Annual Report 2018

Haspa
Hamburger Sparkasse

At a glance

	2014 € million	2015 € million	2016 € million	2017 € million	2018 € million
Total assets	41,947	42,639	43,488	43,670	45,093
Receivables from banks	3,727	2,819	3,102	3,828	2,645
Customer loans	29,492	30,192	30,763	30,901	32,743
Securities portfolio	7,782	8,978	8,498	7,976	7,076
Liabilities to banks	5,005	4,619	3,778	3,782	3,786
Customer deposits	30,472	31,627	33,020	32,662	33,627
Equity and fund for general banking risks	3,163	3,218	3,273	3,353	3,433

Short profile

Hamburger Sparkasse AG – Haspa for short – offers a wide range of financial services for private individuals and businesses, serving the more than three million people living in the Hamburg Metropolitan Region.

Haspa is a savings bank committed to serving the public interest. HASPA Finanzholding, a legal entity formed under old Hamburg law, holds 100 percent of the shares in Hamburger Sparkasse AG. HASPA Finanzholding is obligated by its articles of association and bylaws to fulfil the mission entrusted to the savings bank.

Haspa is one of the few independent savings banks in Germany. It is also a member of the Hamburg-based Hanseatischer Sparkassen- und Giroverband (Hanseatic Savings Banks Association – HSGV) and the Frankfurt-based Verband der freien Sparkassen (Association of Independent Savings Banks). Through HSGV, Haspa is affiliated with the Deutscher Sparkassen- und Giroverband e. V. (German Savings Banks Association) in Berlin and Bonn, and therefore fully included in the comprehensive guarantee system of all German savings banks. The German Savings Banks Finance Group has an institutional guarantee scheme that has been recognised as a deposit guarantee scheme under the German Deposit Guarantee Act (Einlagensicherungsgesetz).

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Foreword of the Board of Management

Ladies and Gentlemen,
We leverage our positioning as the most personal multi-channel bank in the Hamburg Metropolitan Region and an even stronger networking of people and businesses to create added value for our customers. To this end, we are investing both in our branch network and in the expansion of our digital services.

Our new “branch of the future” concept means that our branches offer more than financial services but also evolve to become meeting places for local people. The branches of the future provide a space for the neighbourhood to come together – to plan the next district festival or a charitable initiative, for example. Our branches serve as venues for events that cover a wide variety of topics, and for concerts and readings. Among the other reasons to visit a branch are the presentation areas that we make available to companies or clubs from the local area free of charge.

Our new branch concept will make our strong regional ties, proximity to the people and skills of our local customer support and consulting staff even more apparent than before. After the first five branches of the future were launched in 2017, a total of 32 conversions were carried out in 2018. Our goal is to complete more than 20 more conversions this year.

Of course, we are also rapidly expanding our digital offering in this age of digital transformation, as customers want to be able to access modern online and mobile services around the clock in addition to local customer support and consulting.

Our kiekmo (“have a look”) neighbourhood app is a digital extension of our branch network offering a marketplace and news from the city districts as well as a locker service in the branches. The JokerApp enables users to access the benefits of our value-added account and take advantage of regional offers on the go. The AINO app is a versatile companion for the younger target group that increasingly covers aspects of everyday professional life in addition to an individual’s leisure time.

Our Media Advisory Centre brings personal consultancy to the digital world – with dedicated contact persons and our complete range of products and services. And the adviser finder enables customers to search for right adviser and arrange a date and time for a personal consultation online.

With our innovations and investments in the future, we remain the bank for all of Hamburg – and have been ever since our foundation in 1827. We continue to keep money in circulation in the region and keep the regional business cycle going, and serve the public interest with our multifaceted corporate social responsibility activities, particularly in education and social welfare, art, music and sport.

We thank our customers and business partners for the trust they continue to place in us. Special thanks also go to all Haspa employees for their dedication in a challenging environment. We would also like to thank the Supervisory Board and the Works Council for their constructive cooperation.

Hamburg, 19 February 2019

The Board of Management

From left to right: Bettina Poullain, Dr. Harald Vogelsang, Axel Kodlin, Jürgen Marquardt, Frank Brockmann

Dr. Harald Vogelsang, born in 1959, holds a banking diploma and a law degree, and was appointed to the Board of Management in 2000. He has been Spokesman of the Board of Management of Hamburger Sparkasse AG since 2007.

In his capacity as Spokesman of the Board of Management he is responsible for the Corporate Development, Human Resources and Communication reporting area, to which the Digital Sales, Human Resources, Corporate Communication and Board Staff divisions are assigned.

Frank Brockmann, born in 1963, holds a banking diploma and is a qualified banking services and operations specialist (Bankfachwirt). He has been a member of the Board of Management of Hamburger Sparkasse AG since 2008 and has been Deputy Spokesman of the Board of Management since 2014.

In the Corporate Customers and Treasury reporting area, he is responsible for the Corporate Customers 1, Corporate Customers 2, Real Estate Customers, SME Customers, Treasury, Enterprise Customers and Sales Management Corporate Customers divisions.

Axel Kodlin, born in 1962, holds a banking diploma and a degree in business administration (Diplom-Kaufmann). He was appointed to the Board of Management of Hamburger Sparkasse AG in 2013.

His Processes and IT reporting area comprises Information Technology and Organisation, and the Securities and Transaction Service divisions.

Jürgen Marquardt, born in 1963, holds a banking diploma and a degree in savings bank administration. He has been a member of the Board of Management of Hamburger Sparkasse AG since 2014.

In his Finance and Risk reporting area, he is responsible for the Compliance, Comprehensive Bank Controlling, Credit and Legal, Risk Management, and Sales Management Private Customers divisions.

Bettina Poullain, born in 1958, holds a degree in business administration (Diplom-Kauffrau). She has been a member of the Board of Management of Hamburger Sparkasse AG since 2013.

Her Private Customers reporting area includes the Private Customers Central, Private Customers North-East, Private Customers North-West, Private Customers South-East, Private Banking, Audit and Purchasing, Facility Management and Logistics divisions.

Management report

of Hamburger Sparkasse AG for the year ended 31 December 2018

The extremely low level of interest rates with zero and negative rates, regulation and digital transformation continue to pose huge challenges for the entire lending industry. Intense competition is also a factor. Furthermore, the performance of stock markets in 2018 has shown that political turbulence such as the Brexit, the budget dispute between Italy and the EU or the conflict between the US government and major trading partners are incalculable risks for capital market development.

Against the backdrop of this highly challenging environment, Hamburger Sparkasse AG (Haspa) in financial year 2018 posted a result for the year that was not completely satisfactory.

Thanks to our sustainable business model focused on the needs of private and commercial customers in the region, we continue to contribute to growth in the Hamburg Metropolitan Region and have achieved success in our business with customers – thanks in no small measure to the great commitment of our employees.

The tables presented in the management report may contain rounding differences.

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1. Fundamental information about the company

Strategic focus

Haspa is the bank for all of Hamburg. As a reliable partner and indispensable promoter of the Hamburg Metropolitan Region, our actions are inseparably intertwined with the interests of Hamburg and the welfare of all its residents.

In particular, we provide opportunities for safe and interest-bearing investments of savings and other funds, promote the ability to save money and accumulate assets among broad sectors of Hamburg's population and serve to fulfil the credit needs of the local economy, especially taking SMEs into account.

We continue to refine our corporate vision and the strategies that we derive from it. In that connection, we will stick to the stable core of our alignment – i. e. a main emphasis on our operations in the Hamburg Metropolitan Region and our focus on all private and corporate customers, the enterprise and real estate customer business, as well as private banking.

Expertise and regionality

We provide comprehensive customer support and consulting services in five areas of competency: financial consulting, asset accumulation, asset optimisation, property financing and corporate customer advisory.

We have divided our business territory into 28 regions that have knowledge of the local market and decision-making authority. Each region comprises at least one financial centre and several branches. In the financial centres our customers can find the range of services offered by all five areas of competency. Financial consultations and advice on asset accumulation are offered at the branches.

Haspa is present in the Hamburg Metropolitan with more than 130 branches and financial centres, plus around 50 self-service branches. At the main branch, our customers can also turn to teams of specialists that service start-up entrepreneurs, larger corporate customers, the property industry as well as Private Banking.

We have forged close ties with the local people and companies by setting up an advisory board in each of these regions. There is also an advisory board for the Real Estate Customers, Private Banking and Corporate Customers divisions. The members of the advisory boards provide significant input for the city districts and Haspa.

Hamburg's most personal multi-channel bank

Our customers are increasingly using digital services. Yet the Internet cannot replace face-to-face contact altogether, Personal customer advisory and service in our branches and centres remains very important to our customers.

We are building on our strategic positioning as the most personal multi-channel bank in the Hamburg Metropolitan Region in order to move closer to our goal of being the most recommended financial partner in Hamburg. We are investing in our new branch concept, expanding our digital offering and opening up new business areas as well as broadening our collaboration with the German Savings Banks Finance Group. In addition, in mid-November we launched a project ("Haspa Spring – Sparkasse richtig neu gedacht") to shape our future in order to position ourselves in an even more customer-focused, digital and lean way.

With our “branch of the future” concept, we will develop our branches into meeting places for local people that offer more than financial services. This means that our new branch concept provides a space for people from the local neighbourhood to come together, while the branches can also host events. Among the other reasons to visit a branch are the presentation areas that we make available to companies or clubs from the local area free of charge.

Following the opening of the first five “branches of the future” in 2017, 32 branches were converted during the reporting period, the aim being to migrate the entire branch network to the new concept by 2020.

As well as customer support and advisory services at branches and centres, customers also want round-the-clock service that they can access online from their PCs, tablets or smartphones. Haspa has therefore continued to improve and expand its digital offerings.

The Media Advisory Centre launched in summer 2018 offers our customers online access to personal, end-to-end financial advice spanning the entire product range and provided by a dedicated contact. And the new adviser finder enables customers to search for right adviser and arrange a date and time for a personal consultation online.

2. Report on economic position

2.1 Macroeconomic and sector-specific environment

Weaker economic growth in Germany

The upturn in the German economy slowed, with real gross domestic product (GDP) expanding by 1.5 percent in 2018. In each of the previous two years, economic output had risen by more than 2 percent. Growth was driven in particular by investments in equipment and construction, and consumer spending. The number of people in gainful employment grew by 1.3 percent to 44.8 million. Consumer prices in Germany increased by an annual average of 1.9 percent compared with the previous year.

The European Central Bank (ECB) maintained its extremely expansionary monetary policy in 2018 with zero percent and negative interest rates. The ECB kept the rate for main refinancing operations at 0.00 percent, while the interest rate on deposits by banks imposed by the ECB remained at –0.4 percent. It halved its asset purchase programme to € 15 billion a month as of October 2018 and ceased net buying at the end of the year, meaning that ECB monetary policy became slightly less expansionary in the reporting period.

Although extremely low interest rates help to bring down the high levels of sovereign debt in the euro zone member states and promote economic growth, they deprive investors of interest income and reduce the incentive to make private provision for retirement.

The German lending industry is being further impacted by low interest rates and regulation – combined with significant investments in digitalisation

The extremely low interest rates continue to limit banks' and savings banks' opportunities to generate revenue. Further challenges are presented by tightened capital adequacy regulations and stricter liquidity requirements as a result of intensified regulation and burdens resulting from the bank levy and the harmonisation of the deposit guarantee system.

In spite of the continuing negative effects, the German lending industry has proven to be stable overall. This applies in particular to the savings banks and the cooperative banks. However, these regional credit institutions continue to experience growing competitive pressure because other banks are muscling in on the stable business with private and corporate customers. Hence, competition continues to be distorted by state-funded German and foreign banks.

Progressing digitalisation is also triggering accelerated structural change in the financial services industry, as the entry of young, technology-focused companies increases the competitive intensity within the financial services market. These fintechs can harness their innovative ideas for a larger number of customers by forming partnerships with established financial services providers.

In light of the rapid pace of digital transformation, the financial services sector is making significant investments in its future. Most banks and savings banks see digitalisation as an opportunity to make processes more efficient, develop new digital offerings and thus keep improving for their customers.

Hamburg's economy grows at a slower pace

In the first six months of 2018, Hamburg's real gross domestic product rose by 1.8 percent year on year, while the German economy expanded by 1.9 percent during the same period.

In both the third and the fourth quarter of 2018, the Hamburg Chamber of Commerce's economic barometer for Hamburg showed that substantially more of the Hamburg-based companies surveyed were upbeat about their current business situation than were downbeat. Hamburg's trades report excellent order books.

Hamburg's labour market remains in a very healthy state. The number of people in gainful employment in Hamburg rose by around 14,500 in 2018, an increase of 1.2 percent.

All in all, Hamburg's economy is likely to have achieved a rate of growth at least in line with the national average at roughly 1.5 percent in 2018. In 2017, Hamburg's economy had grown by 2.4 percent.

Hamburg as a financial centre

Hamburg is Northern Germany's most important financial centre. With a variety of banks, insurance companies and specialised service providers, the Hamburg financial sector is a key driver of the Metropolitan Region.

Just like German financial services providers as a whole, all of Hamburg's credit institutions continued to face major challenges due to low interest rates, tightening regulation, intensive competition and rapid digitalisation. The versatility of the financial centre, the attractiveness of the city and the success of an economy dominated by mid-size enterprises provides a solid platform for Hamburg's positive development as a financial centre.

2.2. Course of business

Haspa continues to grow its customer base

As a retail bank, Haspa focuses on competent and comprehensive services for private customers as well as small and mid-size corporate customers (SMEs) in the Hamburg Metropolitan Region. Haspa has been gaining both customers and deposits thanks to this stable business model. The bank gained almost 63,000 new customers in the reporting year. This has further consolidated Haspa's strong position.

Private customers are our largest customer group; in 2018 we assisted them yet again in word and deed regarding all financial matters. We also provide intensive customer and consulting services to our corporate customers – whether business start-ups, tradesmen, small business operators, professionals and freelancers or larger mid-size enterprises.

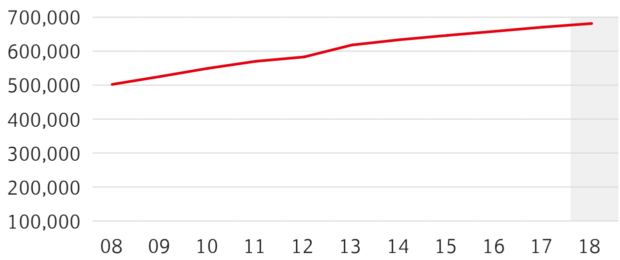
No other bank knows the Hamburg Metropolitan Region better. We are at home in Hamburg and know what our customers need. In-depth knowledge of the market, competent and committed staff, competitive products, in-house expert knowledge, corporate social responsibility for the region and local decision-making authority are the key to our success.

Independent experts and testers yet again confirmed both our employees' closeness to the customers and Haspa's high quality of service and advice. In addition to receiving gratifying awards for our services in the banking and mortgage business, our Private Banking was named the "Best Asset Manager in all German-Speaking Territories" by the trade magazine Elite Report for the sixteenth time in a row.

