of receivables not at call, by maturity:

	31 Dec. 2017	31 Dec. 2016
	EUR	kEUR
a) up to 3 moths	55,339,636.15	36,602
b) between 3 months and 1 year	6,884,376.45	25,904
c) between 1 year and 5 years	20,820,000.00	18,136
d) over 5 years	3,288,165.09	3,402

The amounts due from credit institutions include unlisted securities (including accrued interest) in the amount of EUR 24,887,604.80 (kEUR 21,899). EUR 1,000,000.00 (kEUR 1.209) thereof are held as part of the fixed assets.

Due from customers

Residual terms of receivables not at call, by maturity:

	31 Dec. 2017	31 Dec. 2016
	EUR	kEUR
a) up to 3 months	30,104,571.23	22,007
b) between 3 months and 1 year	52,834,766.21	64,526
c) between 1 year and 5 years	210,665,142.92	216,991
d) more than 5 years	247,021,125.62	267,590

The amounts due from customers include unlisted securities (including accrued interest) in the amount of EUR 0.00 (kEUR 1,023) which are held as part of the fixed assets.

General bad debt allowances were formed in the amount of EUR 1,163,300.00 (kEUR 1,284).

	EUR
As per 1 January 2017	1,283,700.00
Allocation	38,000.00
Release	-158,400.00
As per 31 December 2017	1,163,300.00

Debt obligations and other fixed-interest securities

The fixed assets include listed securities (including accrued interest) in the amount of EUR 60,440,421.98 (kEUR 59,429). The difference between the balance sheet value and the lower repayment value (nominal) pursuant to § 56 BWG amounts to EUR 145,699.91 (kEUR 206). The difference between the balance sheet value and the higher repayment value (nominal) pursuant to § 56 BWG amounts to EUR 94,500.56 (kEUR 53).

The current assets include listed securities (including accrued interest) in the amount of EUR 58,912,517.02 (kEUR 57,928). The difference between the book value and the higher market value amounts to EUR 222,582.00 (kEUR 364).

In 2018, securities (excluding accrued interest) will be due in the amount of EUR 14,211,967.82 (kEUR 23,496).

Shares and other variable-interest securities

The fixed assets include listed shares in the amount of EUR 1,579,696.25 (kEUR 1,580) and unlisted shares in the amount of EUR 2,978,336.23 (kEUR 2,761).

The current assets include unlisted shares in the amount of EUR 36,706,399.39 (kEUR 36,671).

Investments and shares in affiliated companies

Disclosures regarding individual companies (shareholding of 20% and above):

	Equity holding	Annual financial statements	Equity capital	Previous year	Result of the year	Previous year
	in %		EUR	kEUR	EUR	kEUR
Spängler Spartrust Immo GmbH, Salzburg	100.00	Dec. 31, 2017	386,853.22	367	19,857.55	13
Spängler Spartrust Immo GmbH & Co KG, Salzburg	5.00	Dec. 31, 2017	7,819,565.46	7,049	770,952.30	715
Spängler M&A GmbH, Salzburg	80.00	Dec. 31, 2017	319,607.22	397	–77,868.62	44
Spängler Immobilien GmbH, Salzburg	100.00	Dec. 31, 2017	48,204.67	16	31,922.19	–19
BS Liegenschaften GmbH, Salzburg	100.00	Dec. 31, 2017	12,411,048.75	12.270	141,222.14	–1,975
Zellinvest Anlageberatung GmbH, Zell am See	87.50	Dec. 31, 2017	220,000.00	220	105,673.47	231
Spängler IQAM Invest GmbH, Salzburg	37.57	Dec. 31, 2016	6,319,415.72	6,332	1,715,012.92	2,169
HEW GmbH & Co KG, Wals	30.00	Dec. 31, 2016	7,104,568.46	7,123	–18,881.16	–20
PME GmbH, Wals	30.00	Dec. 31, 2016	42,997.21	40	2,400.79	3
Schmittenhöhebahn AG, Zell am See	20.79	Dec. 31, 2016	66,489,948.09	65,848	1,550,741.46	879

