Annual Report 2018

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. Rudolf OBERSCHNEIDER

Mag. Franz WELT

Dr. Nils KOTTKE

State Commissioners:

Mag. Peter MAERSCHALK

Ministerialrat Kurt PARZER
Deputy State Commissioner

Supervisory Board Report

In financial year 2018, 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 3 times 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 2018 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 2019, 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 2018 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 great result achieved in financial year 2018.

Salzburg, 16 May 2019

Supervisory Board

KR Heinrich Spängler
Chairman of the Supervisory Board

Management Report

Business environment in 2018

In 2018, the economy followed a robust trend in our core markets of Austria and Southern Germany.

Economic growth did not slow down until the end of the year. Interest rates on the money market and the capital market remained at a particularly low level. 2018 was a very difficult year for the capital markets which saw massive price losses in the majority of assets classes.

Business development in 2018

We are looking back on a successful 190th year in business:

Earnings from net interest income and income from securities and investments increased by 7.9 % from EUR 16.4 million to EUR 17.6 million.

Owing to the distortions on the capital markets, commission earnings dropped by 3.8 % from EUR 23.1 million to EUR 22.2 million. The operating income went up 0.8 % to EUR 42.6 million while operating expenses rose by 0.3 % to EUR 35.4 million.

The operating result increased from EUR 7.0 million to EUR 7.2 million (+ 3.0 %) and the result from ordinary activities from EUR 5.1 million to EUR 6.2 million (+ 19.6 %). The surplus for the year amounts to EUR 7.0 million (previous year: EUR 3.5 million). EUR 5.0 million of this amount (previous year: EUR 1.9 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 12.7% (previous year: 13.0%) and the total capital ratio to 15.6% (previous year: 16.0%). The return on equity tier 1 amounts to 6.5 % before taxes.

Savings deposits declined by 11.2 % from EUR 323.4 million to EUR 287.1 million, while call and time deposits increased by 8.3 %, from EUR 576.1 million to EUR 623.7 million. The balance sheet total increased to EUR 1,206.7 million (+ 3.6 %).

As at the balance sheet date, loans to customers amounted to EUR 746.6 million (previous year: EUR 716.5 million) and continued to relate almost exclusively to Austrian and Bavarian borrowers. At 70 %, the lending ratio was mostly unchanged.

Due to the challenging capital market trend, private assets under custody declined by 7.5 % to EUR 2.6 billion. Our asset management had client assets of around EUR 1.8 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:

	2018	2017	2016
Balance sheet total in million EUR	1,206.7	1,164.6	1,259.4
Common equity tier 1 capital in million EUR	94.2	89.2	87.5
Cost/Income-Ratio in %	83.1	83.5	75.0
Return on Equity (before taxes) in %	6.5	5.8	11.5

Number of staff

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

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 sufficiently diversified and are appropriately backed by normal banking security. As at the balance sheet date, provisions for credit risks amounted to EUR 12.7 million. In compliance with the new European regulations, we have substantially reduced the provisions compared to the previous year (EUR 22.9 million).

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.

Our asset management handles a growing volume of portfolios that are subject to sustainability requirements.

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 2019

In financial year 2019, we expect a slowdown of 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.

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.

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. Awards such as our second place at the international 'Asset manager of the year' bank rating (Fuchsbriefe 'TOPs 2019 – the best asset managers' for the entire German-speaking region) confirm that we are on the right path.

In 2018, we launched a major project to activate private banking sales which is expected to bring significant growth momentum in the coming years.

We respond to rapidly changing customer needs arising from increasing digitalisation by investing selectively in the bank's multi-channel structure. In 2019, we will also focus on consistently developing our CARL online asset management system which was launched in 2018. 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 2019. Active cost management will therefore remain on our agenda.