Increase in the number of giro accounts – Continued demand for HaspaJoker and MäuseKonto accounts

Haspa manages almost 1.4 million giro accounts. Of these, a good 682,000 giro account holders – around 10,000 more than at the close of the previous year and over two-thirds of the approximately 945,000 private giro account holders – went with the "HaspaJoker" account, Hamburg's advantage account. Besides extensive banking services, these customers also benefit from a multitude of value-added services. The number of private giro accounts has risen by around 4,000 in total.

Number of HaspaJoker accounts 2008 to 2018



We are pleased that the number of customers who have opted for our MäuseKonto account for children, which has won numerous awards, and the benefits associated with it also continues to grow. In the 2018 financial year alone, a good 7,000 new accounts of this type were opened, bringing the number of MäuseKonto accounts to almost 136,000 at the end of the year.

Generally satisfactory business performance

In light of the further consolidation of our position in the Hamburg Metropolitan Region as described earlier, we are generally satisfied with our business performance in the reporting period. The rise in deposits payable on demand resulted in an increase in liabilities to customers. Demand for credit – already at a high level in previous years – also increased, contributing to another sharp rise in receivables from customers. Once again, this development was primarily attributable to business loans and real estate financing. In the capital investment segment and in the special funds in particular, a process of structural adjustment was initiated at year-end and is being continued in 2019. Overall, our balance sheet structure continued to be dominated by the customer business amid a challenging competitive and market environment. Here, our history of proximity to customers and customers' trust in Haspa also paid off.

Despite the generally satisfactory business performance, the result for the year was slightly below expectations at € 70 million due to the historically low and negative interest rate environment and the considerable uncertainty on the capital markets. Continued high, non-tax-deductible expenses arising from the revaluation of pension provisions and persistently stringent regulatory requirements also impacted on the result of operations.

This result also includes expenses from investments in our new branch concept, expanding our digital offering and opening up new business areas as well as broadening our collaboration with the German Savings Banks Finance Group. Other developments in the past financial year are described in the section on net assets, financial position and results of operations.

2.3. Net assets, financial position and results of operations

2.3.1. Net assets and financial position

Assets	2018 € million	2017 € million	abs.	rel.
Cash reserve	2,299	690	+ 1,609	+ 233%
Receivables from banks	2,645	3,828	– 1,183	– 31%
Receivables from customers	32,743	30,901	+ 1,843	+ 6%
Securities	7,076	7,976	– 901	– 11%
Trading portfolio	125	71	+ 54	+ 77%
Other assets	205	205	+ 0	+ 0%
Total assets	**45,093**	**43,670**	**+ 1,423**	**+ 3%**

Equity and liabilities	2018 € million	2017 € million	abs.	rel.
Liabilities to banks	3,786	3,782	+ 4	+ 0%
Liabilities to customers	33,627	32,662	+ 965	+ 3%
Securitised liabilities	2,935	2,625	+ 310	+ 12%
Trading portfolio	24	28	– 4	– 15%
Provisions	1,088	1,067	+ 21	+ 2%
Equity and fund for general banking risks	3,433	3,353	+ 80	+ 2%
Other equity and liabilities	200	153	+ 47	+ 31%
Total equity and liabilities	**45,093**	**43,670**	**+ 1,423**	**+ 3%**

Increase in total assets

Total assets rose by € 1.4 billion to around € 45.1 billion. This was attributable on the one hand to higher receivables from customers and liabilities to customers. There was also an increase in securitised liabilities following Pfandbrief issues in the first half of the year.

Liabilities to banks continue to be dominated by pass-through loans – especially of Kreditanstalt für Wiederaufbau – and were slightly higher on the reporting date than at the close of the previous year. These pass-through loans are reported as a component of the lending business on the assets side of the balance sheet and at around € 2.3 billion were slightly higher than the figure recorded at the end of the previous year. In addition, further allocations were made to our equity capital, as planned.

This growth on the liabilities side is matched on the assets side of the balance sheet by another increase in receivables from customers, which was stronger than in the previous year.

The process of structural adjustment initiated in the capital investment segment is reflected especially in a sharp decline in special funds. In an interim step, surplus liquidity was temporarily parked with Deutsche Bundesbank. The increase in the cash reserve is also due to a reduction in receivables from banks that occurred in the context of cash management activities as a result of the reporting date.

Proprietary securities investments continue to include direct investments in securities of primarily public-sector issuers that are held for liquidity purposes. In connection with the realignment of the capital investment segment, securities were sold from the special funds and direct investments made in appropriate securities that were classified as fixed assets.

Total assets (in € billion)

Liabilities to customers up – further increase in deposits in traditional retail business

Overall, liabilities to customers rose by almost € 1.0 billion or 3 percent to € 33.6 billion. This increase was driven primarily by deposits payable on demand, which climbed by around € 0.7 billion or 4 percent to approximately € 19.0 billion. Our customers' trust was also reflected in the performance of other tried-and-trusted products. For example, savings deposits rose by € 0.4 billion or approximately 5 percent to € 9.1 billion despite the prevailing uncertainty on the money and capital markets.

Customer deposits	2014 € million	2015 € million	2016 € million	2017 € million	2018 € million
Savings deposits	7,252	7,826	8,438	8,708	9,111
Savings certificates / RentaPlan	1,291	1,389	1,277	1,255	1,250
Time depostits / Promissory note loans	2,162	1,452	672	680	759
Registered Pfandbrief securities	3,011	3,357	3,680	3,732	3,547
Deposits payable on demand	16,756	17,602	18,952	18,287	18,959
Total	30,472	31,627	33,020	32,662	33,627

For longer-term funding requirements, the market for Pfandbrief securities offers considerable potential as a sustained source of liquidity, against the backdrop of our large volume of new loan approvals. Bearer Pfandbrief securities with a volume of € 500 million were issued in the market in the first half of the year. In the context of the funding and investment structure, Haspa's liquidity situation is considered comfortable on account of the large portfolio of liabilities from the customer business. For more information about compliance with the regulatory ratios and the management of the liquidity situation, please refer to the risk report.

Customer receivables remain high

Receivables from customers rose by € 1.8 billion to € 32.7 billion. Both real estate financing and business loans rose slightly in light of the generally highly encouraging economic trend in Hamburg. In the past financial year, new loan approvals remained at a high level of € 7.5 billion and considerably above the prior year's figure. By contrast, personal loans, which are reflected in the balance sheet, continued to decline. This trend was impacted by the brokering of consumer loans within the German Savings Banks Finance Group to S-Kreditpartner GmbH, which has been taking place for several years now.

Customer loans	2014 € million	2015 € million	2016 € million	2017 € million	2018 € million
Business loans	6,055	5,773	5,710	5,913	6,474
Personal loans	1,886	1,695	1,531	1,460	1,401
Real estate financing	21,207	22,156	23,153	23,260	24,363
Public-sector loans	344	568	369	268	505
Total	29,492	30,192	30,763	30,901	32,743

Increase in equity according to planning

Also in view of the European-influenced regulations on regulatory ratios that arose from the international Basel III framework, Haspa's equity was increased further in the financial year, continuing the trend of the previous years. At the end of 2018, this amounted to a good € 2.7 billion, while the fund for general banking risks, which from a regulatory perspective is assigned to Common Equity Tier 1 capital, stood at € 0.7 billion. The regulatory ratios relating to own funds are presented in the risk report section.

2.3.2. Results of operations

Income statement	2018 € million	2017 € million	abs.	rel.
Net interest income[1]	712	725	– 12	– 2%
Net commission income	308	299	+ 9	+ 3%
Net income from financing activities	– 1	– 2	+ 1	– 37%
Administrative expenses	743	738	+ 4	+ 1%
Other operating result	– 46	– 40	– 6	+ 15%
Net revaluation gain / loss	– 101	– 73	– 28	+ 38%
Result from ordinary activities	129	170	– 41	– 24%
Tax expense	59	90	– 31	– 34%
Result for the year	70	80	– 10	– 13%

[1] *Including items 3 and 4 of the income statement*

Result for the year below the prior-year figure in a still-challenging environment

Net interest income was lower year-on-year in 2018, whereas net commission income delivered slightly higher contributions. The interest-related revaluation of our pension provisions continued to be one of the factors impacting the development of expenses. The net revaluation loss weighed more heavily on the income statement than it did in the previous year. At € 70 million after lower tax expense, the result for the year was down by € 10 million on the prior-year figure.

Against the backdrop of the continuous strengthening of our equity capital – including the fund for general banking risks – the return on equity before tax was slightly lower than expected at 3.8 percent and considerably below the level of the previous year. The return on assets required to be disclosed in accordance with section 26a (1) sentence 4 German Banking Act – calculated as net profit over total assets – was 0.2 percent for Haspa at the end of the year.

Net interest income down year-on-year

While net interest income at € 712 million was down € 12 million or 2 percent on the prior-year level, it slightly exceeded expectations. Overall, the interest rates held at an extremely low level through the continuation of the loose monetary policy had a negative impact on various components of net interest income. Customer business, which continued to account for by far the largest share of net interest income, made slightly smaller contributions than in the previous year and failed to meet the forecast figures. More specifically, this is attributable to deposit margins in the low / negative interest rate environment. While we retained our conservative approach to risk-taking, contributions to net interest income from maturity transformation were well above the prior-year level and our expectations. Showing fluctuations during the year, only about half of the limit for the present value interest rate risk from maturity transformation was utilised overall, so – in view of the difficult interest rate environment – a conscious decision was made to forego additional earnings potential. Like the previous year in particular, the year under review was impacted by one-time factors such as customer-initiated above-par redemptions of securities issued by Haspa. With capital markets on an unfavourable trend, contributions to net interest income from proprietary securities investments almost met our forecast figures, but were sharply lower year-on-year. In addition, investment income in 2018 was once again higher than forecast.

Net commission income up year-on-year

Net commission income rose by € 9 million or 3 percent year-on-year to € 308 million, but fell far short of the expected increase. This year-on-year rise is attributable to various components of net commission income. Besides moderate price adjustments on clearing transactions and securities business, net commission income also benefited from higher contributions from insurance and lending business. The latter relate to the brokering of consumer loans within the German Savings Banks Finance Group to S-Kreditpartner GmbH.

Net income from financing activities on a par with the previous year

Trading activities serve to support our retail banking business; in particular they comprise gains and losses from securities trading. As in the previous year, net trading expense also resulted from the derecognition of repurchased own issues, which will reduce interest expense in future years.

Administrative expenses above prior-year level

As expected, personnel expenses were down by € 5 million or 1 percent year-on-year to € 360 million. Other administrative expenses, amortisation and write-downs of intangible fixed assets, and depreciation and write-downs of tangible fixed assets were up slightly on the prior-year figure to € 383 million in total. As forecast, this rise was also attributable to the expansion of our collaborative arrangements with the German Savings Banks Finance Group. As a result of rigorous cost discipline, however, other administrative expenses were slightly lower than projected.

Other operating result less favourable than in the previous year

At € 46 million, the charge resulting from the other operating result was € 6 million higher than in the previous year. While other operating income was more favourable, this is attributable to other operating expenses, which were once again significantly impacted by the revaluation of the retirement provision for our employees. Overall, the change was more favourable than forecast, as we recorded a positive balance of additions to and reversals of provisions while continuing to state commercially conservative amounts.

Net revaluation loss up year-on-year

The risk provisions for the lending business, which remained at a very favourable level, increased marginally year-on-year. Conversely, the net revaluation loss on our proprietary securities investments, particularly our special funds, was sharply higher than in the previous year. It was negatively impacted by the considerable uncertainties on the capital market (such as the trade conflict and Brexit, for example). Overall, the net revaluation loss is considerably higher than in the previous year and also surpasses projections.

Result from ordinary activities not entirely satisfactory

Overall, the result from ordinary activities came to a not entirely satisfactory € 129 million in a challenging environment. It declined by € 41 million or 24 percent year-on-year and was well below our expectations.

Tax expense down year-on-year

The tax expense to be borne fell by € 31 million to € 59 million in the reporting year. This development is due to lower earnings under commercial law and is impacted by the differences between the measurement requirements for the financial statements and for the tax base.

Development of the most important key performance indicators

The most important financial key performance indicator for our internal management is the operating result before loan loss provisions, as defined by the German Savings Banks Association (DSGV). This business-orientated approach does not include, in particular, any prior-period, external or extraordinary effects; these are instead presented in the non-operating result. Based on the operating result before loan loss provisions of € 328 million in accordance with the definition by the DSGV, the result from ordinary activities came to € 129 million after deduction of € 199 million in total. This deduction is composed of the net revaluation loss of € 102 million and the non-operating result of € 97 million. The development of the non-operating result was particularly dominated by expenses associated with pension provisions as well as greater investments in broadening our collaboration with the German Savings Banks Finance Group. Overall, the operating result before loan loss provisions was slightly above the prior-year level and substantially exceeded projections.

The most important non-financial key performance indicator for our internal management is gross new customer additions, which was slightly lower year-on-year but still met our target.

3. Human resources report

Attractive employer in the Hamburg Metropolitan Region

Haspa offers its employees in the Hamburg Metropolitan Region many qualified jobs in a modern and team-based environment. Haspa uses remuneration commensurate with performance, personnel development and flexible working hours to promote both motivation and entrepreneurial thinking and acting in its employees. Above and beyond salaries governed by collective agreements we also pay benefits that enhance Haspa's attractiveness as an employer. Promoting diversity and equal opportunity are just as integral to Haspa's corporate culture as is ensuring work-life balance. We also promote the health of our employees through a variety of measures.

Around two-thirds of Haspa's more than 5,000 employees deal directly with our customers. About one third of our workforce works part-time.

Haspa's focus on the future and efficiency enhancements are reducing our demand for employees. To enable a socially compatible adjustment of our personnel capacity, human resources instruments are available that also enhance Haspa's attractiveness as an employer. For example, these include the option to convert salary into leave, sabbaticals, the promotion of part-time work in later years and early retirement arrangements.

Due to the demographic change, there is still a need for qualified employees and trainees to ensure that we continue to have sufficient staff to provide expert customer support and consulting services and to perform special tasks in our central divisions.

A new generation for the banking business

Haspa offers young people highly qualified training. With more than 250 trainees, we are one of the largest private companies in the Hanseatic City of Hamburg that takes on trainees. We currently train bank managers and office managers. In addition to the apprenticeship at Haspa, there are three dual studies courses: at the Hamburg School of Business Administration (HSBA) Haspa trainees can study a dual-track programme to obtain a Bachelor of Science in Business Administration or a Bachelor of Science in Business Information Systems. We also offer the dual-track programme leading to a Bachelor of Arts in Banking and Sales in cooperation with the University of Applied Sciences of the German Savings Banks Finance Group, which also includes training to become a banking services and operations specialist (Bankfachwirt) at the Hanseatic Savings Bank Academy.

Women make up half of our junior staff. A total of 86 percent of our trainees graduated from secondary school with the “Abitur”, the German university entrance qualifications, while 7 percent had a technical college entrance qualification (“Fachhochschulreife”) and 7 percent a ten-year-school leaving certificate (“Realschulabschluss”). Graduates with a ten-year-school leaving certificate may obtain the “Fachhochschulreife” as part of our “DualPlus” double qualification offer for trainees.

