

**CREDIT OPINION**

21 January 2025

Update

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**RATINGS**

**Hamburger Sparkasse AG**

Domicile	Germany
Long Term CRR	Aa1
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Aa2
Type	Senior Unsecured - Dom Curr
Outlook	Stable
Long Term Deposit	Aa2
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

**Contacts**

Andrea Wehmeier +49.69.70730.782  
VP-Senior Analyst  
andrea.wehmeier@moodys.com

Alexander Hendricks, +49.69.70730.779  
CFA  
Associate Managing Director  
alexander.hendricks@moodys.com

Carola Schuler +49.69.70730.766  
MD-Banking  
carola.schuler@moodys.com

» Contacts continued on last page

# Hamburger Sparkasse AG

Update after rating upgrade

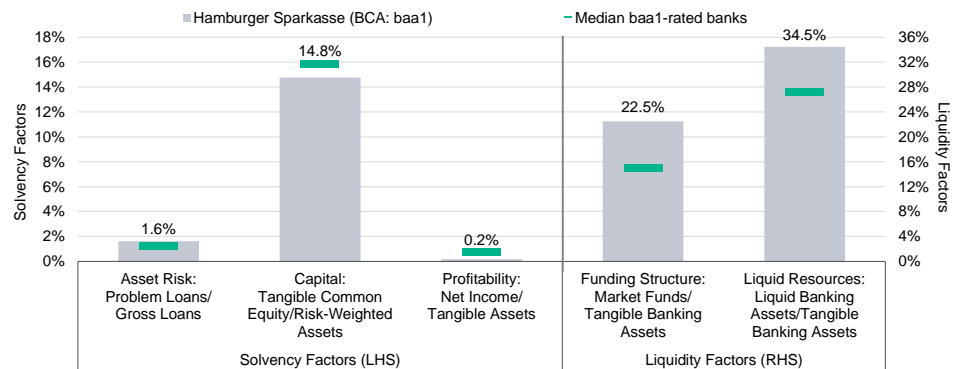
**Summary**

[Hamburger Sparkasse AG's](#) (Haspa) Aa2 deposit, senior unsecured and issuer ratings reflect the bank's baa1 BCA, two notches of rating uplift from its membership in the institutional protection scheme of [Sparkassen-Finanzgruppe](#) (S-Finanzgruppe, Aa2 stable, a2<sup>1</sup>); two notches of rating uplift from our Advanced Loss Given Failure (LGF) analysis; and a one-notch rating uplift from government support because of the bank's membership in the systemically relevant S-Finanzgruppe.

Haspa's baa1 BCA reflects the bank's good capitalisation, incorporating additional capital available at the level of its parent, its strong asset quality and low reliance on market funding, accompanied by solid liquid reserves. At the same time, the bank's assets incorporate geographic and sector concentrations to cyclical commercial real estate activities. We expect a deterioration in asset quality, particularly for commercial real estate (CRE) and corporate loans, that will lead to higher risk costs. However, the normalized rates environment will support sustainably improved interest margins, while the bank's higher profitability provides a better shield from adverse developments.

Exhibit 1

**Rating Scorecard - Key financial ratios**



Source: Moody's Ratings

## Credit strengths

- » Haspa's good capitalisation levels, which translate into low solvency risks
- » Strong asset quality, as reflected in the bank's low problem loan ratio
- » The bank's funding profile benefits from a strong deposit franchise, with limited recourse to confidence-sensitive market funding

## Credit challenges

- » Concentration in CRE is high and poses tail risks
- » Haspa is exposed to regional concentration risks because of its focus on a narrowly defined region within Germany

## Rating outlook

- » The stable outlook on the long-term deposit, issuer and senior unsecured ratings reflects our expectation that the bank's solvency and liquidity profile as well as the creditworthiness of S-Finanzgruppe will remain broadly unchanged over the next 12-18 months, as well as the expectation of a liability structure comparable to that of this year.

## Factors that could lead to an upgrade

- » An upgrade of Haspa's long-term ratings could be triggered by an improvement in the financial strength of S-Finanzgruppe, resulting in a higher Adjusted BCA for Haspa. Furthermore, significant issuance of instruments subordinated to senior unsecured could lead to upwards rating pressure.
- » The BCA could be upgraded in case of a reduction in concentration risks, leading to lower asset risk, combined with a sustainably improved profitability or higher liquidity cushion. However, an upgrade of Haspa's BCA would not result in an upgrade of its Adjusted BCA or its ratings.