Our success is built on the continuity of our shareholder structure, the transparency of our business model, 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 2019

Bankhaus Carl Spängler & Co.
Aktiengesellschaft

Dr. Werner Zenz

Dr. Rudolf Oberschneider

Mag. Franz Welt

Dr. Nils Kottke

Balance sheet as per 31 December 2018

Assets

	31 Dec. 2018		31 Dec. 2017
	EUR	EUR	kEUR
1. Cash in hand, balances with central banks		146,339,724.23	99,412
2. Public sector debt instruments eligible for refinancing with central banks			
Public sector debt instruments and similar securities		32,245,360.62	32,776
3. Due from credit institutions			
a) repayable on demand	15,410,385.66		18,512
b) other receivables	80,610,806.50		86,332
		96,021,192.16	104,844
4. Due from customers		746,605,279.65	716,491
5. Debt obligations and other fixed-interest securities			
by other issuers thereof: own debt obligations EUR 0.00 (2017: kEUR 0.0)		113,077,891.90	119,353
6. Shares and other variable-interest securities		20,088,346.93	41,264
7. Investments thereof: in credit institutions EUR 367,586.45 (2017: kEUR 367.6)		8.995.018,90	10,279
8. Shares in affiliated companies thereof: in credit institutions EUR 0.00 (2017: kEUR 0.0)		14,960,107.47	14,860
9. Intangible fixed assets		347,066.18	364
10. Tangible fixed assets thereof: land and buildings occupied by the credit institution for its own activities EUR 7,703,997.77 (2017: kEUR 7,365.3)		15,159,517.23	15,247
11. Other assets		9,095,237.93	7,954
12. Prepayments and accrued income		166,962.43	166
13. Deferred tax assets		3,644,500.00	1,602
		1,206,746,205.63	**1,164,612**

Liabilities

	31 Dec. 2018 EUR	31 Dec. 2018 EUR	31 Dec. 2017 kEUR
1. Due to credit institutions			
a) repayable on demand	4,465,136.23		10,903
b) with agreed maturities or notice periods	79,558.35		53
		4,544,694.58	10,956
2. Due to customers			
a) Savings deposits thereof:			
aa) repayable on demand	94,380,621.87		66,620
bb) with agreed maturities or notice periods	192,750,553.98		256,824
	287,131,175.85		323,444
b) other liabilities thereof:			
aa) repayable on demand	587,998,662.42		520,499
bb) with agreed maturities or notice periods	35,737,720.71		55,644
	623,736,383.13		576,143
		910,867,558.98	899,587
3. Securitised liabilities other securitised liabilities		156,039,791.64	125,611
4. Other liabilities		1,949,486.82	3,476
5. Prepayments and accrued income		16,691.61	27
6. Provisions			
a) provisions for severance payments	7,408,500.00		6,849
b) provisions for pensions	4,775,743.68		3,676
c) tax provisions	0.00		32
d) other	3,902,273.00		3,546
		16,086,516.68	14,103
7. Tier 2 capital pursuant to Part Two Title I Chapter 4 of Regulation (EU) No. 575/2013		19,419,187.71	18,229
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		60,800,244.57	55,800
12. Liability reserve pursuant to § 57 (5) BWG		11,757,000.00	11,757
13. Net profit for the year		3,265,033.04	3,066
		1,206,746,205.63	**1,164,612**

Items shown below the balance sheet

Assets

	31 Dec. 2018		31 Dec. 2017
	EUR	EUR	kEUR
Foreign assets		336,676,001.93	325,282

Liabilities

	31 Dec. 2018 EUR	31 Dec. 2018 EUR	31 Dec. 2017 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	23,097,905.81		15,441
		24,283,905.81	16,627
2. Lending risks thereof: liabilities arising from pension transactions EUR 0,00 (2017: kEUR 0,0)		176,102,000.00	143,419
3. Eligible capital pursuant to Part Two of Regulation (EU) No. 575/2013		115,585,017.47	110,004
thereof tier 2 capital pursuant to Part Two Title I Chapter 4 of Regulation (EU) No. 575/2013		21,374,839.08	20,811
4. Own funds requirements pursuant to Art. 92 of Regulation (EU) Nr. 575/2013		739,169,046.37	686,245
a) own funds requirements pursuant to Art. 92 (1) letter a of Regulation (EU) No. 575/2013		12.7%	13.0%
b) own funds requirements pursuant to Art. 92 (1) letter b of Regulation (EU) No. 575/2013		12.7%	13.0%
c) own funds requirements pursuant to Art. 92 (1) letter c of Regulation (EU) No. 575/2013		15.6%	16.0%
5. Foreign liabilities		117,119,077.70	91,299