Our “Top Trainee Model” serves to open up additional training and education programmes and career perspectives to particularly capable and committed trainees. For instance, we already offer our top trainees the assurance that they will be hired one year before their training ends.

In 2018, the Hamburg Chamber of Commerce bestowed its award for outstanding performance in vocational or professional training on Haspa. In the survey on Hamburg’s best companies that take on trainees, we were awarded five stars, the highest number attainable, and in a nationwide comparison Focus Money named Haspa “Best Company for Trainees – Savings Bank Sector Winner”.

Qualified employees as guarantors of success

Most of Haspa’s success as a retail bank in Hamburg is due to its dedicated and competent employees who demonstrate Haspa’s high quality of service and consulting day in and day out. Young people and staff with many years of professional experience work hand in glove to serve our customers. Our employees’ average age is 43, and their qualifications are very high. Around 90 percent of our workforce are qualified bank managers or have completed other vocational business training. More than half have at least one additional degree, for example as banking services and operations specialists or bank business administrators or have a bachelor’s, master’s or other university degree.

HaspaAcademy makes us one of the few companies that combine all educational and training programmes in-house under a single roof. It enhances the professionalism and quality of the training and continued education offered to all of Haspa’s employees in ways appropriate to the needs of both the bank and its target groups. This makes it possible to promote talent even better, expand people’s professional and personal competence as well as intensify both the development of management candidates and training measures.

Haspa values highly-qualified employees. With this in mind, we encourage lifelong learning with a comprehensive range of training opportunities. The clear structure of Haspa's training programmes allows employees and applicants alike to obtain comprehensive information on the range of our educational and training modules and plan their careers with the available prospects in mind.

Leadership has traditionally been given high priority at Haspa. Our management qualification programmes give us tried-and-tested tools for training and educating both our current executives and the up-and-coming generation.

Women account for 55 percent of our workforce. In management positions, however, female employees are under-represented. For this reason, we hope to encourage an increasing number of women to accept management posts. We promote the careers of women through measures such as the series of seminars on "Strategies for Working Women". We also offer flexible part-time working models and childcare options, for example during school holidays and in emergencies, and the option to share management positions. In a Germany-wide comparison test, Focus Money recognised Haspa as an employer providing "Top Career Opportunities for Women".

4. Comprehensive Bank Controlling

Forward-looking risk policies in a financial market environment dominated by low interest rates

The ECB maintained its extremely expansionary monetary policy in 2018, keeping its interest rate on deposits by banks, which it had last adjusted in March 2016, at –0.4 percent.

The German lending industry continues to suffer from the low interest rates and the remaining uncertainty in the financial markets, which stems from both the European sovereign debt crisis and the financial market and economic crisis that preceded it. For instance it remains a challenge for all groups of credit institutions to build equity, also due to the further tightening of banking regulations.

Haspa responded to the challenging environment by pursuing forward-looking risk policies. It believes that it continues to be well positioned to weather the challenges ahead thanks also to its comfortable equity and liquidity position in conjunction with the ongoing development of its risk management.

Comprehensive bank controlling focused on core business and risks

Haspa's comprehensive bank controlling is based on its retail banking strategy comprising the private customer and corporate customer business. In addition, successes and risks from the capital investment and maturities transformation segments as well as the operating business complete the picture.

Integration of the internal and the external view – uniform comprehensive bank controlling

Haspa's comprehensive bank controlling consists of linking internal key performance indicators (KPIs) that have clear economic aims with external KPIs that are subject to the requirements of the German Commercial Code or to regulatory requirements. The integrated analysis of both views, including reporting, enables targeted control of operational and economic processes.

Comprehensive bank controlling as a closed procedural cycle

The comprehensive bank controlling function also classifies and evaluates the data, which is then used for specific controls. The incorporation of these controls is organisationally separate from the management of implementation measures and is performed by the organisational units which are responsible in each case.

Haspa's strategic alignment is reviewed in annual strategy workshops at the level of the Board of Management. Among other things this process yields the updated mid-term planning for the coming years. The annual planning process in turn generates specific budgets for the coming year. An integrated, monthly reporting system serves to record Haspa's performance with respect to sales, costs and risks, as well as its income, expenses and net revaluation gain / loss. All divisions are also integrated into a quarterly preview process that furnishes updated targets for the year overall and is condensed as part of the reporting to corporate bodies. As a supplementary measure, Haspa's development is analysed on an integrated basis at monthly forecast meetings.

Whilst this closed-circuit process has been in place for years, the respective procedures are subject to continuous improvement in conceptual terms, and the given tools are refined on an ongoing basis.

Flexible earnings analysis

The margins for the lending and deposit business are determined at the transaction level using the market rate method; risk costs for loans are deducted separately. Terms appropriate to the given risks are stipulated with the customers. As is customary for the lending business, they are determined with regard to expected defaults; in terms of equity costs, they are determined with respect to unexpected defaults. Besides the margins from interest transactions, commission income is a key component of earnings. These calculations which are specific to individual transactions and contracts enable us to flexibly support our sales and marketing activities.

Efficient controlling – the prerequisite for successful cost management

All divisions are broken down by appropriate cost centre structures based on our customer-focused organisational structure. Separate budgets are allocated to individual projects. Larger projects are subject to special investment controlling which evaluates them according to business management standards and monitors them from a controlling viewpoint until the desired benefit has been achieved. A total of 53 projects were subject to investment controlling in 2018. These were principally investments in our new branch concept, expansion of our digital services and development of our collaboration with the German Savings Banks Finance Group. They also included projects addressing compliance with regulatory requirements.

With a view to proper cost accounting allocation, at Haspa all intragroup service relationships are recorded using intragroup settlement procedures.

Effective internal control and risk management system safeguards the accounting process

Pursuant to section 25a (1) German Banking Act, overall responsibility for proper business organisation and the risk management integral to it rests with Haspa's Board of Management. As required by MaRisk, the Board of Management is supported by Compliance and Risk Controlling in this context. Among other things risk management comprises the implementation of internal control procedures consisting of an internal control system and an internal auditing system. Internal Audit is an integral part of Haspa's risk management and internal control procedures. It carries out its responsibilities autonomously and independently on behalf of the full Board of Management.

Risk management and the internal control processes also cover the accounting process. Accounting in turn comprises bookkeeping as well as preparation of both the annual financial statements and the management report. Each Haspa division is responsible for bookkeeping based on prescribed rules for account assignment. S-Servicepartner Norddeutschland GmbH supports Haspa in preparing its annual financial statements. The subcontracting process is controlled and monitored by the competent Comprehensive Bank Controlling division of Haspa. This ensures that the Information Technology and Organization division as a service-controlling division is involved in the decision-making, management and monitoring processes, taking into account the legal foundations and optimum contract terms and contract contents for Haspa. Organisationally all divisions tasked with accounting are separate from divisions responsible for marketing activities.

The rules for account assignment and the control processes pertaining to the bookkeeping as well as the preparation of the annual financial statements and the management report are specified in various technical guidelines. In particular these work instructions address the controls to be carried out in terms of reconciliations and the requisite documentation. All data related to the financial reporting process of Haspa is processed using IT systems which at all times are subject to access limitation, system activity logs, access controls, data backups and data protection.

Internal Audit directly or indirectly reviews the accounting related internal control and risk management systems based on a risk oriented audit plan. This also includes functional separation, data processing security, documentation of control actions and compliance with technical guidelines. The accuracy of our data processing programmes is ensured by means of strict separation of the development, testing and production systems and through a defined development process for software packages with the pertinent testing and release procedures. Introduction of new or amended parameters can only be placed in production within the scope of defined change management. In its reviews, Internal Audit verifies that these procedures are followed properly.

If the financial reporting process is carried out using centralised third-party data processing equipment, the pertinent providers are obligated under the general agreements closed with them to comply with all statutory and regulatory requirements relevant to the outsourced activities. Compliance with these statutory and regulatory requirements is monitored by the internal auditing departments of the given third-party providers as well as by Haspa's Internal Audit.

5. Risk report

Identification and assessment of material risks

In the regular risk inventory, the risks to which Haspa is exposed are identified and their materiality is assessed. Most of the material risks are assessed using appropriate quantitative measurement methods and managed as a whole in the analysis of the risk-bearing capacity. Any further risks that are not included in the analysis of the risk-bearing capacity are taken into based on additional key figures and control processes and are consequently also considered in key decisions.

Comprehensive bank controlling focusing on risk-bearing capacity

Incurring risk in targeted ways is at the heart of all banking activity. The objective of risk management is to identify at an early stage and comprehensively measure, monitor and control risks that could jeopardise Haspa's success or even the continuation of the institution as a going concern. Ensuring an institution's risk-bearing capacity on an ongoing basis, under both the economic and the normative perspective, is an integral part of effective risk management.

The central element of the economic perspective is the present value risk-bearing capacity calculation with the aim of ensuring the continuity of operations over the long term. The present value risk-bearing capacity calculation compares against Haspa's economic capital (risk coverage potential) all risks that are identified in the risk inventory and could have a material impact on Haspa's capital position under the economic perspective. Risk is measured using suitable VaR models, with the measurement based on a standard confidence level, which effective 1 January 2018 was increased to 99.9 percent. For conceptual reasons, therefore, the VaR amounts are not fully comparable with the previous year. The assumed holding period is generally one year, although shorter holding periods of one month are in some cases applied to interest rate and market risk. Under the economic perspective, risk-bearing capacity is assured if all material risks are covered by the risk coverage potential on an ongoing basis.

For the economic perspective, the risks entered into are limited by defining risk limits for the individual types of risk, taking into account the risk coverage potential available. Haspa's risk coverage potential consists largely of capital components eligible for regulatory capital and, under the economic perspective, is supplemented with hidden losses and reserves. The risk coverage potential was over € 3.9 billion throughout the reporting period; even amid volatile market conditions, it is at a comfortable level. The sum total of the risks entered into ranged between around € 1.4 and 1.5 billion during the year. To continuously ensure its risk-bearing capacity, Haspa not only complies with the risk limits; it also maintains an appropriate level of free risk coverage potential.

Under the normative perspective of the risk-bearing capacity concept, the focus is on complying with the relevant regulatory and supervisory requirements on an ongoing basis. The central element of the normative perspective is the capital planning process, which is carried out on an annual basis and covers a multi-year planning horizon. Capital planning comprises an anticipated baseline scenario as well as multiple sensitivity analyses and specific adverse scenarios. Among other things, the effects of a prolonged period of low interest rates and an economic slump are analysed. In addition, continual monitoring of regulatory capital requirements using internal thresholds, the intra-year forecasting process for the capital ratios and the regular performance forecast ensure the validity of the capital planning and compliance with supervisory requirements.

Haspa is subject to regulatory capital requirements primarily under the Capital Requirements Regulation (CRR). As at 31 December 2018, Haspa's total capital ratio applying the standard approach was 14.6 percent and its Tier 1 capital ratio was 13.6 percent. At 17.1 percent and 16.1 percent, respectively, the total capital ratio and the Common Equity Tier 1 capital ratio of the HASPA Group remained at a comfortable level. The leverage ratio, which indicates an institution's exposures in relation to its own funds and is therefore based more on balance sheet figures, is around 7.0 percent and thus substantially higher than the prospective requirement of 3 percent. To ensure capital adequacy, stress tests are also performed on a regular basis. Stress testing enables Haspa to measure and assess the impact of certain, internally defined scenarios on capital resources and liquidity. In the risk-bearing capacity calculation under the economic perspective, the scenario of a severe economic downturn and a price slump on Hamburg's real estate market are analysed in the course of overarching stress tests. Risk type-specific stress tests are also in place. In addition, the effects of different adverse developments are regularly examined in the course of capital planning and in the HASPA Group's recovery plan. The HASPA Group also performs stress tests as specified by European supervisory authorities. Overall, therefore, it has in place a comprehensive stress test programme covering various perspectives. The results of the stress tests performed do not indicate any threat to Haspa under the assumed conditions.

Material risks are subject to continuous monitoring by means of suitable early warning systems that identify significant developments as quickly as possible, thus enabling timely countermeasures based on thresholds.

Knowledge of the regional market and portfolio risk management limit credit risks

Haspa's credit risk stems from the lending business associated with private, corporate, enterprise and real estate customers. Our customer loan portfolio continues to be broadly diversified and largely secured by mortgages. The clear focus of the credit portfolio continues to be on highly rated commitments. The expected counterparty credit risk is generally factored into the credit terms. We use a suitable loan portfolio model (Monte Carlo simulation) to measure unexpected default risks. The utilisation of the credit risk limit at the end of the year was € 412 million.

The internal rating procedures developed jointly with the German Savings Banks Finance Group offer specific tools that are tailored to our customer groups and continuously refined.

The current scoring systems of the German Savings Banks Finance Group are used to assess creditworthiness and determine pricing in the private customer business. Rating procedures designed to assess credit ratings and determine risk-based pricing are used in our standard corporate customer business. Different procedures apply for small, mid-size and large corporate customers, professionals / freelancers as well as start-up entrepreneurs depending on the given company. A property transaction rating tool tailored to commercial property financing is used for commercial real estate commitments. Automated compact customer rating is additionally applied to enable targeted credit scoring of small corporate customers. The corresponding model of the Landesbank rating is used for project financing in the field of renewable energies.

We handle issuer risk and counterparty credit risk in both our securities investment and interbank business by limiting ourselves to trading partners with first-rate credit ratings as well as a widely diversified portfolio and a strict limit system. In the interbank money market business, we include a range of trading partners and thus avoid becoming dependent on individual market players. The counterparty credit risk is also limited through the high level of collateralisation in the trading business.

Managing interest rate risks in an environment of persistently low interest rates

Interest rate risk arises from potential changes in market interest rates relative to the structure of the bank's on and off-balance sheet transactions. Interest rate risk essentially results from the given loan commitment which tends to be of a longer term nature on the asset side, compared to borrowings which tend to run over a shorter term on the liabilities side. Money and capital market interest rates have an immediate effect on Haspa's bottom line. We measure and control interest rate risk in a comprehensive manner using both periodic and net present value methods.

Against the backdrop of continually low interest rates, the scale of the interest rate risk was controlled at a moderate level in the 2018 financial year. The present value interest rate risk amounted to € 615 million as at the balance sheet date. Haspa employs derivative financial instruments, especially standard interest rate swaps, to manage its interest rate risk.

The possible impact of any change in market interest rates on our present value interest rate risk and periodic net interest income is also monitored on a continuous basis. Simulation of various interest rate scenarios shows the sensitivity to changes in market interest rates and also covers the simulation of ad hoc interest rate shocks.

Haspa's interest rate risk position is monitored on an ongoing basis and reviewed in greater depth and controlled with respect to money and capital market trends at monthly committee meetings with the participation of the Board of Management. In addition, ad hoc meetings can be held as necessary to ensure appropriate action in case of rapid changes.

Capital market risks in an environment of continued loose monetary policy

Equity markets gained further ground in early 2018 and reached a new record high in January. As the year progressed, increasing uncertainty due to the threat of a trade war between the USA and China, fears of a hard Brexit and irritation over Italy's budget policy weighed on the capital markets and on the DAX in particular. Amid fluctuations, the German share index touched an annual low of 10,382 points before recovering slightly to close the year at 10,559 points. The DAX therefore shed 18.3 percent in the course of 2018 and ended the year in negative territory for the first time since 2011.