## Factors that could lead to a downgrade

- » Haspa's ratings could be downgraded following a deterioration in the financial strength of S-Finanzgruppe, resulting in a lower Adjusted BCA or if the volume of bail-in-able bonds declines significantly, leading to an increase in the loss severity and a reduced rating uplift from our Advanced LGF analysis.
- » The BCA could be downgraded in case of a deterioration in asset quality beyond current expectation, or where losses imply a deterioration in capital. However, a downgrade of Haspa's BCA would not translate into a downgrade of the bank's Adjusted BCA or ratings.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

## Key Indicators

Exhibit 2

### Hamburger Sparkasse AG (Consolidated Financials) [1]

	06-24 <sup>2</sup>	12-23 <sup>2</sup>	12-22 <sup>2</sup>	12-21 <sup>2</sup>	12-20 <sup>2</sup>	CAGR/Avg. <sup>3</sup>
Total Assets (EUR Billion)	56.5	58.5	55.9	58.8	55.2	0.7 <sup>4</sup>
Total Assets (USD Billion)	60.6	64.6	59.7	66.7	67.5	(3.0) <sup>4</sup>
Tangible Common Equity (EUR Billion)	3.8	3.7	3.6	3.6	3.5	2.3 <sup>4</sup>
Tangible Common Equity (USD Billion)	4.1	4.1	3.8	4.0	4.3	(1.5) <sup>4</sup>
Problem Loans / Gross Loans (%)	--	--	--	--	0.7	0.7 <sup>5</sup>
Tangible Common Equity / Risk Weighted Assets (%)	14.8	14.0	13.1	13.0	13.4	13.7 <sup>5</sup>
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	--	--	--	--	6.9	6.9 <sup>5</sup>
Net Interest Margin (%)	--	--	--	--	1.1	1.1 <sup>5</sup>
PPI / Average RWA (%)	1.8	1.7	0.9	0.6	0.4	1.1 <sup>6</sup>
Net Income / Tangible Assets (%)	0.2	0.4	0.1	0.0	0.0	0.1 <sup>5</sup>
Cost / Income Ratio (%)	63.6	65.7	78.0	84.3	89.7	76.3 <sup>5</sup>
Market Funds / Tangible Banking Assets (%)	18.7	22.5	19.5	28.0	24.7	22.7 <sup>5</sup>
Liquid Banking Assets / Tangible Banking Assets (%)	32.1	34.5	29.0	34.0	32.7	32.5 <sup>5</sup>
Gross Loans / Due to Customers (%)	--	--	--	--	106.9	106.9 <sup>5</sup>

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; LOCAL GAAP. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.

Sources: Moody's Ratings and company filings

## Profile

Hamburger Sparkasse AG (Haspa) is Germany's largest savings bank, operating in and around Hamburg, and HASPA Finanzholding's dominant operational subsidiary, with a balance-sheet size of €56.5 billion as of 30 June 2024. Haspa has a regional network of 100 branches, with 3,855 employees as of year-end 2023. The bank focuses on servicing retail and small and medium-sized enterprises and corporate clients, but it is also active in municipal finance, CRE and private banking.

For more information, please see our [German Banking System Profile](#) and [Banking System Outlook - Germany](#).

### Weighted Macro Profile of Strong+

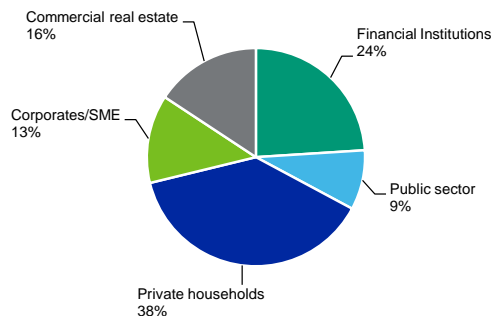
Haspa is focused on the German market and therefore has an assigned Macro Profile of Strong+, at the same level as the Macro Profile of Germany.