Income Statement
for the period from 1 January 2018 to 31 December 2018

	2018			2017	
	EUR	EUR	EUR	kEUR	
1. Interest and similar income			15,933,271.89		16,240
thereof: from fix-interest securities	1,408,425.99			1,445	
2. Interest and similar expenses			-1,546,039.27		-1,748
I. NET INCOME			**14,387,232.62**		**14,492**
3. Income from Securities and investments			3,258,062.57		1,860
a) Income from shares, other equity interests and variable-interest securities		1,722,539.72		440	
b) Income from investments		1,443,647.85		1,271	
c) Income from shares in affiliated companies		91,875.00		149	
4. Commission income			23,155,587.09		24,217
5. Commission expenses			-939,642.13		-1,132
6. Income/expenses associated with financial transactions			948,043.04		1,598
7. Other operating income			1,760,239.44		1,214
II. OPERATING INCOME			**42,569,522.63**		**42,249**
8. General administrative expenses					
a) Staff expenses		-24,298,020.42			-23,690
aa) salaries	-17,273,784.02			-17,614	
bb) statutory social-security contributions as well as levies and compulsory contributions dependent on salaries	-4,063,812.70			-4,064	
cc) other social welfare expenses	-501,010.20			-501	
dd) expenses for retirement benefits and other benefits	-400,754.29			-387	
ee) allocation to pension provision	-1,099,814.75			-444	
ff) expenses for severance pay and allocations to in-house staff provident funds	-958,844.46			-680	
b) other administrative expenses (cost of material)		-8,767,328.19			-8,854
			-33,065,348.61		-32,545
9. Allowanced for assets included in 9. and 10.			-1,422,760.42		-1,420
10. Other operating expenses			-884,416.75		-1,297
III. OPERATING EXPENSES			**-35,372,525.78**		**-35,261**

	2018			2017
	EUR	EUR	EUR	kEUR
IV. OPERATING RESULT			**7,196,996.85**	**6,988**
11./12. Net income/expenses arising from the sale and valuation of loans and securities.			-599,505.60	-2,234
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			-445,785.60	388
V. RESULT FROM ORDINARY ACTIVITES.			**6,151,705.65**	**5,142**
15. Taxes on income			989,726.43	-1,446
thereof deferred taxes		2,043,000.00		-149
16. Other taxes unless included in item 15.			-157,953.05	–156
VI. SURPLUS FOR THE YEAR			**6,983,479.03**	**3,540**
17. In/decrease in reserves			-5,000,000.00	-1,900
thereof: allocation to the liability reserve EUR 0.00 (2017: kEUR 0).				
thereof: release of the liability reserve EUR 0.00 (2017: kEUR 0).				
VII. PROFIT OF THE YEAR.			**1,983,479.03**	**1,640**
18. Profit brought forward			1,281,554.01	1,426
VIII. NET PROFIT FOR THE YEAR			**3,265,033.04**	**3,066**

Notes to the annual financial statements 2018

(previous year's figures in brackets)

The annual financial statements 2018 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.

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 requirement. 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 0.98% in the previous year to 0.31%. The respective calculation was based on the 'AVÖ 2018-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 14,601,089.06 (kEUR 14,575). The difference between the balance sheet value and the lower repayment value (nominal) pursuant to § 56 BWG amounts to EUR 36,105.44 (kEUR 44). The difference between the balance sheet value and the higher repayment value (nominal) pursuant to § 56 BWG amounts to EUR 171,063.50 (kEUR 204).

The current assets include listed debt instruments (including accrued interest) in the amount of EUR 17,644,271.56 (kEUR 18,201). The difference between the book value and the higher market value amounts to EUR 127,775.00 (kEUR 232).

In 2019, public sector debt instruments (excluding accrued interest) will be due in the amount of EUR 1,002,283.59 (kEUR 500).

Due from credit institutions

Residual terms of receivables not at call, by maturity:

	31 Dec. 2018	31 Dec. 2017
	EUR	kEUR
a) up to 3 moths	45,198,422.65	55,340
b) between 3 months and 1 year	33,699,218.38	6,884
c) between 1 year and 5 years	1,157,000.00	20,820
d) over 5 years	556,165.47	3,288

The amounts due from credit institutions include unlisted securities (including accrued interest) in the amount of EUR 14,189,443.26 (kEUR 24,888). EUR 1,000,000.00 (kEUR 1,000) thereof are held as part of the fixed assets.