Receivables and payables from and to affiliated companies and companies in which an equity interest is held:

	Affiliated companies		Investments	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
	EUR	kEUR	EUR	kEUR
a) Receivables				
Due from credit institutions	0.00	0	20,516.42	0
Due from customers	15,600,210.21	16,562	579,353.14	1,321
b) Liabilitites				
Due to credit institutions	0.00	0	1,064,591.33	529
Due to customers	1,830,183.13	2,167	3,017,139.91	1,933

Intangible assets and tangible fixed assets

These items are valued at their cost of acquisition or production less scheduled amortisation or depreciation. Scheduled amortisation or depreciation is made on a straight-line basis.

The land value of the developed properties was EUR 2,405,470.77 (kEUR 2,407) as at the balance sheet date.

Other assets

The main components of this item refer to a coin collection worth EUR 3,265,760.90 (kEUR 3,307), gold bars worth EUR 3,198,990.00 (kEUR 0), gold coins worth EUR 322,649.30 (kEUR 331), receivables from the revenue office of EUR 580,000.00 (kEUR 0), salary advances granted to staff of EUR 154,721.64 (kEUR 176), commission from consulting and agency business of EUR 56,363.04 (kEUR 44) and amounts due from property management of EUR 198,644.07 (kEUR 194).

Deferred tax assets

Pursuant to § 198 (9 and 10) of the Austrian Companies Act (Unternehmensgesetzbuch, UGB), deferred tax assets arose in the amount of EUR 1,601,500.00 (kEUR 1,751). The assets result from various valuations under commercial and fiscal law of receivables from customers, investments, tangible fixed assets and provisions. The differences were calculated using a 25 % tax rate.

Assets denominated in foreign currencies

As at the balance sheet date, the bank had assets in foreign currencies amounting to EUR 78,400,079.37 (kEUR 90,425).

Assets deposited as collateral under § 64 (1) line 8 of the Austrian Banking Act (Bankwesengesetz, BWG)

As at 31 December 2017, fixed-interest securities in a nominal amount of EUR 5,500,000.00 (kEUR 5,000) had been deposited as collateral for liabilities arising from the following transactions:

	31 Dec. 2017	31 Dec. 2016
	EUR	kEUR
Cover fund for moneys held in trust for wards	4,500,000.00	4,000
Cover fund for pension provision	1,000,000.00	1,000

Further collateral has been provided in favour of clearinghouses for the settlement of security and payment transactions:

	31.12.2017	31.12.2016
	EUR	kEUR
Cover fund in favour of Österreichische Kontrollbank AG	300,000.00	1,000
Cover fund in favour of DS. Advanced	0.00	9,800
Cover deposit in favour of CLEAR STREAM BANKING S.A., Luxemburg	8,500,000.00	8,500
Cover deposit in favour of OeNB	4,000,000.00	4,000

Due to credit institutions

Residual terms of payables not at call, by maturity:

	31 Dec. 2017	31 Dec. 2016
	EUR	kEUR
up to 3 months	53,344.40	22
between 3 months and 1 year	0.00	0
between 1 year and 5 years	0.00	0
over 5 years	0.00	0

Due to customers

Residual terms of payables not at call, by maturity:

	31 Dec. 2017	31 Dec. 2016
	EUR	kEUR
up to 3 months	130,592,088.95	123,121
between 3 months and 1 year	107,287,235.94	76,833
between 1 year and 5 years	71,418,804.17	127,065
over 5 years	3,169,153.30	3,996

Securitised liabilities

This item includes debt obligations (including accrued interest) in the amount of EUR 61,149,508.65 (kEUR 58,171) and medium-term bonds (including accrued interest) in the amount of EUR 64,461,713.55 (kEUR 114,486). The discount / premium resulting from the issuance of debt obligations and medium-term bonds is reported in the prepayments and accrued income and is repaid over the respective term.