## Detailed credit considerations

### Asset quality continues to deteriorate as concentration risks remain

We assign a baa1 Asset Risk score to Haspa which is two notches below the initial a2 score. Our downward adjustment reflects the bank's narrow business focus on the broader Hamburg area and sector concentrations in the highly cyclical CRE in particular. The assigned score incorporates further a contained rise in non-performing loans because of the weaker economic environment in Germany.

Exhibit 3

**Breakdown of Haspa's exposure**

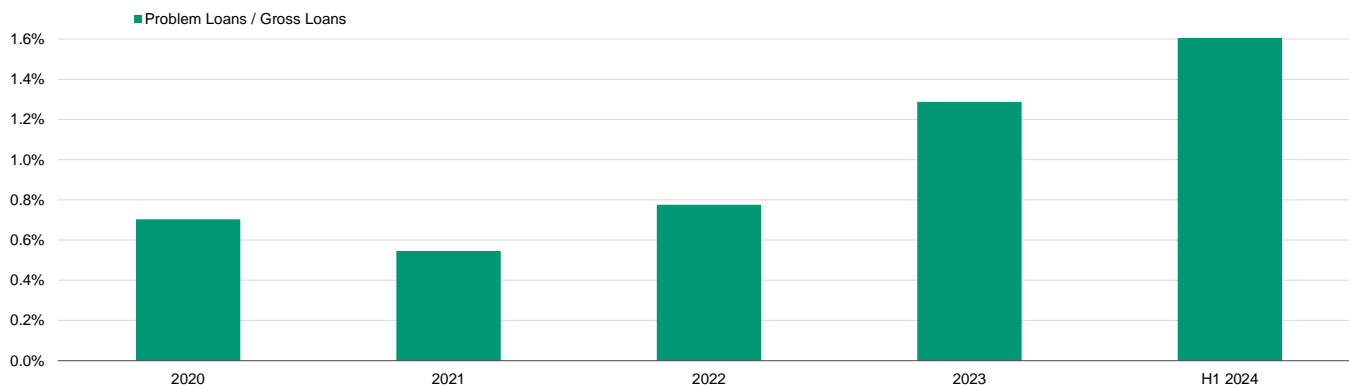
As of June 2024

Source: Company and Moody's Ratings

Besides its lower-risk retail loan book, which consists largely of residential housing loans, accounting for 38% of its exposures, Haspa has a higher-risk CRE portfolio of €9.9 billion. The CRE portfolio significantly exceeds the bank's tangible common equity (TCE) of €3.8 billion and the group's TCE of €4.9 billion, and exposes the bank to tail risks, that have started to crystallize in a contained manner.

Haspa's NPL ratio increased slightly to 1.6% as of June 2024 (year-end 2023: 1.3%), a trend that we expect to continue and to increasingly shift to the corporate sector, particularly small and medium sized enterprises as well. Until now, Higher defaults are CRE driven. Problem loans in this segment increased to €256 million (year-end 2023: €214 million; year-end 2022: €79 million) which is equivalent to 44.1% of Haspa's total problem loans of €581 million.

Exhibit 4

**Haspa's problem loans have increased to the highest level in the last four years**

Source: Company and Moody's Ratings

**Good capitalisation levels translate into low solvency risks**

We assign a Capital score of a1 to Haspa, in line with the initial score. We consider the additional capital available at the parent company, HASPA Finanzholding, which enhances investor protection, while at the same time, the slow deterioration in asset quality implies a rise in risk weighted assets (RWA).

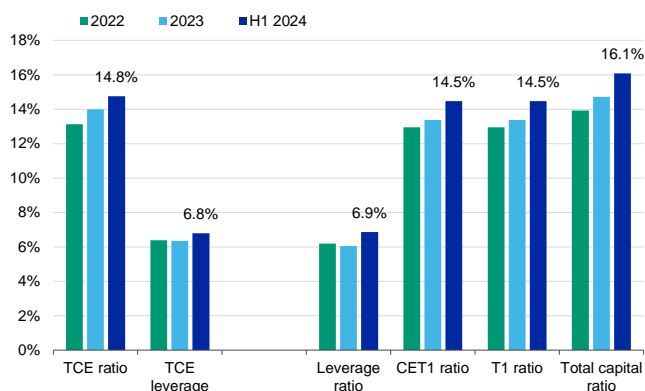
While we expect the bank to remain well capitalised, since February 2023, Haspa needs to comply with additional sectorwide capital requirements, including a 0.75% countercyclical buffer in relation to domestic RWA and a 2.0% systemic risk buffer specific to domestic residential housing loan RWA. These changes have translated into additional capital requirements for the bank. Further, the deterioration in asset quality should continue in a contained manner, leading to rising RWA over time.