Due from customers

Residual terms of receivables not at call, by maturity:

	31 Dec. 2018	31 Dec. 2017
	EUR	kEUR
a) up to 3 months	36,818,440.91	30,105
b) between 3 months and 1 year	52,730,253.42	52,835
c) between 1 year and 5 years	221,667,113.43	210,665
d) more than 5 years	244,577,935.19	247,021

The amounts due from customers include unlisted securities (including accrued interest) in the amount of EUR 0.00 (kEUR 0) which are held as part of the fixed assets.

General bad debt allowances were formed in the amount of EUR 972,100.00 (kEUR 1,163).

	EUR
As per 1 January 2018	1,163,300.00
Allocation	0.00
Release	-191,200.00
As per 31 December 2018	972,100.00

Debt obligations and other fixed-interest securities

The fixed assets include listed securities (including accrued interest) in the amount of EUR 59,663,820.57 (kEUR 60,440). The difference between the balance sheet value and the lower repayment value (nominal) pursuant to § 56 BWG amounts to EUR 105,865.93 (kEUR 146). The difference between the balance sheet value and the higher repayment value (nominal) pursuant to § 56 BWG amounts to EUR 113,523.40 (kEUR 95).

The current assets include listed securities (including accrued interest) in the amount of EUR 53,414,071.33 (kEUR 58,913). The difference between the book value and the higher market value amounts to EUR 66,377.00 (kEUR 223).

In 2019, securities (excluding accrued interest) will be due in the amount of EUR 26,558,188.92 (kEUR 14,212).

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 1,623,724.40 (kEUR 2,978).

The current assets include unlisted shares in the amount of EUR 16,884,926.28 (kEUR 36,706).

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, 2018	394,913.46	387	8,060.24	20
Spängler Spartrust Immo GmbH & Co KG, Salzburg	4.50	Dec. 31, 2018	8,647,225.21	7,820	829,019.05	771
Spängler M&A GmbH, Salzburg	80.00	Dec. 31, 2018	393,265.33	320	73,658.11	–78
Spängler Immobilien GmbH, Salzburg	100.00	Dec. 31, 2018	43,352.97	48	–4,851.70	32
BS Liegenschaften GmbH, Salzburg	100.00	Dec. 31, 2018	12,578,204.94	12.411	167,156.19	142
Zellinvest Anlageberatung GmbH, Zell am See	100.00	Dec. 31, 2017	220,000.00	220	105,673.47	231
Spängler IQAM Invest GmbH, Salzburg	37.57	Dec. 31, 2017	6,897,915.43	6,319	1,224,768.72	1,715
HEW GmbH & Co KG, Wals	30.00	Dec. 31, 2017	13,123,945.85	7,105	38,258.55	–19
PME GmbH, Wals	30.00	Dec. 31, 2017	45,820.03	43	2,822.82	2
Schmittenhöhebahn AG, Zell am See	20.79	Dec. 31, 2017	66,197,136.46	65,490	2,308,576.36	1,551

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

	Affiliated companies		Investments	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
	EUR	kEUR	EUR	kEUR
a) Receivables				
Due from credit institutions	0.00	0	0.00	21
Due from customers	15,382,062.82	15,600	4,747,827.70	579
b) Liabilitites				
Due to credit institutions	0.00	0	488,392.77	1,065
Due to customers	1,414,967.14	1,934	3,204,874.29	3,018

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 2,381,392.77 (kEUR 2,405) as at the balance sheet date.

Other assets

The main components of this item refer to a coin collection worth EUR 3,270,650.29 (kEUR 3,266), gold bars worth EUR 3,693,400.00 (kEUR 3,199), gold coins worth EUR 340,473.90 (kEUR 323), receivables from the revenue office of EUR 1,191,251.00 (kEUR 580), salary advances granted to staff of EUR 117,424.08 (kEUR 155), commission from consulting and agency business of EUR 52,030.57 (kEUR 56) and amounts due from property management of EUR 267,586.52 (kEUR 199).