Other liabilities

The main items under this heading are liabilities due to the revenue office relating to capital gains tax, turnover tax and EU withholding tax of EUR 1,327,659.36 (kEUR 2,057), due to the ARZ Allgemeines Rechenzentrum of EUR 211,294.53 (kEUR 170), due to other suppliers of EUR 777,293.08 (kEUR 1,869), liabilities arising from partial retirement agreements of EUR 614,141.23 (kEUR 318) and liabilities arising from severance pay of EUR 461,462.49 (kEUR 0). The other liabilities include expenses in the amount of kEUR 2,148,097.55 (kEUR 2,394) which will only affect payments after the balance sheet date.

Provisions

	31 Dec. 2017	31 Dec. 2016
	EUR	kEUR
Liabilities for severance pay	6,848,500.00	7,545
Pension liabilities	3,675,928.93	3,232
Other staff provisions	2,965,318.20	3,351
Corporate income tax	32,000.00	480
Miscellaneous	580,900.00	894

Tier 2 capital

As per 31 December 2017, the bank held tier 2 loans (including accrued interest) in the amount of EUR 18,228,912.25 (kEUR 16,658). The bank holds EUR 43,165.09 (kEUR 150) thereof in its own portfolio. This item includes interest accruals of EUR 109,732.30 (kEUR 109). Interest expenses relating to tier 2 capital totalled EUR 371,307.52 (kEUR 294).

Subscribed capital and non-voting instruments acc. to § 26a BWG

		31 Dec. 2017	31 Dec. 2016
		EUR	kEUR
Ordinary shares	10.000.000 no-par value shares	18,181,818.18	18,182
Non-voting shares	1.000.000 no-par value shares	1,818,181.82	1,818
		20,000,000.00	20,000

By resolution adopted at the 17th Ordinary General Meeting of Shareholders held on 16 May 2011, the Management Board was authorised to increase the Company's share capital by a maximum amount of EUR 7.5 million to a maximum amount of EUR 22.5 million within a period of 5 years (i.e. by 26 May 2016). By resolution adopted at the 19th Ordinary General Meeting of Shareholders held on 3 May 2013, the share capital was increased by EUR 5.0 million to EUR 20.0 million using company funds. By resolution adopted at the Extraordinary General Meeting held on 2 December 2015, the nonvoting preference shares were converted into non-voting shares pursuant to § 26a BWG.

Liabilities denominated in foreign currencies

As at the balance sheet date, the bank had liabilities in foreign currencies amounting to EUR 54,341,232.01 (kEUR 57,661).

Contingent liabilities

Contingent liabilities amount to EUR 16,627,358.51 (kEUR 18,905), EUR 15,441,358.51 (kEUR 17,719) of which relate to guarantees and the remainder to other warranties and indemnities. Guarantees extended to affiliated companies amount to kEUR 14,534.57 (kEUR 15).

Lending risks

Lending risks amount to EUR 143,419,000.00 (kEUR 137,989) and relate to loan commitments that have not yet been utilised.

Eligible capital

	31 Dec. 2017	31 Dec. 2016
	EUR	kEUR
Common equity tier 1 capital		
Subscribed capital	18,181,818.18	18,182
Non-voting instruments pursuant to § 26a BWG	1,818,181.82	1,818
Allocated capital reserve	2,000,000.00	2,000
Free revenue reserve	55,800,244.57	53,900
Liability reserve	11,757,000.00	11,757
Deductions from common capital - intangible assets	–363,797.04	–188
	89,193,447.53	87,469
Tier 2 capital		
Hidden reserve in accordance with § 57 (1) BWG	2,750,000.00	3,300
Revaluation reserve	2,025,000.00	2,430
Tier 2 capital	16,036,014.86	14,339
	20,811,014.86	20,069
Eligible capital	110,004,462.39	107,538

Total return on capital in accordance with § 64 (1) line 19 BWG	31 Dec. 2017	31 Dec. 2016
	EUR	kEUR
Result of the year after tax	3,539,827.48	9,559
Balance sheet total	1,164,611,519.66	1,259,450
Total return on capital	0.30 %	0.76 %

The Supervisory Board's approval of the annual accounts and the resolution approving the appropriation of profits by the Ordinary General Meeting of Shareholders are still outstanding.