Haspa is linked to its parent HASPA Finanzholding via a profit and loss transfer agreement, which also implies that losses at the bank need to be covered by the parent, providing Haspa access to the capital of its parent. HASPA Finanzholding's stronger capital

ratios, including a CET1 ratio of 17.6% as of June 2024 and a year-end TCE ratio of 17.3% support the assigned Capital score. Haspa Finanzholding, in contrast to Haspa, had to meet pillar 2 requirements of 1.50% in June 2024 which is why the parent entity's June 2024 total capital requirement was at 13.1% (Haspa: 11.6%). The quality of the capital is very high, not least because it is calculated using the standardised approach, which tends to result in a more conservative RWA outcome than that resulting from internal models.

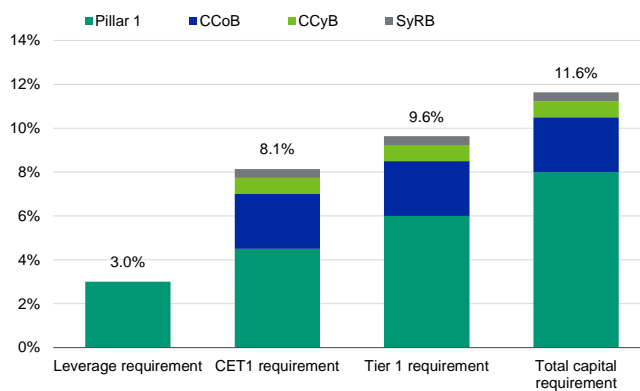
As of June 2024, the Haspa's TCE/RWA improved to 14.8% from 14.0% at year-end 2023. The improvement was realized through profit retention as well as slight RWA reductions. Haspa's TCE leverage improved to 6.8% from 6.4% at year-end 2023 as well as Common Equity Tier 1 (CET1) and the Tier 1 (T1) capital ratios to 14.5% from 13.4% at year-end 2023, providing a significant buffer versus regulatory requirements.

Exhibit 5  
**Haspa's TCE and regulatory capital metrics as of June 2024**



TCE = Tangible common equity (our calculation)  
 Sources: Company and Moody's Ratings

Exhibit 6  
**Haspa's regulatory capital metrics as of June 2024**



Pillar 1 = Pillar 1 requirement; CCoB = Capital conservation buffer; CCyB = Countercyclical buffer; SyRB = Systemic risk buffer  
 Haspa Finanzholding's requirements (June 2024): CET1 9.0%; Tier 1 10.7%; Total Capital 13.1%  
 Sources: Company and Moody's Ratings

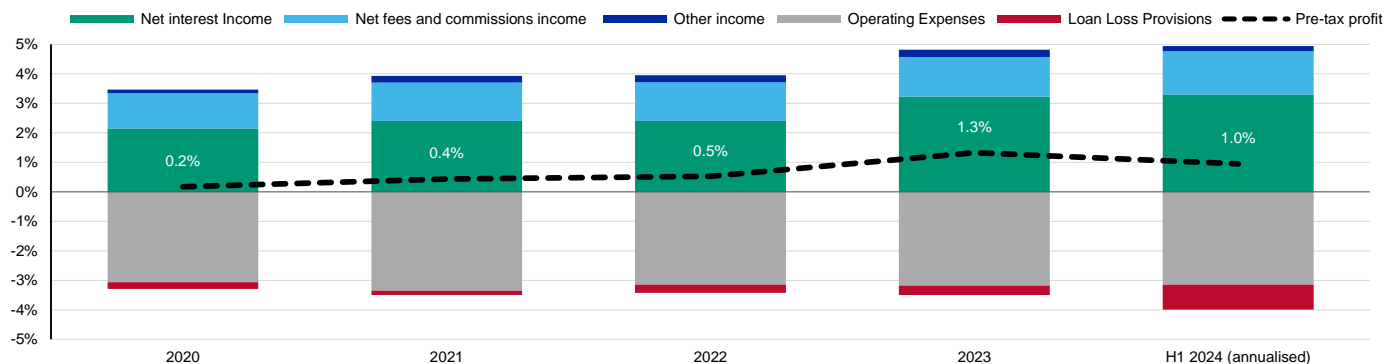
### Profitability has recovered because of higher rates, still providing a limited buffer vs rising risk costs

We assign a Profitability score of b1, in line with the initial score. Even though profitability has peaked in 2023 because of the shift in central bank rates, with rate cuts net interest income generation and an anticipated higher level in risk costs, we expect profitability to remain within range for a b1 score in 2024 and 2025.