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 3,644,500.00 (kEUR 1,602). 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 68,542,545.56 (kEUR 78,400).

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

As at 31 December 2018, fixed-interest securities in a nominal amount of EUR 5,500,000.00 (kEUR 5,500) had been deposited as collateral for liabilities arising from the following transactions:

	31 Dec. 2018	31 Dec. 2017
	EUR	kEUR
Cover fund for moneys held in trust for wards	4,500,000.00	4,500
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:

	31.12.2018	31.12.2017
	EUR	kEUR
Cover fund in favour of Österreichische Kontrollbank AG	300,000.00	300
Cover deposit in favour of CLEAR STREAM BANKING S.A., Luxembourg	0.00	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. 2018	31 Dec. 2017
	EUR	kEUR
up to 3 months	79,558.35	53
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. 2018	31 Dec. 2017
	EUR	kEUR
up to 3 months	85,563,415.18	130,592
between 3 months and 1 year	63,491,552.52	107,287
between 1 year and 5 years	74,080,832.03	71,419
over 5 years	5,352,474.96	3,169

Securitised liabilities

This item includes debt obligations (including accrued interest) in the amount of EUR 76,789,183.11 (kEUR 61,150) and medium-term bonds (including accrued interest) in the amount of EUR 79,250,608.53 (kEUR 64,462). 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 618,000.42 (kEUR 1,328), due to the ARZ Allgemeines Rechenzentrum of EUR 197,463.81 (kEUR 211), due to other suppliers of EUR 380,781.08 (kEUR 777), liabilities arising from partial retirement agreements of EUR 700,764.85 (kEUR 614) and liabilities arising from severance pay of EUR 0.00 (kEUR 461). The other liabilities include expenses in the amount of kEUR 1,327,097.98 (kEUR 2,148) which will only affect payments after the balance sheet date.

Provisions

	31 Dec. 2018	31 Dec. 2017
	EUR	kEUR
Liabilities for severance pay	7,408,500.00	6,849
Pension liabilities	4,775,743.68	3,676
Other staff provisions	3,136,227.00	2,965
Corporate income tax	0.00	32
Miscellaneous	766,046.00	581

Tier 2 capital

As per 31 December 2018, the bank held tier 2 loans (including accrued interest) in the amount of EUR 19,419,187.71 (kEUR 18,229). The bank holds EUR 40,165.09 (kEUR 43) thereof in its own portfolio. This item includes interest accruals of EUR 83,007.76 (kEUR 110). Interest expenses relating to tier 2 capital totalled EUR 329,378.21 (kEUR 371).

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

		31 Dec. 2018	31 Dec. 2017
		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 48,453,038.63 (kEUR 54,341).

Contingent liabilities

Contingent liabilities amount to EUR 24,283,905.81 (kEUR 16,627), EUR 23,097,905.81 (kEUR 15,441) 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 176,102,000.00 (kEUR 143,419) and relate to loan commitments that have not yet been utilised.

Eligible capital

	31 Dec. 2018	31 Dec. 2017
	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	60,800,244.57	55,800
Liability reserve	11,757,000.00	11,757
Deductions from common capital - intangible assets	-347,066.18	–364
	94,210,178.39	89,193
Tier 2 capital		
Hidden reserve in accordance with § 57 (1) BWG	2,200,000.00	2,750
Revaluation reserve	1,620,000.00	2,025
Tier 2 capital	17,554,839.08	16,036
	21,374,839.08	20,811
Eligible capital	115,585,017.47	110,004

Total return on capital in accordance with § 64 (1) line 19 BWG	31 Dec. 2018	31 Dec. 2017
	EUR	kEUR
Result of the year after tax	6,983,479.03	3,540
Balance sheet total	1,206,746,205.63	1,164,736
Total return on capital	0.58 %	0.30 %

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 1,609,334.76 (kEUR 1,450) was therefore waived. The other derivatives were measured individually using the cash method.

Interest rate swaps with a volume of EUR 48 million (EUR 47 million) were concluded to hedge the interest rate risk associated with receivables from customers and securities. Their term to maturity ranges between 1 and 9 years. Effectiveness is measured with the help of a critical term match.