Portfolio adjustments in the capital investment segment against the backdrop of existing uncertainties

Portfolio volumes in special funds were scaled back year-on-year. Risks were reduced through sales, by entering into hedging transactions and by reducing open currency positions. In particular, the special funds now contain European corporate bonds, real estate funds and equities. In total, special fund risk stood at € 69 million at year-end.

In addition, proprietary securities investments continue to include direct investments in securities of primarily public-sector issuers that are held for liquidity purposes. In 2018, appropriate securities were sold from the special funds and direct investments made in securities that were classified as fixed assets. The risk on this portfolio of proprietary securities investments stood at € 104 million at year-end.

Country risks

In terms of country risks, Haspa's gross receivables generally originate in Germany due to its regional alignment as a retail bank. There is also a manageable level of investments outside Germany, primarily in European securities. Brexit – even if it occurs in a disorderly fashion – can be managed by Haspa.

Low trading risks, as before

Haspa's considerable restraint in taking on equity and foreign exchange trading risk also reflects its alignment as a retail bank in the Hamburg Metropolitan Region. Most of our trading activities are customer initiated, and we only hold closed currency and option positions.

Operational risks integrated in risk management

Operational risks can be found in all of Haspa's divisions and stem from general banking activities. They describe the risk of losses occurring as a consequence of the inappropriateness or the failure of internal processes, employees, the internal infrastructure or external factors. Operational risks are quantified in the risk-bearing capacity calculation using the regulatory basic indicator approach. The risks determined amount to € 159 million at year-end.

As part of its internal control system, Haspa has taken many steps to ensure flawless and smooth business procedures. Intragroup procedures and the functionality of technical systems are continuously adapted to both internal and external requirements. Operating processes are subject to a general guideline and technical guidelines, and are monitored by Internal Audit.

Haspa has outsourced portions of its market support processes associated with its lending, deposit and services business, as well as selected finance and risk management activities to S-Servicepartner Norddeutschland GmbH and its subsidiaries. Some of the payment processes are outsourced to DSGF Deutsche Servicegesellschaft für Finanzdienstleister mbH. Additionally some IT functions have been transferred to, among others, IBM Deutschland GmbH, Diebold Nixdorf Portavis GmbH, Canon Deutschland Business Services GmbH and EFiS EDI Finance Service AG.

The interaction between outsourcing centres and Haspa with respect to the outsourced functions is subject to and governed by statutory and regulatory requirements using individual and interface-specific agreements. These arrangements have been tried and tested in the interaction between the different entities and are further expanded and refined on an ongoing basis.

Information technology security is one of the focal points in controlling operational risks. Detailed contingency plans are available for all IT functions. These emergency plans also include crisis management protocols as well as procedures designed to ensure uninterrupted business operations for all divisions. Authorised access systems and control and monitoring processes guarantee the protection of confidential information against unauthorised access and modifications of business processes. Effective firewall systems provide protection against unauthorised external access.

Operational risks are also measured and managed during a company-wide annual risk inventory and by analysing significant loss events.

Liquidity risks limited through funding strategy and solid liquidity limit

Liquidity risks may arise in the form of insolvency risk, funding risk and market liquidity risk.

Insolvency risks arise when payment obligations cannot be fulfilled in time or to a sufficient degree. Funding risks arise if liquidity can only be obtained at higher spreads. Market liquidity risks occur when investments cannot be liquidated at the desired time or in the planned amount.

By considering a daily liquidity report which also covers Haspa's funding mix, short-term changes in customer behaviour and possible concentration risks can be identified at an early stage.

Beyond its daily liquidity report, Haspa also uses its divisional planning to develop a strategic liquidity outlook that identifies liquidity needs early on. This enables us to assess our liquidity needs for future maturities and manage cash flows accordingly. Risk scenarios are monitored and analysed. Based on our funding strategy, stoplight systems are used to define and regularly monitor Haspa's risk tolerance, taking into account the funding potential, such that timely control measures can be adopted as necessary.

With successful Pfandbrief issues in recent years, Haspa has tapped into the vast liquidity potential of the Pfandbrief market which will enable it to cover even larger liquidity needs in future.

For years Haspa has also served as a lender in the interbank lending market. It met the requirements for minimum reserve deposits at any time during the past year.

The current and prospective requirements for the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR) are clearly being met. Both ratios are an indication that Haspa has comfortable liquidity. At year-end, the LCR is 193 percent and the NSFR is 124 percent.

Risk measurement

No going-concern risks or risks with a material effect on its net assets, financial position and results of operations were identified for the current year.

6. Report on expected developments – opportunities and risks

Slower economic growth in Germany

The healthy state of the labour market, real pay growth and favourable financing opportunities as a result of sustained low interest rates will ensure that domestic demand remains strong in 2019. On the other hand, many sectors are producing at the limits of their capacity and suffering from a lack of skilled labour. As a result, German economic growth is likely to slow to 1.2 percent. The rate of inflation will be just under 2.0 percent.

The European Central Bank will raise interest rates marginally at most in 2019. In the fourth quarter, for example, the ECB could lift its deposit rate slightly. An increase in the main refinancing rate is not expected until 2020.

Equity markets will be highly volatile due to reduced economic growth and continuing political uncertainties such as Brexit and the trade conflict between the USA and China. The yield on ten-year Bunds will range between 0.25 and 0.75 percent in 2019.

Economic growth in Hamburg continues

Hamburg Chamber of Commerce's economic barometer showed a moderately optimistic view of business prospects in the fourth quarter of 2018. Around 20 percent of the companies surveyed expect a better trend in business, 65 percent expect a consistent trend and 15 percent expect a less favourable trend. The balance of positive and negative expectations is therefore 5 percentage points; a year earlier, it was as high as 12 percentage points. Overall, the companies surveyed are seeking to recruit more staff and expand their investment activities in 2019. The outlook for exports is predominantly regarded as good or steady. Hamburg's strong appeal as a business location is likely to contribute to economic growth in Hamburg exceeding the national average.

Haspa's planning

Based on these assumptions, the following report focuses on Haspa's likely performance including material opportunities and risks. The forecasting horizon covers the current financial year. The forward-looking statements contained in this report are based for one on generally expected macroeconomic developments with a particular focus on the Hamburg Metropolitan Region, for another these statements are based on Haspa's planning for 2019, which results in specific budgets.

Retail banking – core strategic focus

Whilst all of our activities will focus on private and corporate customers as well as our Private Banking.

Private customers are and will remain the foundation of our business. Haspa will continue to expand in the Hamburg Metropolitan Region thanks to its comprehensive services for this customer segment. We will focus on the requirements of our customers in the individual regions, which will increase in the future, such as being able to conduct banking transactions flexibly at all times. With the implemented realignment of our sales organisation we adapted our market identity and enhanced our market presence, thereby laying the groundwork for even more targeted local consulting services. The range of financial services we offer in online banking will also be enhanced so that, in addition to personal contact with customer support and consulting services, our customers will now also be able to perform banking transactions online and using their mobile phones even more comfortably. This positioning will be systematically expanded with the investments in our new branch concept, the expansion of digital services and the broadening of our collaboration with the German Savings Banks Finance Group. It also plans to further intensify its activities related to corporate customers, as well as its Private Banking.

Well equipped for the future – customer business intensified

By focusing squarely on the retail business and providing comprehensive customer support, we aim to strengthen our competitive advantages of expertise and regionality.

Net interest income in the 2019 financial year is likely to be slightly above the figure for the financial year ended. Overall, low interest rates continue to constitute a challenging environment especially for Haspa's customer business. If interest rates go up in the current year, this will generally have a positive effect on our customer business and could lead to larger contributions to net interest income.

Net commission income is expected to show a sharp rise in 2019 due in particular to an increase in securities business and price adjustments on clearing transactions. Depending on how the money and capital markets develop, higher – though also lower – contributions may be made in this area.

Administrative expenses are likely to exceed the 2018 figure slightly in the current year. They will be dominated by investments in our new branch concept, the expansion of our digital offering and the opening up of new business areas as well as the broadening of our collaboration with the German Savings Banks Finance Group. Administrative expenses will also be adversely impacted by extensive projects to implement regulatory requirements. We expect other operating income to be significantly less favourable. The past financial year benefited from a favourable balance of additions to and reversal of provisions with continued commercially conservative estimates.

In view of a likely increase in customer assets and, in particular, the good outcome of 2018, risk provisions for the lending business are conservatively expected to rise in the current year to a significantly higher level. If 2019 is similarly successful as 2018, much lower effects than projected may nevertheless arise here. In light of the considerable uncertainty on the capital markets, we expect the revaluation of our proprietary securities investments to have a negative impact comparable to that of the previous year. Overall, therefore, we anticipate a considerably higher charge from the net revaluation loss.

On the basis of the planning outlined, we expect the operating result before loan loss provisions, according to the definition by the German Savings Banks Association (DSGV), to be considerably lower than in 2018. We expect the gross increase in new customers to be slightly higher than in the previous year.

Due not least to our broadly diversified customer business and on the basis of our tried-and-tested funding strategies and potential, our liquidity situation will remain comfortable.

7. Note on the non-financial declaration in accordance with section 289b HGB

Haspa is obliged to publish a non-financial declaration in accordance with section 289b HGB.

Our 2018 Sustainability Report includes the statements required for a non-financial declaration concerning our business model, environmental, employee and social issues, respect for human rights and combating corruption and bribery. We are publishing the 2018 Sustainability Report together with the 2018 Annual Report in the Electronic Federal Gazette.

8. Corporate governance declaration in accordance with section 289f HGB

As an unlisted company subject to co-determination, Haspa is providing a declaration comprising the following statements in accordance with section 289f HGB.

In 2017, the Supervisory Board set a target for the share of women in the Supervisory Board of 18.75 percent, equivalent to three of the 16 posts, to be achieved by 30 June 2022.

In 2017, the Supervisory Board set a target for the share of women in the Board of Management of 20 percent, which applies until 30 June 2022.

A target of 15 percent with a deadline of 30 June 2022 was set by the Board of Management for the two management levels below the Board of Management – heads of division and heads of department.

Balance sheet

of Hamburger Sparkasse AG for the year ended 31 December 2018

Assets in € '000		31.12.2018	31.12.2017
1. Cash reserve			
a) Cash on hand		485,261	477,674
b) Balance with Deutsche Bundesbank		1,813,751	212,243
		2,299,012	**689,917**
2. Receivables from banks			
a) Payable on demand		606,137	1,570,299
b) Other receivables		2,039,160	2,257,616
		2,645,297	**3,827,915**
3. Receivables from customers		**32,743,218**	**30,900,716**
of which: secured by mortgages / mortgage loans	15,537,552		(15,163,977)
Public-sector loans	504,701		(395,099)
Other receivables	16,700,965		(15,341,641)
of which: loans on securities	7,116		(12,769)
4. Debentures and other fixed-interest securities			
b) Bonds and debentures			
ba) by public-sector issuers		3,307,130	3,107,962
of which: eligible as collateral for Deutsche Bundesbank advances	3,307,130		(3,107,962)
bb) by other issuers		782,994	418,507
of which: eligible as collateral for Deutsche Bundesbank advances	782,994		(418,507)
		4,090,124	**3,526,468**
		4,090,124	**3,526,468**
5. Equities and other non-fixed interest securities		**2,985,604**	**4,450,009**
5a. Trading portfolio		**124,667**	**70,518**
6. Long-term equity investments		**106,255**	**106,677**
of which: in banks	2,504		(2,504)
in financial services institutions	—		(—)
7. Shares in affiliated companies		**12,512**	**12,524**
of which: in banks	—		(—)
in financial services institutions	—		(—)
8. Fiduciary assets		**2**	**3**
of which: Fiduciary loans	2		(3)
9. Intangible fixed assets			
a) Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets		8,076	14,762
b) Prepayments		4,229	5,300
		12,304	**20,063**
10. Tangible fixed assets		**32,274**	**21,468**
11. Other assets		**33,958**	**37,102**
12. Prepaid expenses		**7,984**	**7,032**
of which: from the issue and lending business	4,941		(4,095)
Other	3,043		(2,937)
Total assets		45,093,214	43,670,412

Equity and liabilities in € '000		31.12.2018	31.12.2017
1. Liabilities to banks			
a) Payable on demand		145,683	194,056
b) With agreed maturity or notice period		3,640,107	3,587,815
of which: registered mortgage Pfandbrief securities issued	356,116		(385,452)
Other liabilities	3,283,990		(3,202,363)
		3,785,790	3,781,871
2. Liabilities to customers			
a) Savings deposits			
aa) With agreed notice period of three months		9,111,229	8,708,168
ab) With agreed notice period of more than three months		—	110
		9,111,229	8,708,279
b) Other liabilities			
ba) Payable on demand		18,959,215	18,286,859
bb) With agreed maturity or notice period		5,556,318	5,666,612
of which: registered mortgage Pfandbrief securities issued	3,546,879		(3,732,267)
Other liabilities	2,009,439		(1,934,345)
		24,515,533	23,953,471
		33,626,762	32,661,750
3. Securitised liabilities			
a) Debentures issued		2,935,121	2,625,338
of which: mortgage Pfandbrief securities	1,784,042		(1,293,563)
Other debentures	1,151,079		(1,331,776)
		2,935,121	2,625,338
3a. Trading portfolio		23,960	28,176
4. Fiduciary liabilities		2	3
of which: Fiduciary loans	2		(3)
5. Other liabilities		179,507	131,429
6. Deferred income		20,958	21,858
of which: from the issue and lending business	16,822		(19,356)
Other	4,137		(2,502)
7. Provisions			
a) Provisions for pensions and similar obligations		943,767	856,801
b) Provisions for taxes		36,760	50,055
c) Other provisions		107,586	160,131
		1,088,113	1,066,987
8. Fund for general banking risks		702,000	702,000
of which: Extraordinary item in accordance with section 340e (4) HGB	2,000		(2,000)
11. Equity			
a) Subscribed capital		1,000,000	1,000,000
b) Capital reserves		1,514,000	1,434,000
c) Revenue reserves			
ca) Legal reserve		—	—
cb) Reserve for shares in a parent or majority investor		—	—
cc) Reserves provided for by the articles of association		—	—
cd) Other revenue reserves		217,000	217,000
		217,000	217,000
d) Net retained profits		—	—
		2,731,000	2,651,000
Total equity and liabilities		45,093,214	43,670,412
1. Contingent liabilities			
b) Contingent liabilities from guarantees and indemnity agreements		577,485	570,761
		577,485	570,761
2. Other obligations			
c) Irrevocable loan commitments		3,537,867	2,807,399
		3,537,867	2,807,399