Net interest income is about to decline from the 2023 levels, however, to remain above the level of previous years, while fee and commission income will continue to grow slowly. However, higher risk provisions, which we expect to increasingly be driven also by corporate and not only commercial real estate exposures will remain at a more elevated level, reflecting the recessionary environment in Germany.

Exhibit 7

Haspa's historical profit and loss structure



Data in % of average risk-weighted assets  
Sources: Company and Moody's Ratings

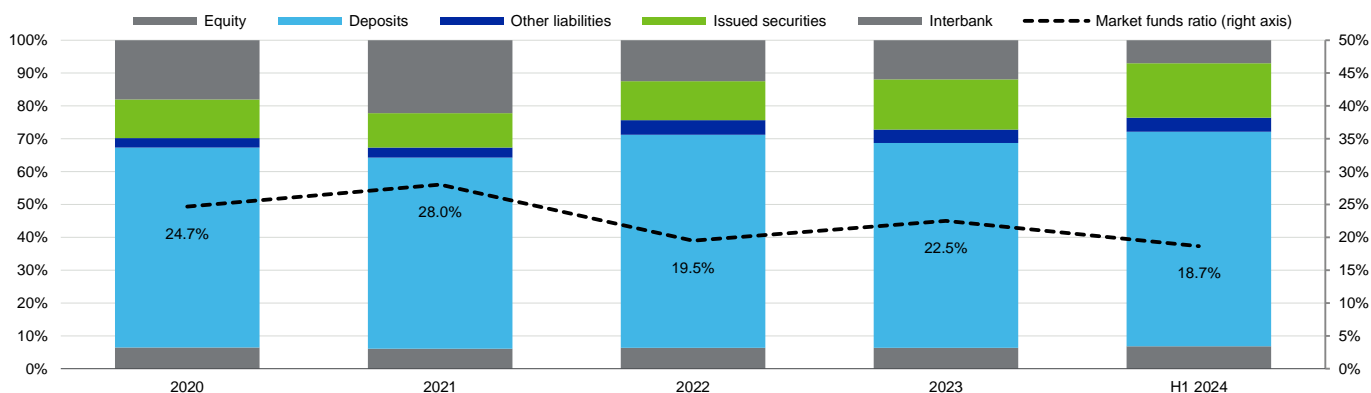
Haspa's funding profile is predominantly based on deposits

We assign an a3 Funding Structure score to Haspa, one notch above the baa1 initial score. The assigned score reflects the bank's strong retail franchise, and available funding from development banks which we do not consider confidence sensitive.

Like most German savings banks, Haspa's funding is self-sufficient, reflecting high and very stable retail funding with total deposits of €36.9 billion (thereof €22.6 billion retail deposits), and diversified alternative funding sources, including mortgage covered bonds of €5.5 billion, all as of June 2024. Moreover, liabilities to financial institutions amounted to €4.0 billion, of which approximately €2.7 billion was in promotional funding. We do not consider this promotional funding as confidence-sensitive wholesale funding, which contributes to our assigned score being higher than the initial score. The bank's funding base continues to benefit from high customer loyalty, which is underpinned by the mutual support mechanisms in the savings bank sector.