Interest rate options concluded with clients with a nominal volume of EUR 22 million (EUR 23 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.

Exchange rate contracts concluded with clients with a nominal volume of EUR 15 million (EUR 15 million) serve to hedge the currency risk. Currency swaps with a nominal volume of EUR 13 million (EUR 17 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 444,072.08 (kEUR 394), income from buildings and service apartments in the amount of EUR 345,105.17 (kEUR 317), gains from fixed asset disposals in the amount of EUR 289,020.46 (kEUR 151) and releases of provisions in the amount of EUR 12,880.70 (kEUR 245).

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 795,375.02 (kEUR 521).

In the year under review, the expenditure on severance pay and pensions amounted to EUR 2,522,781.34 (kEUR 1,694). Of this amount, EUR 1,310,272.37 (kEUR 714) 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 1,099,814.75 (kEUR 444) and expenditure on commitments for which exclusive amounts of EUR 400,754.29 (kEUR 387) are payable.

The wages and salaries item includes expenditure on provisions for anniversary bonuses and threemonth death allowances of EUR 130,545.04 (kEUR 73).

Cost of material

In the year under review, the costs associated with the audit of the annual financial statements amounted to EUR 80,300.00 (kEUR 79) and the costs of other auditing services to EUR 0.00 (kEUR 0).

Other operating expenses

The main items refer to expenses associated with the Bankenstabilitätsabgabe (bank stability charge) of EUR 104,217.14 (kEUR 121), expenses relating to buildings and service apartments in the amount of EUR 73,031.17 (kEUR 62) and contributions to the Bankenabwicklungsfonds (bank liquidation fund) of EUR 330,370.52 (kEUR 287) and the Einlagensicherungsfonds der Banken & Bankiers (Austrian deposit guarantee fund) of EUR 328,629.00 (kEUR 336).

Financial derivatives

	Nominal amount		Market value (positive)		Market value (negative)	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
	EUR	kEUR	EUR	kEUR	EUR	kEUR
a) Interest rate contracts:						
Interest rate swaps	48,406,066.00	46,545	157,418.10	245	864,272.55	622
Interest rate options	43,331,651.38	46,242	745,064.31	828	745,062.21	828
b) Exchange rate contracts:						
Forward exchange transactions	6,968,380.03	29,589	31,523.61	132	49,241.44	57
Currency swaps	36,410,399.14	18,945	102,576.77	133	144,169.26	27

Taxes on income
This item includes the corporate income tax for financial year 2018 in the amount of EUR 1,304,524.57 (kEUR 1,320), corporate income tax for previous years in the amount of EUR -251,251.00 (kEUR -24) and deferred tax assets of EUR -2,043,000.00 (kEUR 149).

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 https://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 3,265,033.04 to the shareholders, allocate EUR 500,000.00 to the revenue reserve and carry EUR 981,033.04 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 2018.

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 1,092,992.52 (kEUR 1,035) for the following financial year and to EUR 5,183,216.12 (kEUR 5,042) for the following five years.

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

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

	Loans/advances		Contingent claims	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
	EUR	kEUR	EUR	kEUR
Management board	81,348.48	124	8,000.00	10
Supervisory board	655,743.29	637	24,000.00	24
Total	737,091.77	761	32,000.00	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 38,603.77 (kEUR 34).

Remuneration of the Management Board and the Supervisory Board

	31 Dec. 2018	31 Dec. 2017
	EUR	kEUR
Remuneration, Management Board	1,489,205.73	2,088
Remuneration, Supervisory Board	51,326.99	51

In the past financial year, expenses for pensions of former Management Board members amounted to EUR 118,133.00 (kEUR 115).