Income statement

of Hamburger Sparkasse AG for the period from 1 January to 31 December 2018

All figures stated in € '000		2018	2017
1. Interest income from			
a) Lending and money market transactions		817,115	863,706
b) Fixed interest securities and registered government debt		2,277	1,774
		819,391	865,480
2. Interest expense		– 202,936	– 276,538
		616,456	588,942
3. Current income from			
a) Equities and other non-fixed interest securities		87,143	119,442
b) Long-term equity investments		3,333	9,344
c) Shares in affiliated companies		—	—
		90,476	128,787
4. Income from profit pooling, profit transfer, or partial profit transfer agreements		5,390	7,054
of which: from tax allocations	440		(49)
5. Commission income		331,060	320,448
6. Commission expenses		– 23,003	– 21,658
		308,057	298,789
7. Net trading income or expense		– 1,104	– 1,762
8. Other operating income		75,498	64,038
		1,094,774	1,085,849
9. General and administrative expenses			
a) Personnel expenses			
aa) Wages and salaries		– 290,369	– 294,320
ab) Social security, post-employment and other employee benefit costs		– 69,337	– 70,024
		– 359,706	– 364,344
of which: in respect of post-employment benefits	– 14,403		(– 15,685)
b) Other administrative expenses		– 368,277	– 357,883
		– 727,983	– 722,227
10. Depreciation, amortisation and write-downs of tangible and intangible fixed assets		– 14,693	– 16,235
11. Other operating expenses		– 121,293	– 104,009
12. Write-downs of and valuation allowances on receivables and certain securities, and additions to loan loss provisions		– 100,790	– 73,415
13. Income from reversals of write-downs of receivables and certain securities and from the reversal of loan loss provisions		—	—
		– 100,790	– 73,415
14. Write-downs of and valuation allowances on other equity investments, shares in affiliated companies and securities classified as fixed assets		– 436	—
15. Income from reversals of write-downs of other equity investments, shares in affiliated companies and securities classified as fixed assets		—	748
		– 436	748
16. Cost of loss absorption		– 152	– 599
17. Additions to / withdrawals from the fund for general banking risks		—	—
18. Result from ordinary activities		129,426	170,112
19. Extraordinary income		—	—
20. Extraordinary expenses		—	—
21. Extraordinary result		—	—

All figures stated in € '000		2018	2017
22. Taxes on income		−59,426	−90,112
of which: for tax allocations	−59,719		(−87,842)
23. Other taxes not included in item 11		—	—
		−59,426	−90,112
24. Income from loss absorption		—	—
25. Profit transferred on the basis of profit pooling, profit transfer, or partial profit transfer agreements		−70,000	−80,000
26. Net income for the financial year		—	—
27. Retained profits / losses brought forward		—	—
		—	—
28. Withdrawals from revenue reserves			
a) from the legal reserve		—	—
b) from the reserve for treasury shares		—	—
c) from the reserves provided for by the articles of association		—	—
d) from other revenue reserves		—	—
		—	—
29. Appropriation to revenue reserves			
a) to the legal reserve		—	—
b) to the reserve for treasury shares		—	—
c) to the reserves provided for by the articles of association		—	—
d) to other revenue reserves		—	—
		—	—
30. Net retained profits		—	—

Notes

The tables presented in the annual financial statements may contain rounding differences.

Contents

General disclosures

Hamburger Sparkasse AG (Haspa) prepared its annual financial statements as at 31 December 2018 in accordance with the requirements of the German Commercial Code (Handelsgesetzbuch – HGB) and the requirements of the German Ordinance on Accounting for Banks and Financial Services Institutions (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute – RechKredV), taking into account the requirements of the German Stock Corporation Act (Aktiengesetz – AktG).

The option not to break down prorated interest by residual maturity (section 11 sentence 3 RechKredV) was also applied.

Haspa's registered office is in Hamburg. The Bank has been entered in the commercial register of the Hamburg Local Court under the number HRB 80691.

Accounting policies

Lending business

Receivables from customers and banks were recognised at their nominal value or cost. Any discounts retained in connection with the disbursement of loans with a fixed borrowing rate are allocated over the fixed interest period. For loans with a variable borrowing rate, discounts of up to 2 percent of the loan principal are allocated over the entire term; higher discounts are allocated over no more than five years.

Individual write-downs or provisions take adequate account of recognisable risks in lending. Generalised valuation allowances were recognised for potential risks from receivables. The requirement to reverse write-downs was observed when measuring loans.

Until 2017, we measured global valuation allowances using average credit losses over the last five years, reduced by a discount of 40 percent. In 2018, we reduced this discount to 10 percent in order to present a more meaningful view of the net assets, financial position and results of operations in accordance with German Accepted Accounting Principles. The balance was increased by € 3.4 million as at 31 December 2018, whereas it would have been reduced by € 5.1 million had the previous input been retained unchanged.

All amounts that satisfy the requirements of section 14 German Pfandbrief Act (Pfandbriefgesetz) were reported under the balance sheet item, "Receivables from customers".

Securities

Securities in the bank's own portfolio are largely held as a liquidity reserve as well as for investment and trading.

While securities allocated to the liquidity reserve are measured by applying the strict lower-of-cost-or-market principle, long-term securities are carried at cost or their net carrying amount. Investment securities are only written down if the impairment is permanent. In particular, impairment is regarded as permanent in the event of a significant deterioration in the issuer's credit standing. The requirement to reverse write-downs is taken into account in the case of both securities allocated to the liquidity reserve and investment securities.

The appropriate market value of assets that are held in special funds and for which there is no marketable price is determined by the respective fund based on due assessments using suitable measurement models and taking prevailing market conditions into account.

Trading portfolio

Financial assets acquired for trading are recognised in the trading portfolio at fair value less value at risk (VaR). Pursuant to IDW RS BFA 2, the value at risk is accounted for in the larger of the respective balance sheet items (assets or liabilities). Foreign currency financial assets and liabilities in the trading portfolio are translated at average rates.

The corresponding value at risk (VaR) is determined to satisfy regulatory requirements in respect of managing the trading book's market price risks. This VaR is used to calculate the risk discount. It is determined based on a holding period of one month, a data history of 250 days and a confidence level of 99.9 percent.

Applying the risk discount accounts for the probability of a loss of realisable profits from the measurement at market rates. Changes in the risk discounts are recognised in net trading income or expense. Gains and losses on the prices and the measurement of financial instruments are also recognised in net trading income or expense. This item also includes net revaluation gains / losses from the early repayment of repurchased own issues. Interest income and expense from trading are recognised in net interest income.

Shares in affiliated companies and equity investments

Shares in affiliated companies and equity investments are recognised at cost. The requirement to reverse write-downs was observed for the purpose of remeasurement. Lower values are recognised if special circumstances apply.

Liabilities

Liabilities are measured at the settlement amount. Discounts taken are reported in assets under prepaid expenses whilst premium income is reported in deferred income. In deviation from the above, zero-coupon bonds are accounted for at their present value.

Provisions

The provisions shown adequately account for all recognisable risks as well as all uncertain obligations. Provisions are recognised at their settlement amount dictated by prudent business judgement. Provisions with a remaining term of more than one year are discounted at the average market interest rate published by the Deutsche Bundesbank corresponding to their remaining maturity, which in the case of provisions for pensions is for the past ten years but in the case of provisions for similar long-term obligations as well as other provisions is for the past seven years. Provisions for pensions and similar obligations are recognised based on actuarial principles using the projected unit credit method and the Heubeck 2018 G mortality tables.

The simplification rule in section 253 (2) sentence 2 HGB was applied to the provisions for pensions and similar long-term obligations as well as to other provisions calculated using actuarial opinions and a remaining maturity of 15 years was used for discounting in the aggregate.

As a result of one measurement date being brought forward, a projection of the interest rates at the reporting date was performed for the interest rates used to measure provisions for pensions and similar obligations. The resulting interest rates are 3.21 percent (average market interest rate for the past ten years) and 2.33 percent (average market interest rate for the past seven years). Wage and salary increases (including career trends) of 2.1 percent and pension increases of 1.75 percent were used in the determination of the provisions for pension liabilities. These two parameters are determined on the basis of generally accessible sources and institution-specific assumptions. The age-dependent employee turnover rate as determined by using institution-specific parameters was between 0 percent and 6 percent. These parameters are reviewed annually.

The income and expenses arising from the discounting of provisions are presented separately to achieve transparency and clarity in the notes. Expenses for the accumulation of provisions relating to banking transactions are presented under interest expense, while interest expense for provisions not relating to banking transactions is presented under other operating expenses.

Loss-free valuation of interest rate-related transactions of the banking book (interest rate portfolio)

In compliance with IDW RS BFA 3 new version, to determine any excess of liabilities over assets resulting from business in interest-bearing financial instruments of the banking book, all administrative expenses and the cost of risk expected up until the completion of the business were deducted from the totality of interest-bearing assets and liabilities of the banking book (excluding the trading portfolio) including derivatives. Allowance was made for individual refinancing options in a present value analysis. As there is no excess of liabilities over assets, it is not necessary to recognise a provision.

Currency translation

Foreign currency amounts are translated in accordance with section 340h German Commercial Code in conjunction with section 256a German Commercial Code. Assets denominated in foreign currency that are treated as fixed assets are translated into euros at the acquisition-date foreign exchange rate. Foreign currency securities reported under current assets are measured at the spot exchange rate. Solely the expense from currency translation of securities in foreign currency with a residual maturity of more than one year is recognised.

Pursuant to section 340h German Commercial Code, other foreign currency items, as well as spot and forward transactions not yet settled and not held for trading, are treated as transactions that qualify for hedge accounting. The transactions are hedged based on matching amounts but not matching maturities. Hedged transactions are measured at the cash settlement or forward price.

Both the cash settlement and the forward prices are based on the reference rate of the European Central Bank.

The exchange gains and losses calculated from the translation of the transactions covered in particular are presented separately in the notes under other operating income and other operating expenses, respectively.

Hedges

Haspa applies hedge accounting as defined in section 254 German Commercial Code. Hedge accounting is applied to liabilities and executory contracts considered the underlying transaction; they are hedged using derivative financial instruments.

The interest and other price risks from structured bonds or registered instruments (underlying transactions) are hedged using structured interest rate swaps (hedges). The underlying transactions concern structured bearer debentures shown under “Securitised liabilities” as well as structured registered bonds, promissory note loans and savings certificates recognised in “Liabilities to customers” or “Liabilities to banks”. The respective hedges are structured such that the parameters of the underlying transaction relevant to the hedged risk fully offset each other, both at the inception of the transaction and during the maturity of the underlying transaction (critical terms match).

The currency and interest rate risks of cross currency interest rate swaps with customers are hedged using precisely balanced hedging transactions with banks that have good credit ratings. Both the derivative customer business and the back-to-back hedging business are combined into micro hedges. We also enter into contracts designed to limit interest rates such as caps, floors and collars in connection with the customer lending business. These interest rate options granted to customers are hedged on the basis of the individual contract by means of matching transactions with banks that have good credit ratings.

Both the derivative customer business and the back-to-back hedging business are subject to hedge accounting.

The effectiveness of the given hedge is reviewed by a department separate from trading upon designation of the hedges as well as at the reporting date. In each case the underlying transactions are hedged effectively against the existing risks.

The accounting treatment of the hedges follows the net hedge presentation method pursuant to IDW RS HFA 35. Haspa ensures based on the methods used (critical terms match) that every hedge is effective with respect to the existing fair value and cash flow risks of the respective hedged risk. Changes in the fair value or cash flows of both the underlying transactions and the hedges relative to the hedged risks are likely to balance out in full over the entire hedging period.

Derivatives

Interest rate swaps are used primarily to manage interest rate risks and are included in the loss-free valuation of interest rate-related transactions of the banking book (interest rate portfolio). Haspa also possesses derivative financial instruments to which hedge accounting is applied. Some derivative financial instruments are held for trading.

In the case of options, Haspa’s option writer positions are usually hedged by means of matched transactions. Option premiums received or paid on options not yet settled, as well as margin obligations from forward transactions, are recognised under financial assets and liabilities in the trading portfolio. For the rest, they are accounted for as “Other assets” or “Other liabilities”.

Cash flow statement

The cash flow statement was prepared in compliance with German Accounting Standard No. 21.

Cash flow statement	2018 € million	2017 € million
Net income / loss for the period before profit transfer	**70.0**	**80.0**
Depreciation, amortisation and write-downs and valuation allowances on receivables and items of fixed assets / reversals of such write-downs and valuation allowances	30.6	87.0
Increase / decrease in provisions (excluding provisions for income taxes)	89.1	96.7
Other non-cash expenses / income	– 71.6	8.4
Gain / loss on disposal of fixed assets	0.8	0.0
Other adjustments (net)	0.0	0.0
Increase / decrease in receivables from banks	1,166.3	– 766.2
Increase / decrease in receivables from customers	– 1,860.7	– 212.7
Increase / decrease in securities (unless classified as long-term financial assets)	1,615.1	547.2
Increase / decrease in other assets relating to operating activities	2.2	– 13.8
Increase / decrease in liabilities to banks	32.7	57.1
Increase / decrease in liabilities to customers	962.7	– 364.5
Increase / decrease in securitised liabilities	312.4	413.1
Increase / decrease in other liabilities relating to operating activities	– 29.3	– 72.5
Interest expense / interest income	– 616.5	– 588.9
Current income from equities, non-fixed interest securities, equity investments and shares in affiliated companies	– 90.5	– 128.8
Expenses for / income from extraordinary items	0.0	0.0
Income tax expense / income	59.4	90.1
Interest payments received	835.6	909.5
Payments received from current income from equities, non-fixed interest securities, equity investments and shares in affiliated companies	90.5	128.8
Interest paid	– 232.3	– 324.5
Extraordinary receipts	0.0	0.0
Extraordinary payments	0.0	0.0
Income tax payments	– 54.9	– 69.1
Cash flows from operating activities	**2,311.6**	**– 123.1**
Proceeds from disposal of long-term financial assets	0.0	1.7
Payments to acquire long-term financial assets	– 694.0	– 60.4
Proceeds from disposal of tangible fixed assets	0.0	0.1
Payments to acquire tangible fixed assets	– 15.3	– 5.1
Proceeds from disposal of intangible fixed assets	0.4	– 0.1
Payments to acquire intangible fixed assets	– 3.6	– 6.4
Change in cash from other investing activities (net)	0.0	0.0
Cash receipts from extraordinary items	0.0	0.0
Cash payments for extraordinary items	0.0	0.0
Cash flows from investing activities	**– 712.5**	**– 70.2**
Cash receipts from capital contributions of HASPA Finanzholding	80.0	80.0
Cash payments to HASPA Finanzholding from the redemption of shares	0.0	0.0
Cash receipts from extraordinary items	0.0	0.0
Cash payments for extraordinary items	0.0	0.0
Profit transfer to HASPA Finanzholding	– 70.0	– 80.0
Change in cash from other capital sources (net)	0.0	0.0
Cash flows from financing activities	**10.0**	**0.0**
Net change in cash funds	1,609.1	– 193.3
Effect of exchange rate movements on cash funds	0.0	0.0
Cash funds at beginning of period	689.9	883.2
Cash funds at end of period	**2,299.0**	**689.9**

Supplementary information on the cash flow statement

The cash flow statement shows the changes in cash funds.

Cash funds are composed of cash-in-hand and balances with Deutsche Bundesbank (cash).

The cash flow statement is prepared for Haspa's single-entity financial statements, which is why cash funds do not include any components attributable to proportionately consolidated entities.

There were no material non-cash investing and financing measures and transactions in the financial year.

There were restricted cash funds of EUR 6.1 million in the reporting period.