Exhibit 8

Haspa's robust and deposit-focused funding composition



Market funds ratio = Market funds/tangible banking assets.  
Sources: Company and Moody's Ratings

Haspa's liquidity buffers are sound

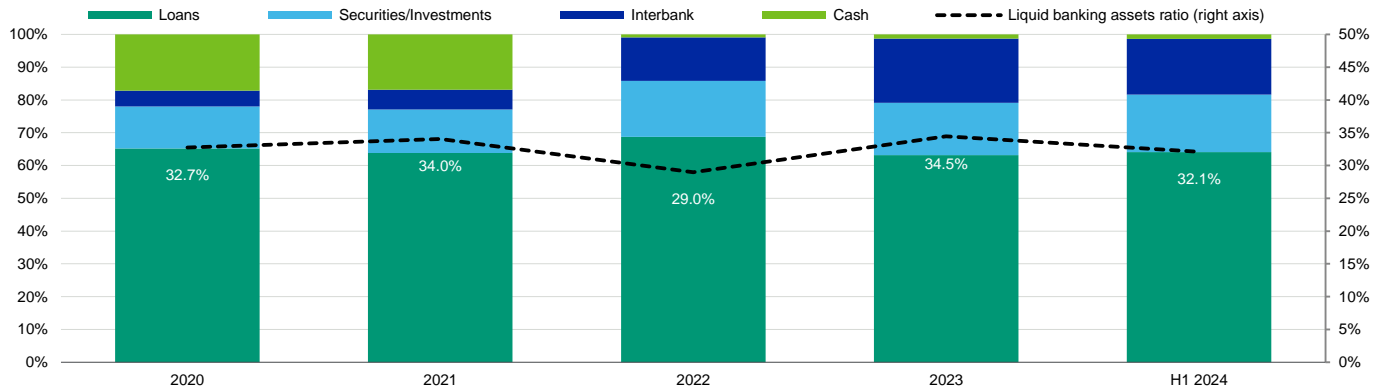
We assign a baa2 Liquid Resources score to Haspa, three notches below the initial score of a2. In the assigned score we reflect the encumbrance of selected liquid assets which are used as collateral in different transaction structures, and which are not deducted in our initial liquid assets computation. Moreover, we take Haspa's access to potential additional liquidity through its covered bond programmes into account.

The bank's sound liquidity benefits from its satisfactory stock of liquid assets. As of June 2024, the bank held a portfolio of close to €7.7 billion of high-quality securities, comprising largely of repo-eligible securities, and €0.8 billion in cash reserves. In our analysis, we

adjust for assets encumbered as part of public-sector covered bond pools, the development bank business and repos. The bank's LCR stood at strong 197% as of half-year 2024, comfortably above regulatory requirements.

Moreover, additional liquidity could be generated through further issuances of covered bonds. As of July 2024, based on an outstanding issuance of €5.5 billion, the over-collateralization in [Haspa's mortgage covered bond program](#) stood at 52.4% on an unstressed-present-value basis. In November 2024, Haspa launched a [new public sector covered bond program](#), which also features a substantial level of over-collateralization. The bank has leeway to generate additional liquidity by issuing more covered bonds.

Exhibit 9  
**Haspa's sound liquidity composition**

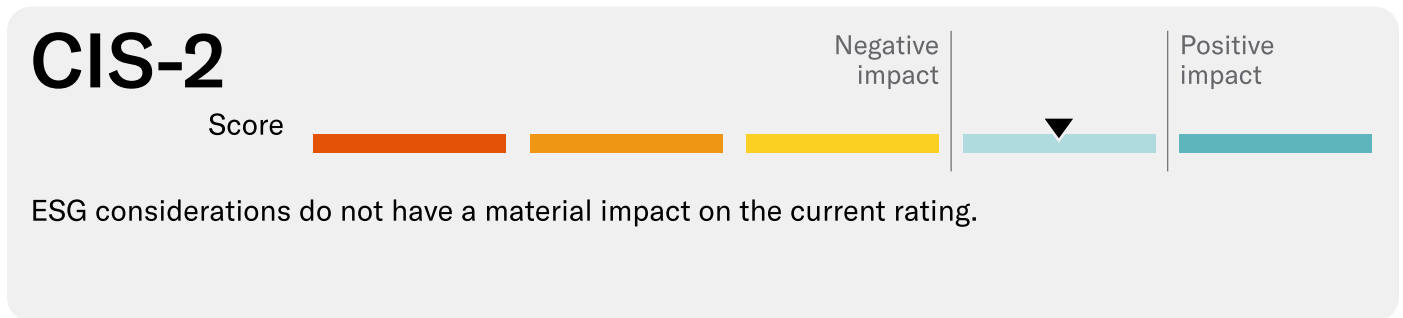


Liquid banking assets ratio = Liquid assets/tangible banking assets.  
 Sources: Company and Moody's Ratings

## ESG considerations

### Hamburger Sparkasse AG's ESG credit impact score is CIS-2

Exhibit 10  
**ESG credit impact score**



Source: Moody's Ratings

Hamburger Sparkasse AG's (Haspa) **CIS-2** reflects that ESG considerations do not have a material impact on the rating to date. This reflects the limited credit impact from environmental and social risk factors on the ratings and the mitigating impact of affiliate support from Sparkassen-Finanzgruppe (S-Finanzgruppe) over the bank's ESG risk profile. The bank's corporate governance risks are moderate, largely reflecting its relatively subdued profitability and elevated cost structure.