Financial derivatives

Financial derivatives were concluded for purposes of hedging interest and currency risks.

The following instruments were used for hedging purposes and represent a micro-hedge with underlying transactions. The formation of a provision for contingent losses in the amount of EUR 1,533,990.37 (kEUR 2,444) was therefore waived. The other derivatives were measured individually using the cash method.

Interest rate swaps with a volume of EUR 47 million (EUR 31 million) were concluded to hedge the interest rate risk associated with receivables from customers and securities. Their term to maturity ranges between 1 and 10 years. Effectiveness is measured with the help of a critical term match.

Interest rate options concluded with clients with a nominal volume of EUR 23 million (EUR 25 million) serve to hedge the interest rate risk. Their term to maturity ranges between 1 and 8 years.

Effectiveness is measured with the help of a critical term match.

Forward exchange transactions concluded with clients with a nominal volume of EUR 15 million (EUR 14 million) serve to hedge the currency risk. Currency swaps with a nominal volume of EUR 17 million (EUR 33 million) were concluded to secure loans denominated in foreign currencies. Their term is 3 months. Since the term of the hedging transaction is shorter than the term of the underlying transaction, upon the conclusion of the hedge it was agreed that, upon the expiry of the hedging transaction, the hedge will continue without interruption via the conclusion of a follow-up transaction (rolling hedge). Effectiveness is measured with the help of a critical term match.

III. Information regarding the income statement

Other operating income

The main items refer to internal service charges in the amount of EUR 393,872.13 (kEUR 334), income from buildings and service apartments in the amount of EUR 316,573.50 (kEUR 305), gains from fixed asset disposals in the amount of EUR 151,331.77 (kEUR 34) and releases of provisions in the amount of EUR 244,754.02 (kEUR 165).

Staff expenditure

The item "Expenditure on severance pay and allocations to in-house staff provident funds" includes an allocation to the severance pay provision of EUR 520,826.08 (kEUR 754).

In the year under review, the expenditure on severance pay and pensions amounted to EUR 1,694,000.13 (kEUR 1,686). Of this amount, EUR 714,038.20 (kEUR 649) related to the Management Board and managerial staff.

Pension provisions contain expenditure on commitments for which a provision was formed in the amount of EUR 444,109.84 (kEUR 351) and expenditure on commitments for which exclusive amounts of EUR 386,838.04 (kEUR 391) are payable.

The wages and salaries item includes expenditure on provisions for anniversary bonuses and threemonth death allowances of EUR 73,491.24 (kEUR 114).

Cost of material

In the year under review, the costs associated with the audit of the annual financial statements amounted to EUR 92,084.00 (kEUR 108) and the costs of other auditing services to EUR 0.00 (kEUR 4).

Other operating expenses

The main items refer to expenses associated with the Bankenstabilitätsabgabe (bank stability charge, non-recurring) of EUR 121,467.36 (kEUR 1,192), expenses relating to buildings and service apartments in the amount of EUR 61,603.48 (kEUR 51) and contributions to the Bankenabwicklungsfonds (bank liquidation fund) of EUR 287,313.43 (kEUR 256) and to the Einlagensicherungsfonds der Banken & Bankiers (Austrian deposit guarantee fund) of EUR 336,432.00 (kEUR 310).