Notes to the balance sheet (assets)

Receivables from banks	2018 € million	2017 € million
This item includes:		
Receivables from affiliated companies	5.0	5.2
Receivables from other long-term investees and investors	0.0	0.0
Breakdown of the sub-item b) Other receivables by maturity:		
up to 3 months	1,322.5	1,523.1
more than 3 months up to 1 year	589.7	619.5
more than 1 year up to 5 years	22.4	8.2
more than 5 years	18.7	4.5

Receivables from customers	2018 € million	2017 € million
This item includes:		
Receivables from affiliated companies	301.2	259.7
Receivables from other long-term investees and investors	14.8	18.9
Subordinated receivables	4.2	5.5
of which:		
from affiliated companies	0.0	0.0
from other long-term investees and investors	0.0	0.5
Breakdown of the item Receivables from customers by maturity:		
up to 3 months	1,739.6	1,805.0
more than 3 months up to 1 year	2,318.5	2,058.1
more than 1 year up to 5 years	8,346.8	7,497.9
more than 5 years	19,178.3	18,402.1
with indefinite maturity	1,129.7	1,104.6

Debentures and other fixed interest securities	2018 € million	2017 € million
Of the marketable securities included in this balance sheet item the following are:		
listed	3,837.8	3,477.8
not listed	252.3	48.6
due in the following year	545.2	304.0
The carrying amount of the debentures and other fixed interest securities treated as fixed assets is	696.8	0.0
Securities not measured at the lower of cost or market	0.0	0.0

The carrying amount of the bonds and other fixed-income securities classified as fixed assets increased by € 696.8 million in the financial year. It was unnecessary to write down these securities, as their market values were higher than their carrying amounts.

Equities and other non-fixed interest securities	2018 € million	2017 € million
Of the marketable securities included in this balance sheet item the following are:		
listed	0.0	0.0
not listed	0.0	0.0

This balance sheet item contains shares in special funds with a carrying amount of € 3.0 billion. The fungiblity of these shares is limited. Gains on shares in special funds were largely reinvested to the extent that they resulted from rate gains. The interest and dividend income were distributed in full.

Investment funds with a share in excess of 10 percent in € million broken down by investment objective

NAME	ISIN	Carrying amount 31.12.2018	Market value 31.12.2018	Difference	Distribution 2018	Returnable daily	Write-downs omitted
JUPITER-FONDS 1 [1]	DE000DK0ECC6						
Balanced funds: European and international equities, government bonds, Pfandbrief securities, corporate bonds, quantitative management – fundamental asset allocation global: total return (long / short), hedging strategies at the level of the overall fund		2,560.3	2,560.3	0.0	58.3	Yes	No
JUPITER-FONDS 2	DE000DK0ECD4						
Bond fund: Euro zone government bonds and Pfandbrief securities		413.7	413.7	0.0	3.4	Yes	No
JUPITER-FONDS 3 [2]	DE000DK0RCT2						
Property investment fund: Property investment fund shares		0.0	0.0	0.0	25.4	Yes	No

[1] Jupiter-Fonds 1 focuses on euro zone government bonds, real estate funds and corporate bonds.
[2] In the financial year ended, Jupiter-Fonds 3 was merged with Jupiter-Fonds 1 while retaining the investment strategy.

Trading portfolio	2018 € million	2017 € million
The trading portfolio comprises:		
Derivative financial instruments	25.3	29.2
Receivables	0.0	0.0
Debentures and other fixed interest securities	99.9	41.7
Equities and other non-fixed interest securities	0.0	0.0
Other assets	0.0	0.0
Subtotal	125.2	70.9
Risk discount	– 0.5	– 0.4
	124.7	**70.5**

The nominal volume of the derivative financial instruments is € 108.6 million for interest rate swaps and € 0.5 million for currency options.

The amount, timing and probability of occurrence of future cash flows from the derivative financial instruments held for trading are mainly influenced by the interest rate environment, trends on the bond markets and developments in credit spreads.

Long-term equity investments of Hamburger Sparkasse in large corporations that exceed five percent of voting rights (section 340a (4) sentence 2 HGB):

Bürgschaftsbank Schleswig-Holstein GmbH, Kiel
Bürgschaftsgemeinschaft Hamburg GmbH, Hamburg
Diebold Nixdorf Portavis GmbH, Hamburg

Equity investments of Hamburger Sparkasse as at 31.12.2018 in accordance with Section 285 (1) no. 11 German Commercial Code[1]

Name and registered office of the entity	Equity interest in %	Equity of the entity €'000[2]	Result for the year of the entity €'000[2]
Direct equity investments			
Bürgschaftsbank Schleswig-Holstein GmbH, Kiel	7.18	40,181.6	970.9
Bürgschaftsgemeinschaft Hamburg GmbH, Hamburg	21.35	25,243.5	744.1
Cenito Service GmbH, Hamburg	100.00	800.0	0.0[3]
CFC Corporate Finance Contor GmbH, Hamburg	49.00	1,232.6	732.6
Deka Erwerbsgesellschaft mbH & Co. KG – Unterbeteiligung –, Neuhardenberg	2.96	1,785,143.0[7]	77,532.0
Diebold Nixdorf Portavis GmbH, Hamburg	25.00	19,411.9	713.7[4]
DMG Deutsche Malaria GmbH, Hamburg	18.48	18.8	–121.3
EDD AG, Düsseldorf	0.44	27,792.3	–3,009.4
GBP Gesellschaft für Betriebliche Pensionsplanung mbH, Hamburg	100.00	42.6	0.0[3]
Hanseatischer Sparkassen- und Giroverband, Hamburg	74.87[8]	62,496.1	2.0
Haspa Beteiligungsgesellschaft für den Mittelstand mbH, Hamburg	100.00	5,000.0	0.0[3]
HASPA Projektentwicklungs- und Beteiligungsgesellschaft mbH, Hamburg	30.00	19,456.7	–543.3
Haspa-DIREKT Servicegesellschaft für Direktvertrieb mbH, Hamburg	100.00	687.1	0.0[3]
Next Commerce Accelerator GmbH, Hamburg	16.66	37.3	–42.7
Next Logistics Accelerator GmbH, Hamburg	15.00	36.4	–43.6
Odewald & Compagnie GmbH & Co. Dritte Beteiligungsgesellschaft für Vermögensanlagen KG, Berlin	1.00	25,040.3	102,195.2
SCHUFA Holding AG, Wiesbaden	2.22	88,594.6	29,347.9
Indirect equity investments via Haspa Beteiligungsgesellschaft für den Mittelstand			
AMAS Beteiligung GmbH, Neu Kaliß	49.98	1,820.1	–1.1
HAM-LOG-GRUPPE Holding GmbH, Hamburg	25.00	3,652.0	0.0[3]
Hanse-Residenz Lübeck GmbH, Lübeck	5.00[6]	631.0	277.4
Helmers Bet. GmbH, Osnabrück	49.00	n. a.[5]	n. a.[5]
M. Röhner Beteiligungs GmbH, Fulda	20.00	19,885.4	3,591.4
PWM Beteiligungs GmbH, Hamburg	49.99	1,390.0	–1.7
TSH und BGM Beteiligungs GmbH, Visbek	49.00	87.2	2.6
WSB Sicherheitsdienste Beteiligungsgesellschaft mbH, Saterland	45.00	n. a.[5]	n. a.[5]

[1] *Equity investments unless insignificant*
[2] *Based on the most recent annual financial statements available for 2017 if no other information is given*
[3] *Profit and loss transfer agreement*
[4] *As of 01.01.2018 the financial year was changed to match the calendar year, therefore an abbreviated 2017 financial year is included.*
[5] *New entity; therefore no annual financial statements available for 2017*
[6] *Another 5 percent of the shares are held as trustee.*
[7] *Not including reserves, as these are earmarked for repayment of the DSGV öK loan*
[8] *The voting share is 15.38 percent*

Fiduciary assets

Reported fiduciary loans pertain exclusively to fiduciary amounts due from customers.

Intangible and tangible fixed assets

Intangible and tangible fixed assets are recognised at cost less amortisation and depreciation. Depreciation allowed under German tax rules is taken on tangible fixed assets that were acquired by 2009.

Tangible fixed assets contain only operating and office equipment.

Haspa did not used the option of capitalising internally generated software.

Changes in intangible and tangible fixed assets:

	Intangible fixed assets € million	Tangible fixed assets € million
Cost		
Cost on 01.01.2018	152.5	166.5
Additions	3.1	15.8
Disposals	1.1	10.5
Reclassifications	0.5	– 0.5
Cost on 31.12.2018	155.0	171.3
Depreciation, amortisation and write-downs		
Accumulated depreciation, amortisation and write-downs as at 01.01.2018	132.4	145.0
Depreciation, amortisation and write-downs	10.3	4.4
Reversal of write-downs	0.0	0.0
Disposals	0.0	10.4
Reclassifications	0.0	0.0
Accumulated depreciation, amortisation and write-downs as at 31.12.2018	142.7	139.0
Carrying amount as at 31.12.2018	**12.3**	**32.3**
Carrying amount previous year	**20.1**	**21.5**

Other assets	**2018 € million**	**2017 € million**
Other assets comprise the following:		
Capitalised inventories and other assets	3.0	2.9
Adjustment item from foreign currency translation	0.1	13.5
Other receivables from affiliated companies	10.1	9.9
Other receivables from point-of-sale payments	6.8	0.0
Other receivables from cash collateral	8.2	6.2
Other receivables	5.8	4.6
	34.0	37.1

Prepaid expenses	**2018 € million**	**2017 € million**
Prepaid expenses include:		
The difference between the lower of the settlement amount and the issue price of liabilities or debentures	4.9	4.1
Other prepaid expenses	3.1	2.9
	8.0	7.0

Notes to the balance sheet (equity and liabilities)

Liabilities to banks	**2018 € million**	**2017 € million**
This item includes:		
Liabilities to affiliated companies	0.2	1.1
Liabilities to other long-term investees and investors	1.9	0.9
Total amount of assets transferred as collateral for the liabilities included in this item	2,390.8	2,316.9
Breakdown of sub-item b) by maturity:		
up to 3 months	132.0	128.5
more than 3 months up to 1 year	177.3	177.1
more than 1 year up to 5 years	1,321.2	1,161.9
more than 5 years	1,917.8	1,999.7

Liabilities to customers	**2018 € million**	**2017 € million**
This item includes:		
Liabilities to affiliated companies	142.9	88.1
Liabilities to other long-term investees and investors	20.1	24.2
Breakdown of sub-item ab) by maturity:		
up to 3 months	0.0	0.0
more than 3 months up to 1 year	0.0	0.0
more than 1 year up to 5 years	0.0	0.1
more than 5 years	0.0	0.0
Breakdown of sub-item bb) by maturity:		
up to 3 months	514.8	265.9
more than 3 months up to 1 year	88.3	432.9
more than 1 year up to 5 years	761.3	684.4
more than 5 years	4,042.9	4,136.7

Securitised liabilities	**2018 € million**	**2017 € million**
This item includes:		
Liabilities to affiliated companies	25.0	25.0
Liabilities to other long-term investees and investors	0.0	0.0
Debentures issued that are due in the following year	192.6	214.2

Trading portfolio	**2018 € million**	**2017 € million**
The trading portfolio comprises:		
Derivative financial instruments	24.0	28.2
Liabilities	0.0	0.0
Subtotal	24.0	28.2
Risk premium	—	—
	24.0	**28.2**

The nominal volume of the derivative financial instruments is € 105.6 million for interest rate swaps, € 34.9 million for interest rate futures and € 0.4 million for currency options.

The amount, timing and probability of occurrence of future cash flows from the derivative financial instruments held for trading are mainly influenced by the interest rate environment, trends on the bond markets and developments in credit spreads.

Fiduciary liabilities

The fiduciary liabilities reported exclusively concern liabilities to banks.

Other liabilities	**2018 € million**	**2017 € million**
The other liabilities comprise:		
Tax liabilities	60.2	12.8
Liabilities to companies of HASPA Finance Group		
under profit transfer agreements	70.2	80.3
other liabilities	9.0	8.3
Adjustment item from foreign currency translation	19.6	1.3
Trade payables to third parties	5.7	19.8
Other liabilities	14.8	8.9
	179.5	131.4

Deferred income	**2018 € million**	**2017 € million**
Deferred income includes:		
The difference between the lower of the nominal amount and the settlement amount of loan receivables	15.0	13.2
The difference between the higher of the settlement amount and the issue price of liabilities or debentures	1.7	2.1
Other deferred income	4.3	6.6
	21.0	21.9

Provisions

The difference between the carrying amount of the pension provisions using the average market interest rate for the past ten years and the carrying amount using the average market interest rate for the past seven years calculated in accordance with section 253 (6) sentence 1 HGB was € 162.0 million as at 31 December 2018.

Pursuant to section 67 (1) sentence 2 Introductory Law to the German Commercial Code, we exercised the right to choose and opted to retain the higher amount in connection with one other provision. The excess cover is € 67.45.

Fund for general banking risks

This position includes an extraordinary item of € 700 million in accordance with section 340g (1) HGB.

Furthermore, an extraordinary item of € 2 million in accordance with section 340e (4) HGB is shown.

Equity

The equity is € 1 billion and is divided into 1,000,000 no par shares. HASPA Finanzholding holds all of these shares.

Statement of changes in equity

The statement of changes in equity shows the development of equity:

in € million	Subscribed capital	Capital reserves	Revenue reserves	Net retained profits	Reported equity
Balance on 31.12.2017	1,000.0	1,434.0	217.0	0.0	2,651.0
Allocation		80.0			
Net income for the financial year				70.0	
Profit to be transferred				–70.0	
Balance on 31.12.2018	1,000.0	1,514.0	217.0	0.0	2,731.0

Contingent liabilities and other obligations

Contingent liabilities

Guarantees, warranties and indemnity agreements assumed for borrowers are recorded in this item. On the basis of the regular assessments of customers’ credit quality as part of our credit risk management processes, we assume that the amounts disclosed here will not result in an economic burden.

Irrevocable credit commitments

The irrevocable credit commitments largely comprise loans that have been not yet been fully disbursed. They are subject to the regular credit monitoring processes that apply to all credit commitments. There has been no increase in related counterparty credit risks.

Notes to the income statement

Interest income
In the financial year, negative interest of € 10.5 million is shown for lending products.

Interest expense
Interest expense includes a total of € 0.4 million due to the unwinding of discounts on provisions related to the banking business. Furthermore, this item includes negative interest of € 9.4 million for deposit products.

Commission income
A portion of 27.8 percent of total commission income is attributable to brokerage and management services for third parties.

Other operating income
This item contains € 7.2 million in income from currency translation. It also includes € 45.7 million in income from the reversal of provisions.

Other operating expenses
Other operating expenses include a total of € 107.3 million due to the unwinding of discounts on long-term provisions.

A total of € 1.8 million was expensed for the recognition of provisions during the reporting year.

Taxes on income
This item totalling € 59.4 million includes € 59.7 million in current tax allocations and € 1.7 million in prior-period tax reimbursements.

Other disclosures

Disclosures in accordance with section 160 (1) no. 8 German Stock Corporation Act
The following announcement was published by Haspa in the Electronic Federal Gazette on 17 July 2003:

“HASPA Finanzholding, Hamburg, has advised us that they hold a controlling interest (section 20 (4) German Stock Corporation Act in conjunction with section 16 (1) German Stock Corporation Act) in our company.”