Exhibit 11

## ESG issuer profile scores



Source: Moody's Ratings

### Environmental

Haspa faces moderate exposure to environmental risks primarily because of its portfolio exposure to carbon transition risk as a regional, diversified savings bank. In line with its peers, Haspa is facing mounting business risks and stakeholder pressure to meet broader carbon transition goals. In response, Haspa is actively engaging in optimising its loan portfolio towards less carbon-intensive assets.

### Social

Haspa faces moderate social risks mainly related to customer relations as well as to demographic and societal trends. The bank's developed policies and procedures mitigate conduct risk associated with the distribution of financial products such as regulatory and reputational risks, as well as exposure to litigation. Continued investments in technology and the bank's long track record of handling sensitive customer data, as well as appropriate culture and governance that ensure adherence to regulatory standards, help to manage high cyber and personal data risks. Haspa operates mostly in Germany, which faces challenges from adverse demographic trends affecting long-term economic growth prospects and impacting the demand for certain banking products. Product diversity as well as an ability to adapt to consumer preferences, regulatory changes and societal trends such as digitization are key to address these risks.

### Governance

Haspa's governance risks are moderate. The bank demonstrates a sound track record of risk management, and despite some asset risk concentrations. Its organizational structure, reporting policies and risk management and compliance framework are in line with industry practices and comparable to other larger member banks of S-Finanzgruppe. Governance risks arise largely from subdued profitability as it strains the bank's ability to build up additional buffers against adverse developments. Haspa is owned by HASPA Finanzholding, and is an independent savings banks with no public sector links, which is reflected in the composition of its board of directors, consisting of employee representatives and independent board members. However, the parent itself operates under a special statutory regime with no external owners, limiting formal controls to regulators and the savings banks' institutional protection scheme. Germany's developed institutional framework is a mitigating factor to balance potential governance risks.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

## Support and structural considerations

### Affiliate support

Haspa benefits from cross-sector support from S-Finanzgruppe. Cross-sector support significantly reduces the probability of default because it would be available to stabilise a distressed member bank and not just to compensate for losses in resolution. We now consider the readiness of the sector to support its core members in line with the assumption for Affiliate Backed support. This particularly applies to Haspa because of its core business franchise and the established track record of the sector to discretely support its core savings banks. The change further reflects the changes for the Institutional Protection Scheme, that now is more rule driven, will accumulate dedicated funds for support cases aside from the already available reserves and ensures timely support in the case of need. Cross-sector support provides an unchanged two notches of rating uplift from the bank's baa1 BCA, resulting in an a2 Adjusted BCA.



### Loss Given Failure (LGF) analysis

Haspa is subject to the European Union Bank Recovery and Resolution Directive (BRRD), which we consider an operational resolution regime. We apply our Advanced LGF analysis to Haspa's liabilities, considering the risks faced by the different debt and deposit classes across its liability structure in a resolution scenario.

In our Advanced LGF analysis, we consider the results of both the formal legal position (*pari passu*, or "de jure" scenario), to which we assign a 75% probability, and an alternative liability ranking, reflecting resolution authority discretion to prefer deposits over senior unsecured debt (full depositor preference, or "de facto" scenario), to which we assign a 25% probability. We assume residual TCE of 3% and losses post-failure of 8% of tangible banking assets, a 25% run-off in junior wholesale deposits and a 5% run-off in preferred deposits. These are our standard assumptions.

- » For senior unsecured, issuer and deposit ratings of Haspa, our LGF analysis indicates a very low loss given failure, leading to a two-notch rating uplift from the bank's a2 Adjusted BCA.
- » For junior senior and subordinated debt ratings, our LGF analysis indicates a very high loss given failure, leading us to position the ratings one notch below the bank's Adjusted BCA.