Financial derivatives

	Nominal amount		Market value (positive)		Market value (negative)	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
	EUR	kEUR	EUR	kEUR	EUR	kEUR
a) Interest rate contracts:						
Interest rate swaps	46,544,729.59	30,714	245,239.87	294	621,504.93	877
Interest rate options	46,241,591.82	50,329	828,250.14	1,066	828,220.80	1,065
b) Exchange rate contracts:						
Forward exchange transactions	29,589,174.05	27,829	131,585.73	428	57,150.04	323
Currency swaps	18,944,611.69	35,099	133,480.43	227	27,114.60	179

Taxes on income

This item includes the corporate income tax for financial year 2017 in the amount of EUR 1,320,292.57 (kEUR 2,309), corporate income tax for previous years in the amount of EUR -23,615.11 (kEUR -12) and deferred tax assets of EUR 149,400.00 (kEUR -1,946).

IV. Further information

Consolidated financial statements

Bankhaus Carl Spängler & Co. AG has formed a credit institution group according to § 30 BWG in conjunction with the subsidiaries BS Liegenschaften GmbH and Zellinvest Anlageberatung GmbH. In compliance with § 249 (2) UGB, Spängler does not prepare consolidated financial statements or a group management report pursuant to § 59 BWG since the subsidiaries are of minor relevance to the company's net assets, financial position and results of operations, both individually and together..

Disclosure pursuant to § 431 of Regulation (EU) No. 575/2013

The relevant information is available on our website at
http://www.spaengler.at

Proposed appropriation of results

It has been proposed to distribute EUR 1,784,000.00 of the reported net profit for the year of EUR 3,065,554.01 to the shareholders, allocate EUR 400,000.00 to the revenue reserve and carry EUR 881,554.01 forward to new account.

Events occurring after the conclusion of the financial year

No events of special relevance to Bankhaus Carl Spängler & Co. AG occurred after the balance sheet date of 31 December 2017.

Other financial liabilities

The total other financial obligations not reported in the balance sheet consist entirely of obligations arising from the utilisation of fixed assets not reported in the balance sheet and amount to EUR 1,034,940.65 (kEUR 1,038) for the following financial year and to EUR 5,042,194.65 (kEUR 5,280) for the following five years.

Staff

In the year under review, the average number of staff was 260 (261).

Advances, loans to and contingent claims against members of the Management Board and the Supervisory Board

	Loans/advances		Contingent claims	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
	EUR	kEUR	EUR	kEUR
Management board	123,924.83	1,092	10	10
Supervisory board	636,859.99	659	24	24
Total	760,784.82	1,751	34	34

Loans to members of the Management Board and Supervisory Board are extended at prevailing market rates. In the year under review, loan repayments were made in the amount of EUR 34,226.44 (kEUR 196).

Remuneration of the Management Board and the Supervisory Board

	31 Dec. 207	31 Dec. 2016
	EUR	kEUR
Remuneration, Management Board	2,087,514.54	1,559
Remuneration, Supervisory Board	50,829.49	51

In the past financial year, expenses for pensions of former Management Board members amounted to EUR 115,215.00 (kEUR 108).