Disclosures in accordance with section 285 No. 21 German Commercial Code
No transactions were carried out at off-market terms.

Board of Management and Supervisory Board

In the 2018 financial year, the members of the Board of Management received total benefits of € 3.3 million. Loans and guarantees granted to members of the Board of Management amounted to € 7.3 million.

A total of € 2.3 million was set aside for pension commitments to former members of the Board of Management and their surviving dependants.

The total benefits of the members of the Supervisory Board in financial year 2018 amounted to € 0.8 million. Loans and guarantees granted to members of the Supervisory Board amounted to € 3.3 million.

Expenses for the auditor

The total fee for the auditor in the 2018 financial year amounted to € 1.3 million, of which € 1.3 million concerned the audit of the annual financial statements and € 4 thousand other assurance services.

Amounts not available for distribution in accordance with section 268 (8) German Commercial Code

There were no amounts not available for distribution in accordance with section 268 (8) German Commercial Code in the 2018 financial year.

Other financial obligations

There are obligations arising from letting, rental and lease agreements in effect for the next financial years.

Financial year	€ million	Of which: affiliated and associated companies € million
2019	56.8	23.3
2020	57.4	23.4
2021	58.1	23.5
	172.3	**70.2**

There are deposit obligations of € 0.1 million in the financial year; there are no obligations to make additional contributions.

In the financial year, Haspa made use of the option to contribute a portion of the annual contributions to the restructuring fund (“European bank levy”) and the guarantee system for financial institutions of the German Savings Bank’s Organisation in the form of fully hedged payment entitlements. The security provided for this purpose amounted to € 14.3 million.

There were no off-balance sheet transactions pursuant to section 285 no. 3 German Commercial Code at the reporting date.

Report on post-balance sheet date events

No events of special significance took place after the reporting date.

Foreign currency

Total assets and liabilities denominated in foreign currency were translated into € 917.3 million and € 700.2 million respectively.

Forward transactions / Derivative financial transactions of Hamburger Sparkasse

The following table shows the volume of transactions in effect at the end of 2018.

as at 31.12.2018	Nominal values				of which: nominal values in the trading portfolio	Market values	
	Maturity						
in € million	up to 1 year	more than 1 year up to 5 years	more than 5 years	Total		Positive	Negative
Interest rate related transactions							
OTC products							
Caps	31.7	148.7	0.6	181.0	0.0	0.0	0.0
Collars	14.0	0.0	0.0	14.0	0.0	0.0	0.0
Floors	0.0	0.0	0.9	0.9	0.0	0.0	0.0
Structured swaps	13.0	232.6	5,148.2	5,393.8	0.0	274.2	24.1
Forward transactions in securities	20.0	80.0	0.0	100.0	0.0	1.0	6.3
Interest rate swaps	2,614.2	10,062.6	9,566.2	22,243.0	214.2	568.4	847.2
Stock market instruments							
Interest rate futures	1,014.7	0.0	0.0	1,014.7	34.9	0.1	3.5
Total	**3,707.6**	**10,523.9**	**14,715.9**	**28,947.4**	**249.1**	**843.7**	**881.1**
Currency-related transactions							
OTC products							
Currency options	0.9	0.0	0.0	0.9	0.9	0.0	0.0
Forward currency transactions	2,625.7	25.5	0.0	2,651.2	0.0	11.3	30.8
Currency swaps	11.9	35.8	134.4	182.1	0.0	33.5	30.8
Stock market instruments							
Interest rate futures	34.2	0.0	0.0	34.2	0.0	0.5	0.0
Total	**2,672.7**	**61.3**	**134.4**	**2,868.4**	**0.9**	**45.3**	**61.6**
Transactions involving other price risks							
OTC products							
Structured swaps	0.0	82.1	9.2	91.3	0.0	0.1	10.8
Stock market instruments							
Index futures	421.6	0.0	0.0	421.6	0.0	9.9	0.1
Index options	6.6	0.0	0.0	6.6	0.0	0.2	0.0
Total	**428.2**	**82.1**	**9.2**	**519.5**	**0.0**	**10.2**	**10.9**

Derivatives are always measured by reference to their current market price. The prices on the last trading day in 2018 were used for derivatives traded on a stock exchange. If no current market price is immediately available, the measurement is based on standard financial valuation methods. In the case of interest swaps for instance, the present value is determined based on the current yield curve. In currency futures, the forward rate is used. The fair values of currency options are determined based on the current spot exchange rate, yield curves as well as implied volatilities (binomial model). The fair values of interest rate options are determined using yield curves and implicit levels of volatility (shifted Black model).

Haspa issues structured securities that are matched by swaps combined into micro hedges such that the interest rate risks and other price risks are hedged in full.

The majority of Haspa's interest-related transactions mentioned above were carried out to limit interest rate risks; they were included in the loss-free valuation of interest rate-related transactions of the banking book (interest rate portfolio). Haspa's maturities transformation is managed as part of its asset and liabilities management by means of the interest rate swaps. Interest rate derivatives admitted to a stock exchange for trading mainly concern trades for customers and interest rate hedges.

A large portion of the currency-related transactions concerns transactions with customers and own special funds that are hedged through foreign exchange contracts and, to a lesser extent, own portfolio trading and own securities hedging. The currency-related derivative transactions constitute an almost closed position in conjunction with Haspa's foreign currency holdings.

Transactions involving other price risks solely comprise trades for customers and structured swaps.

The amount, timing and probability of occurrence of future cash flows from the derivative financial instruments held for trading are mainly influenced by the interest rate environment, trends on the bond markets and developments in credit spreads.

Hedges

Both liabilities with a carrying amount of € 3,397.3 million and executory contracts with a nominal value of € 246.5 million were classified as underlying transactions and subject to hedge accounting pursuant to section 254 sentence 1 German Commercial Code. These are so-called micro hedges. All underlying transactions are hedged against interest, currency and other price risks using derivative financial instruments.

At the reporting date, transactions with a positive fair value of € 250.1 million were in place to hedge interest rate risks; transactions with a negative fair value of € 5.7 million to hedge currency risks; as well as transactions with a negative fair value of € 10.7 million to hedge other price risks.

Statement of cover assets pursuant to section 35 (1) no. 7 RechKredV

Cover for debentures issued

Cover for debentures	2018 € million	2017 € million
Receivables from banks	0.0	0.0
Receivables from customers	7,080.3	6,980.8
Debentures and other fixed interest securities	200.0	200.0

Pfandbrief securities

Haspa has been issuing Pfandbrief securities since the 2006 financial year.

The standard transparency requirements of section 28 German Pfandbrief Act are fulfilled by disclosure on our website (www.haspa.de).

I) Information regarding total amount and maturity structure	2018 € million	2017 € million
Section 28 (1) no. 1 and 3 German Pfandbrief Act		
Mortgage Pfandbrief circulation		
of which derivative transactions	0.0	0.0
Nominal value	5,632.2	5,353.2
Present value	6,208.3	5,943.2
Risk net present value[1]	5,900.6	5,618.9
Cover assets		
of which derivative transactions	0.0	0.0
Nominal value	7,280.3	7,180.8
Present value	7,974.7	7,918.9
Risk net present value[1]	7,577.6	7,515.9
Excess cover		
Nominal value	1,648.1	1,827.6
Present value	1,766.4	1,975.7
Risk net present value[1]	1,677.0	1,897.1
Excess cover taking into account the vdp Credit Quality Differentiation Model		
Nominal value	0.0	0.0
Present value	0.0	0.0
Section 28 (1) no. 2 German Pfandbrief Act		
Maturity structure of the mortgage Pfandbrief circulation		
up to 0.5 years	235.0	88.0
more than 0.5 years up to 1 year	223.5	244.2
more than 1 year up to 1.5 years	426.1	230.0
more than 1.5 years up to 2 years	91.2	223.5
more than 2 years up to 3 years	265.0	510.8
more than 3 years up to 4 years	882.1	282.4
more than 4 years up to 5 years	723.1	882.1
more than 5 years up to 10 years	2,160.8	2,179.3
more than 10 years	625.5	713.0

			of which additional cover assets	
	2018 € million	2017 € million	2018 € million	2017 € million
Fixed-interest periods of the cover assets				
up to 0.5 years	327.4	266.7	0.0	0.0
more than 0.5 years up to 1 year	371.2	295.9	0.0	0.0
more than 1 year up to 1.5 years	305.4	362.6	0.0	0.0
more than 1.5 years up to 2 years	415.2	380.7	0.0	0.0
more than 2 years up to 3 years	728.6	677.7	0.0	0.0
more than 3 years up to 4 years	709.9	729.2	0.0	0.0
more than 4 years up to 5 years	550.3	657.9	0.0	0.0
more than 5 years up to 10 years	3,006.8	2,885.4	200.0	200.0
more than 10 years	865.6	924.8	0.0	0.0

	in %	in %
Section 28 (1) no. 9 German Pf andbrief Act		
Share of fixed-interest cover assets in total cover assets	97.3	97.2
Share of fixed-interest Pfandbrief securities in the liabilities to be covered	99.1	99.1

[1] *The dynamic approach according to the German Pfandbrief Net Present Value Directive was used for the calculation of the risk net present value. Present values do not have to be presented by foreign currency because the cover assets are based exclusively on euro-denominated transactions.*

II) Composition of ordinary cover assets	2018 € million	2017 € million
Section 28 (2) no. 1 German Pfandbrief Act		
a) Total amount of nominal value cover assets used, by size class		
Credit coverage		
up to € 300 thousand	2,779.2	3,004.4
more than € 300 thousand up to € 1 million	1,355.1	1,294.1
more than € 1 million up to € 10 million	2,345.3	2,177.0
more than € 10 million	600.7	505.3

b) and c) Total amount of receivables used for cover, by type of use[1]

	Land used for residential purposes		Land used for commercial purposes	
	2018 € million	2017 € million	2018 € million	2017 € million
Commonhold / leasehold properties	747.1	788.8	0.0	0.0
Single- and two-family homes	2,011.3	2,151.7	0.0	0.0
Multi-family homes	2,263.3	2,140.6	0.0	0.0
Office buildings	0.0	0.0	932.4	881.6
Commercial buildings	0.0	0.0	493.7	417.8
Industrial buildings	0.0	0.0	58.8	55.6
Other commercially used buildings	0.0	0.0	573.7	544.8
Unfinished building and new buildings not yet earning income	0.0	0.0	0.0	0.0
Building plots	0.0	0.0	0.0	0.0

	2018 € million	2017 € million
Section 28 (1) no. 7 German Pfandbrief Act		
Total amount of receivables exceeding the limits pursuant to section 13 (1)	0.0	0.0

	2018 in years	2017 in years
Section 28 (1) no. 11 German Pfandbrief Act		
Volume-weighted average age of receivables	6.5	6.2

	2018 in %	2017 in %
Section 28 (2) no. 3 German Pfandbrief Act		
Average weighted loan-to-value ratio	51.6	52.0

[1] *No liens on property outside Germany*

III) Composition of additional cover assets	2018 € million	2017 € million
Section 28 (1) no. 8 German Pfandbrief Act		
Total amount of receivables exceeding the limits of section 19 (1) no. 2	0.0	0.0
Total amount of receivables exceeding the limits of section 19 (1) no. 3	0.0	0.0
Section 28 (1) no. 4, 5 and 6 German Pfandbrief Act		
Equalisation claims as defined in section 19 (1) no. 1	0.0	0.0
Receivables as defined in section 19 (1) no. 2	0.0	0.0
of which covered bonds as defined in article 129 of Regulation (EU) No. 575 / 2013	0.0	0.0
Receivables as defined in section 19 (1) no. 3	200.0	200.0

IV) Overview of past due payments	2018 € million	2017 € million
Section 28 (2) no. 2 German Pfandbrief Act		
Total amount of payments on receivables past due at least 90 days	0.0	0.0
Total amount of these receivables if payment of at least 5% of the receivable is past due	0.0	0.0

V) Further information on the annual financial statements

Section 28 (2) no. 4 German Pfandbrief Act	Land used for residential purposes		Land used for commercial purposes	
	2018 Number	2017 Number	2018 Number	2017 Number
Number of foreclosures and receiverships pending at the closing date	0	0	0	0
Number of foreclosures executed during the financial year	0	0	0	0
Number of plots taken over during the financial year to prevent losses	0	0	0	0

	Land used for residential purposes		Land used for commercial purposes	
	2018 € million	2017 € million	2018 € million	2017 € million
Total interest in arrears	0.0	0.0	0.0	0.0

Trustees
Dr. Adam Freiherr von Kottwitz, deputy – retired notary public
Joachim Pradel – deputy, retired judge
Claus Wilhelm Möller – deputy, retired department head at Deutscher Ring

Employees

	Annual average		
	male	female	total
Full-time employees	2,024	1,086	3,110
Part-time employees	122	915	1,037
	2,146	**2,001**	**4,147**
Trainees	120	139	259
	2,266	**2,140**	**4,406**

Part-time employees are included on a prorated basis as full-time employees according to their contractual working hours.

An annual average of 1,625 part-time staff were employed in 2018.

Disclosures in accordance with section 340a (4) German Commercial Code

Members of the Board of Management and employees who hold positions on statutory monitoring bodies of large corporations (section 267 (3) German Commercial Code):

Members of the Board of Management

Dr. Harald Vogelsang (Spokesman of the Board of Management)

Supervisory Board	
Landesbank Berlin AG, Berlin	Member
Landesbank Berlin Holding AG, Berlin	Member

Frank Brockmann (Deputy Spokesman of the Board of Management)

Supervisory Board	
Sparkasse zu Lübeck AG, Lübeck	Deputy Chairman

Axel Kodlin (member of the Board of Management)

Supervisory Board	
Bordesholmer Sparkasse AG, Bordesholm	Member
Sparkasse Mittelholstein AG, Rendsburg	Chairman

Jürgen Marquardt (member of the Board of Management)

Supervisory Board	
LBS Bausparkasse Schleswig-Holstein-Hamburg AG, Hamburg	Deputy Chairman
neue leben Lebensversicherung AG, Hamburg	Deputy Chairman
neue leben Pensionskasse AG, Hamburg	Chairman
neue leben Unfallversicherung AG, Hamburg	Deputy Chairman

Bettina Poullain (member of the Board of Management)

Board of Directors	
Hamburgische Investitions- und Förderbank, Hamburg	Member

Directors

Thorsten Giele

Supervisory Board

LBS Bausparkasse Schleswig-Holstein-Hamburg AG, Hamburg	Member

Olav Melbye

Supervisory Board

Sparkasse Mittelholstein AG, Rendsburg	Member
Sparkasse zu Lübeck, Lübeck	Member

Supervisory Board

Dipl.-Kfm. Günter Elste Chairman	Chairman of the Supervisory Board of HASPA Finanzholding
Claus Krohn Deputy Chairman	Chairman of the Works Council of Hamburger Sparkasse AG
Ulrich Wachholtz Additional Deputy Chairman	Managing Director of Karl Wachholtz Verlag GmbH & Co. KG
Yvonne Bargstädt (until 11 April 2018)	Employee of Hamburger Sparkasse AG
Michael Börzel (until 11 April 2018)	Union secretary of the ver.di trade union
Stefan Forgé	Second Deputy Chairman of the Works Council of Hamburger Sparkasse AG
Uwe Grund (until 11 April 2018)	Former Chairman of the German Trade Unions Association Hamburg
Cord Hamester (since 11 April 2018)	Works council member of Hamburger Sparkasse AG
Katja Karger (since 11 April 2018)	Chairwoman of the German Trade Unions Association Hamburg

Josef Katzer	President of the Hamburg Chamber of Trade Managing Director of Katzer GmbH
Björn Krings (since 11 April 2018)	Union secretary of the ver.di trade union
Dirk Lender	Department Head of Hamburger Sparkasse AG
Dr.-Ing. Georg Mecke	Vice President Site Management Hamburg and External Affairs Airbus Operations GmbH Hamburg
Olav Melbye	General Legal Representative Hamburger Sparkasse AG
Thomas Sahling	Works council member of Hamburger Sparkasse AG
Prof. Dr. Burkhard Schwenker	Chairman of the Advisory Council Roland Berger GmbH
Gabriele Voltz	Lawyer
Dr. Jost Wiechmann	German Public Auditor, Lawyer, Tax Consultant, Partner Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft
Cord Wöhlke	Managing Director Iwan Budnikowsky GmbH & Co. KG

Haspa is included in the consolidated financial statements of HASPA Finanzholding, Hamburg, Germany, as the latter's wholly-owned subsidiary. The consolidated financial statements of HASPA Finanzholding are published in the electronic Federal Gazette. Haspa has entered into a control and profit transfer agreement with HASPA Finanzholding pursuant to section 291 (1) German Stock Corporation Act. Whilst Haspa in turn has equity interests in subsidiaries as well, pursuant to section 296 German Commercial Code it may dispense with preparation of (partial) consolidated financial statements.