### Government support considerations

Following the introduction of the BRRD, we have lowered our expectations about the degree of support the government might provide to a bank in Germany in the event of need. Because of its size on a consolidated basis, we consider S-Finanzgruppe systemically relevant and, therefore, attribute a moderate probability of German government support for all members of the sector, in line with the support assumptions for other systemically relevant banking groups in Europe. We, therefore, include one notch of government support uplift in our CRRs, and senior unsecured debt, issuer and deposit ratings of S-Finanzgruppe member banks that are incorporated in Germany, including Haspa.

## Rating methodology and scorecard factors

Exhibit 12

### Rating Factors

Macro Factors							
Weighted Macro Profile		Strong +	100%				
Factor	Historic Ratio	Initial Score	Expected Trend	Assigned Score	Key driver #1	Key driver #2	
Solvency							
Asset Risk							
Problem Loans / Gross Loans	-	-	-	baa1	Geographical concentration	Sector concentration	
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	14.8%	a1	↑↑	a1	Risk-weighted capitalisation	Access to capital	
Profitability							
Net Income / Tangible Assets	0.2%	b1	↔	b1	Return on assets	Expected trend	
Combined Solvency Score		a3		baa1			
Liquidity							
Funding Structure							
Market Funds / Tangible Banking Assets	22.5%	baa1	↔	a3	Extent of market funding reliance	Deposit quality	
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets	34.5%	a2	↔	baa2	Additional liquidity resources	Asset encumbrance	
Combined Liquidity Score		a3		baa1			
Financial Profile							
				baa1			
Qualitative Adjustments				Adjustment			
Business Diversification				0			
Opacity and Complexity				0			
Corporate Behavior				0			
Total Qualitative Adjustments				0			
Sovereign or Affiliate constraint				-			
BCA Scorecard-indicated Outcome - Range				a3 - baa2			
Assigned BCA				baa1			
Affiliate Support notching				2			
Adjusted BCA				a2			

**Balance Sheet is not applicable.**

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted BCA	Assigned LGF notching	Additional Notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub-ordination	Instrument volume + subordination	Sub-ordination	De Jure	De Facto				
Counterparty Risk Rating	-	-	-	-	-	-	-	3	0	aa2
Counterparty Risk Assessment	-	-	-	-	-	-	-	3	0	aa2 (cr)
Deposits	-	-	-	-	-	-	-	2	0	aa3
Senior unsecured bank debt	-	-	-	-	-	-	-	-	-	-
Junior senior unsecured bank debt	-	-	-	-	-	-	-	-1	0	a3
Dated subordinated bank debt	-	-	-	-	-	-	-	-1	0	a3

Instrument Class	Loss Given	Additional	Preliminary Rating	Government	Local Currency	Foreign
	Failure notching	notching	Assessment	Support notching	Rating	Currency Rating
Counterparty Risk Rating	3	0	aa2	1	Aa1	Aa1
Counterparty Risk Assessment	3	0	aa2 (cr)	1	Aa1(cr)	
Deposits	2	0	aa3	1	Aa2	Aa2

Senior unsecured bank debt	-	-	-	1	Aa2	Aa2
Junior senior unsecured bank debt	-1	0	a3	0	A3	
Dated subordinated bank debt	-1	0	a3	0	A3	

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.

Source: Moody's Ratings

## Ratings

Exhibit 13

Category	Moody's Rating
<b>HAMBURGER SPARKASSE AG</b>	
Outlook	Stable
Counterparty Risk Rating	Aa1/P-1
Bank Deposits	Aa2/P-1
Baseline Credit Assessment	baa1
Adjusted Baseline Credit Assessment	a2
Counterparty Risk Assessment	Aa1(cr)/P-1(cr)
Issuer Rating	Aa2
Senior Unsecured -Dom Curr	Aa2
Junior Senior Unsecured -Dom Curr	A3
Subordinate -Dom Curr	A3
ST Issuer Rating	P-1

Source: Moody's Ratings

## Endnotes

1 The rating shown is S-Finanzgruppe's corporate family rating and outlook, and its BCA.

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Contacts

Ibrahim Kara +49.69.86790.2103  
Sr Ratings Associate  
ibrahim.kara@moodys.com

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