2018 Asset analysis

	Balance sheet item	Cost of acquisition				
		As per 1 Jan. 2018	Additions	Disposals	Retransfers	As per 31 Dec. 2018
		EUR	EUR	EUR	EUR	EUR
	I. Financial assets 1. Securities held as fixed assets					
2a	Public sector debt instruments and similar securities	14,489,411.30	33,251.53	7,621.09	0.00	14,515,041.74
3	Due from credit institutions	1,000,000.00	0.00	0.00	0.00	1,000,000.00
4	Due from customers	0.00	0.00	0.00	0.00	0.00
5	Debt obligations and other fixed-interest securities	60,001,199.35	11,479,186.81	12,238,043.63	0.00	59,242,342.53
6	Shares and other variable-interest securities	4,551,055.01	1,210,036.71	2,278,546.84	0.00	3,482,544.88
		80,041,665.66	12,722,475.05	14,524,211.56	0.00	78,239,929.15
	2. Investments					
7	a) in credit institutions	367,586.45	0.00	0.00	0.00	367,586.45
7	b) in other undertakings	11,172,423.21	0.00	1,487,391.56	0.00	9,685,031.65
		11,540,009.66	0.00	1,487,391.56	0.00	10,052,618.10
8	3. Shares in affiliated companies	16,360,107.47	125,000.00	25,000.00	0.00	16,460,107.47
11	4. Other assets	3,198,990.00	494,410.00	0.00	0.00	3,693,400.00
		111,140,772.79	13,341,885.05	16,036,603.12	0.00	108,446,054.72
9	**II. Intangible assets**	2,872,367.02	148,229.12	382,186.73	0.00	2,638,409.41
10	**III. Tangible fixed assets**					
10	1. Land and buildings	23,320,903.37	897,530.79	168,118.69	0.00	24,050,315.47
	(thereof land value)	(2,405,470.77)	0.00	(24,078.00)	0.00	(2,381,392.77)
10	2. Plant and office equipment	12,219,553.38	310,677.85	448,858.13	0.00	12,081,373.10
10	3. Payments on account and assets in the course of construction	175,554.04	55,752.62	24,328.10	0.00	206,978.56
		35,716,010.79	1,263,961.26	641,304.92	0.00	36,338,667.13
		149,729,150.60	14,754,075.43	17,060,094.77	0.00	147,423,131.26

Accumulated amortisation or depreciation							
As per 1 Jan. 2018	Additions/Amortisation or depreciation	Write-ups	Disposals	Retransfers	As per 31 Dec. 2018	Book values 31 Dec. 2017	Book values 31 Dec. 2018
EUR						EUR	EUR
0.00	0.00	0.00	0.00	0.00	0.00	14,489,411.30	14,515,041.74
0.00	0.00	0.00	0.00	0.00	0.00	1,000,000.00	1,000,000.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	60,001,199.35	59,242,342.53
741.71	286,843.41	0.00	741.71	0,00	286,843.41	4,550,313.30	3,195,701.47
741.71	286,843.41	0.00	741.71	0,00	286,843.41	80,040,923.95	77,953,085.74
0.00	0.00	0.00	0.00	0.00	0.00	367,586.45	367,586.45
1,261,382.41	0.00	0.00	203,783.21	0.00	1,057,599.20	9,911,040.80	8,627,432.45
1,261,382.41	0.00	0.00	203,783.21	0.00	1,057,599.20	10,278,627.25	8,995,018.90
1,500,000.00	0.00	0.00	0.00	0.00	1,500,000.00	14,860,107.47	14,960,107.47
0.00	0.00	0.00	0.00	0.00	0.00	3,198,990.00	3,693,400.00
2,762,124.12	286,843.41	0.00	204,524.92	0.00	2,844,442.61	108,378,648.67	105,601,612.11
2,508,569.98	164,959.98	0.00	382,186.73	0.00	2,291,343.23	363,797.04	347,066.18
12,003,908.04	510,036.19	0.00	106,991.96	0.00	12,406,952.27	11,316,995.33	11,643,363.20
0.00	0.00	0.00	0.00	0.00	0.00	(2,405,470.77)	(2,381,392.77)
8,465,181.89	700,028.77	0.00	393,013.03	0.00	8,772,197.63	3,754,371.49	3,309,175.47
0.00	0.00	0.00	0.00	0.00	0.00	175,554.04	206,978.56
20,469,089.93	1,210,064.96	0.00	500,004.99	0.00	21,179,149.90	15,246,920.86	15,159,517.23
25,739,784.03	1,661,868.35	0.00	1,086,716.64	0.00	26,314,935.74	123,989,366.57	121,108,195.52

Salzburg, 25 April 2019

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Aktiengesellschaft

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