2017 Asset analysis

			Cost of acquisition				
Balance sheet item			As per 1 Jan. 2017	Additions	Disposals	Retransfers	As per 31 Dec. 2017
			EUR	EUR	EUR	EUR	EUR
	I.	**Financial assets**					
	1.	Securities held as fixed assets					
2a		Public sector debt instruments and similar securities	14,963,697.25	33,335.17	507,621.12	0.00	14,489,411.30
3		Due from credit institutions	1,201,000.00	0.00	0.00	–201,000	1,000,000.00
4		Due from customers	1,017,526.90	0.00	1,017,526.90	0.00	0.00
5		Debt obligations and other fixed-interest securities	58,903,386.36	11,520,488.22	10,422,675.23	0.00	60,001,199.35
6		Shares and other variable-interest securities	4,342,075.31	215,785.91	207,806.21	201,000.00	4,551,055.01
			80,427,685.82	11,769,609.30	12,155,629.46	0.00	80,041,665.66
	2.	Investments					
7		a) in credit institutions	367,586.45	0.00	0.00	0.00	367,586.45
7		b) in other undertakings	9,573,229.38	1,809,000.00	209,806.17	0.00	11,172,423.21
			9,940,815.83	1,809,000.00	209,806.17	0.00	11,540,009.66
8	3.	Shares in affiliated companies	16,360,107.47	0.00	0.00	0.00	16,360,107.47
11	4.	Other assets	0.00	3,198,990.00	0.00	0.00	3,198,990.00
			106,728,609.12	16,777,599.30	12,365,435.63	0.00	111,140,772.79
9	II.	**Intangible assets**	2,563,556.12	308,810.90	0.00	0.00	2,872,367.02
10	III.	**Tangible fixed assets**					
10	1.	Land and buildings	22,048,584.60	1,738,088.00	373,703.32	–92,065.91	23,320,903.37
		(thereof land value)	(2,406,639.00)	0.00	(1,168.23)	0.00	(2,405,470.77)
10	2.	Plant and office equipment	11,160,885.58	1,310,826.49	344,224.60	92,065,91	12,219,553.38
10	3.	Payments on account and assets in the course of construction	450,027.38	2,200,129.79	2,474,603.13	0.00	175,554.04
			33,659,497.56	5,249,044.28	3,192,531.05	0.00	35,716,010.79
			142,951,662.80	22,335,454.48	15,557,966.68	0.00	149,729,150.60

Accumulated amortisation or depreciation							
As per 1 Jan. 2017	Additions/Amortisation or depreciation	Write-ups	Disposals	Retransfers	As per 31 Dec. 2017	Book values 31 Dec. 2016	Book values 31 Dec. 2017
EUR						EUR	EUR
0.00	0.00	0.00	0.00	0.00	0.00	14,963,697.25	14,489,411.30
0.00	0.00	0.00	0.00	0.00	0.00	1,201,000.00	1,000,000.00
0.00	0.00	0.00	0.00	0.00	0.00	1,017,526.90	0.00
0.00	0.00	0.00	0.00	0.00	0.00	58,903,386.36	60,001,199.35
1,483.42	741.71	1,483.42	0,00	0,00	741.71	4,340,591.89	4,550,313.30
1,483.42	741.71	1,483.42	0,00	0,00	741.71	80,426,202.40	80,040,923.95
0.00	0.00	0.00	0.00	0.00	0.00	367,586.45	367,586.45
1,367,599.19	220,000.00	326,216.78	0.00	0.00	1,261,382.41	8,205,630.19	9,911,040.80
1,367,599.19	220,000.00	326,216.78	0.00	0.00	1,261,382.41	8,573,216.64	10,278,627.25
1,500,000.00	0.00	0.00	0.00	0.00	1,500,000.00	14,860,107.47	14,860,107.47
0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,198,990.00
2,869,082.61	220,741.71	327,700.20	0.00	0.00	2,762,124.12	103,859,526.51	108,378,648.67
2,375,973.46	132,596.52	0.00	0.00	0.00	2,508,569.98	187,582.66	363,797.04
11,782,932.84	485,682.36	0.00	252,890.05	–11,817.11	12,003,908.04	10,265,651.76	11,316,995.33
0.00	0.00	0.00	0.00	0.00	0.00	(2,406,639.00)	(2,405,470.77)
7,975,974.04	733,457.62	0.00	256,066.88	11,817.11	8,465,181.89	3,184,911.54	3,754,371.49
0.00	0.00	0.00	0.00	0.00	0.00	450,027.38	175,554.04
19,758,906.88	1,219,139.98	0.00	508,956.93	0.00	20,469,089.93	13,900,590.68	15,246,920.86
25,003,962.95	1,572,478.21	327,700.20	508,956.93	0.00	25,739,784.03	117,947,699.85	123,989,366.57

Salzburg, 25 April 2018

Bankhaus Carl Spängler & Co.
Aktiengesellschaft

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