Section 296 (1) no. 1 German Commercial Code applies to one subsidiary due to a voting right limitation under German corporate law. Haspa's five other subsidiaries are individually and jointly subject to section 296 (2) German Commercial Code. Relative to Haspa's separate financial statements, these subsidiaries, individually and jointly, due to their single-digit ratios would have an insignificant effect on Haspa AG's net assets, financial position and results of operations shown in consolidated financial statements of Haspa AG if Haspa prepared (sub)group accounts.

Board of Management

Dr. Harald Vogelsang
Spokesman

Frank Brockmann
Deputy Spokesman

Axel Kodlin
Regular Member

Jürgen Marquardt
Regular Member

Bettina Poullain
Regular Member

Hamburg, 19 February 2019

The Board of Management

Dr. Harald Vogelsang | Frank Brockmann

Axel Kodlin | Jürgen Marquardt | Bettina Poullain

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Hamburger Sparkasse AG, and the management report includes a fair review of the development and performance of the business and the position of the Hamburger Sparkasse AG, together with a description of the material opportunities and risks associated with the expected development of Hamburger Sparkasse.

Hamburg, 19 February 2019

The Board of Management

Dr. Harald Vogelsang

Frank Brockmann

Axel Kodlin

Jürgen Marquardt

Bettina Poullain

Independent auditors' report

To Hamburger Sparkasse AG, Hamburg

Report on the audit of the annual financial statements and of the management report

Audit opinions
We audited the annual financial statements of Hamburger Sparkasse AG, comprising the balance sheet as at 31 December 2018 and the income statement for the financial year from 1 January to 31 December 2018, as well as the notes including the presentation of accounting policies, the cash flow statement and the statement of changes in equity. We also audited the management report of Hamburger Sparkasse AG for the financial year from 1 January to 31 December 2018. In accordance with German legal requirements, we did not audit the content of those parts of the management report specified in the section entitled "Other information".

In our opinion, on the basis of the knowledge obtained in the audit
- the accompanying annual financial statements comply, in all material respects, with the provisions of German commercial law as applicable to credit institutions and in compliance with the German proper accounting principles give a true and fair view of the assets, liabilities and financial position of the Sparkasse as at 31 December 2018, and of its results of operations for the financial year from 1 January to 31 December 2018, and

- the accompanying management report as a whole provides a suitable view of the Sparkasse's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not extend to the content of those parts of the management report specified in the section entitled "Other information".

Pursuant to section 322 (3) sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the audit opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Annual Financial Statements and of the Management Report” section of our auditor’s report. We are independent of the Sparkasse in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation in conjunction with section 340k (3) sentence 2 HGB, we declare that all persons employed by us who can influence the result of the audit have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2018. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

Hereinafter we present the key audit matters from our perspective:

Our presentation of these key audit matters has been structured as follows:
a) Matter and issue
b) Audit approach and findings
c) Reference to further information

1. Accounting for provisions for pensions and similar obligations

a) The annual financial statements of Hamburger Sparkasse AG, Hamburg, include provisions for pensions and similar obligations totalling € 943.8 million. In the 2018 financial year, allocations to this item affecting the income statement totalled € 87.3 million. In our view, this issue was particularly significant as the recognition and measurement of this provision with a significant amount is largely based on the estimates and assumptions of the company's legal representatives and is therefore classified as highly complex.

b) As part of our audit of this matter, we assessed the presentation of the matter in accordance with the requirements of the German Commercial Code based on the contractual framework and using the available opinion of external experts. Among other things, we also reviewed whether:

– the assessment of the legal representatives based on commercial law complies with statutory provisions and generally accepted accounting principles,

– the key assumptions underlying the estimated figures are plausible according to internal and external expectations and are thus sound,

– the notes to the annual financial statements for the 2018 financial year are complete and correct.

On the basis of our audit procedures, we were satisfied that the estimates and assumptions made by the company's legal representatives are generally comprehensible, and that the accounting for provisions for pensions and similar obligations has thus been carried out in an appropriate manner.

c) The information provided by the Sparkasse for accounting for provisions for pensions and similar obligations is included in the accounting policies and in the notes to the balance sheet (equity and liabilities) sections of the notes.

Other information

The Board of Management is also responsible for the other information.

The other information comprises:
– the non-financial declaration in accordance with section 289b HGB, which is referenced in section 7 of the management report, and
– the corporate governance declaration in accordance with section 289f HGB contained in section 8 of the management report.

The other information also comprises other parts of the annual report of Hamburger Sparkasse AG for the year ended 31 December 2018 that are not relevant for the audit.

Our audit opinions on the annual financial statements and on the management report do not extend to the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

– is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or

– otherwise appears to be materially misstated.

Responsibility of the Board of Management and the Supervisory Board for the annual financial statements and the management report

The Board of Management is responsible for the preparation of the annual financial statements, which in all material respects comply with the provisions of German commercial law as applicable to credit institutions, and it is responsible that the annual financial statements in compliance with the German proper accounting principles give a true and fair view of the assets, liabilities, financial position and results of operations of the Sparkasse. In addition the Board of Management is responsible for such internal control as they have determined necessary in accordance with the German principles of proper accounting to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the Board of Management is responsible for assessing the Sparkasse’s ability to continue as a going concern. Furthermore, it has the responsibility to disclose matters related to going concern, as applicable. In addition, it is responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the company or to cease operations, or there is no realistic alternative but to do so.

In addition, the Board of Management is responsible for the preparation of the management report, which as a whole provides a suitable view of the Sparkasse’s situation, is consistent with the annual financial statements in all material respects, complies with the German legal regulations and suitably presents the opportunities and risks of future development. Furthermore, the Board of Management is responsible for such arrangements and measures (systems) which it has deemed necessary in order to enable the preparation of a management report in accordance with the German legal regulations to be applied and to furnish sufficient and appropriate evidence for the statements in the management report.

The Supervisory Board is responsible for overseeing the Sparkasse’s financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's Responsibilities for the audit of the annual financial statements and of the management report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Sparkasse's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

As part of an audit, we exercise professional judgement and maintain professional scepticism. We also

– identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

– obtain an understanding of internal control system relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

– evaluate the appropriateness of accounting policies used by the Board of Management and the reasonableness of estimates made by the Board of Management and related disclosures.

- form conclusions on the appropriateness of the Board of Management' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Sparkasse's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Sparkasse to cease to be able to continue as a going concern.

- evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements in compliance with the German proper accounting principles give a true and fair view of the assets, liabilities, financial position and results of operations of the company.

- evaluate the consistency of the management report with the annual financial statements, its legal consistency, and the view of the Sparkasse's position it provides.

- perform audit procedures on the forward-looking information presented by the Board of Management in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Board of Management as a basis for the forward-looking information, and evaluate the proper derivation of the forward-looking information from these assumptions. We do not express a separate audit opinion on the forward-looking information and on the underlying assumptions. There is a significant, unavoidable risk that future events will differ materially from the forward-looking information.

We discuss with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters discussed with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current reporting period and are therefore the key audit matters. We describe these matters in the auditor's report, unless law or regulation precludes public disclosure of the matter.

Other legal and regulatory requirements

Further information pursuant to Article 10 of the EU Audit Regulation

In accordance with section 340k (3) HGB in conjunction with the Articles of Association of Hamburger Sparkasse AG, Hamburg, and the HSGV as well as the audit office of the HSGV, we are the Sparkasse’s statutory auditor. On 11 April 2018, the General Meeting of the Sparkasse adopted a resolution to appoint us as auditor for the 2018 financial year.

We declare that the audit opinions expressed in this auditors’ report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

The services rendered by us in addition to the audit of the financial statements are listed in the notes to the financial statements of the Sparkasse under “Other information, Expenses for the auditor”.

Responsible auditor

The German Public Auditor responsible for the engagement is Ms Claudia Guiddir, Wirtschaftsprüferin.

Hamburg, 26 March 2019

Auditing division of the
HANSEATISCHER SPARKASSEN-
UND GIROVERBAND
(HANSEATIC SAVINGS BANKS ASSOCIATION)

C. Guiddir

Claudia Guiddir
Wirtschaftsprüferin

Report of the Supervisory Board

During the reporting year, the Supervisory Board and the Board of Management regularly, without delay and comprehensively discussed all fundamental matters related to the strategic alignment of Hamburger Sparkasse AG, its corporate policies, its company planning, the development of its operating business, its financial condition, its exposure to risk and the business and risk strategy, and the Supervisory Board made all decisions that were incumbent on it. All issues key to the company were discussed in depth with the Board of Management in four plenary sessions. Matters of major importance as well as topics specified in particular in the German Banking Act were discussed and fleshed out ahead of time at the meetings of the appropriate committees. In the context of performance and risk reporting, the Supervisory Board discussed the financial situation of Hamburger Sparkasse AG at length and debated on possible effects. Other issues of importance were the market and competitive environment of Hamburger Sparkasse AG, including the challenges of digitalisation, regular reporting on the upcoming migration of IT systems (“AMANDUS”) as well as the bank’s risk-bearing capacity and cybersecurity.

Furthermore, the Supervisory Board discussed the supervision by the European Central Bank, specifically the review of the HASPA Group’s profitability. Following a lengthy debate and based on a list of different criteria, the Supervisory Board then assessed its structure, size, composition and performance as well as the knowledge, skills and experience of both Supervisory Board members and the Supervisory Board as a whole and determined these to be adequate and in line with regulatory requirements. The Supervisory Board also devoted attention to the structure, performance and suitability of the Board of Management and its members, which it judged to be appropriate and in line with the requirements applicable to Hamburger Sparkasse AG, and decided on how to measure and set the variable remuneration awarded to the members of the Board of Management.

In light of Ms Bettina Poullain’s forthcoming departure from the Board of Management due to her retirement, the Supervisory Board discussed various aspects related to her succession.

The Supervisory Board was involved in all material decisions of Hamburger Sparkasse AG requiring its consent by law or the company’s articles of association. The Spokesman of the Board of Management and the Chairman of the Supervisory Board also regularly engaged in discussions at which the former informed the latter of current operational matters and addressed strategic considerations ahead of time. The Supervisory Board satisfied itself of the Board of Management’s due and proper conduct of business and made all decisions that are incumbent upon it by its authority – especially under the requirements of applicable laws and the articles of association – at its meetings. A training event was held for new Supervisory Board members as well as a continued professional development seminar for all Supervisory Board members. The training event focused on the commercial, corporate and regulatory basis for the Supervisory Board’s activities, while the continued professional development seminar addressed current trends on the Hamburg property market, current regulatory issues and digital developments within Hamburger Sparkasse AG.

The term of office of the employee representatives on the Supervisory Board ended on the conclusion of the General Meeting on 11 April 2018. Ms Yvonne Bargstädt, Mr Michael Börzel and Mr Uwe Grund retired from the Supervisory Board. The Supervisory Board wishes to thank them for their trust and cooperation and her service to Hamburger Sparkasse AG. The employees elected Ms Katja Karger, Mr Cord Hamester and Mr Björn Krings as new members of the Supervisory Board in place of the departing members. The other employee representatives on the Supervisory Board were re-elected.

The auditing division of the Hanseatischer Sparkassen- und Giroverband (Hanseatic Savings Banks Association), which the General Meeting had elected to serve as the auditors, audited the bank's annual financial statements as at 31 December 2018 – comprising the balance sheet, income statement, notes as well as the cash flow statement and the statement of changes in equity – including the bookkeeping system as well as the management report and issued an unqualified auditors' report.

The auditors' report was presented to the members of the Audit Committee tasked with conducting a preliminary review. The auditors attended the financials meetings of the Audit Committee and the Supervisory Board and reported on the material findings of their audit. The Supervisory Board discussed the auditors' report in detail and duly noted its findings. The Supervisory Board's own review fully concurs with the results of the audit by the auditing division of the Hanseatic Savings Banks Association. The Supervisory Board sees no reason to raise any objections against the management and the financial statements that were presented. The Supervisory Board approved the annual financial statements as prepared by the Board of Management at today's meeting. The annual financial statements have thus been adopted pursuant to section 172 German Stock Corporation Act. Under the control and profit transfer agreement, the net income for the 2018 financial year before profit transfer, as reported in the annual financial statements, is transferred in full to HASPA Finanzholding without requiring a resolution of the General Meeting as to the appropriation of net retained profits.

The Supervisory Board also reviewed the non-financial report (Sustainability Report). In doing so, it took into account the findings of the review of the report conducted by the Compliance division. The audit did not lead to any reservations.

The Supervisory Board expresses its gratitude and appreciation to the Board of Management and to all employees of Hamburger Sparkasse AG for their great personal dedication and successful work in the financial year just ended. The Supervisory Board also thanks the works council for the good and constructive collaboration.

Hamburg, 10 April 2019

The Supervisory Board

Günter Elste
Chairman of the Supervisory Board

Regional divisions and regions

Haspa's personal customer support and consulting services are always easily accessible in the Hamburg Metropolitan Region. With 4 regional divisions and 28 regions, we are deeply entrenched in the local market sectors of the Hamburg Metropolitan Region. In our branches and centres we provide comprehensive customer support and consulting services in five areas of competency: financial consulting, asset accumulation and asset optimisation consulting, property financing and corporate customer advisory.

An advisory board was set up in each of these regions to forge close ties with the local people and companies, associations and institutions. There is also an advisory board for the Real Estate Customers, Private Banking and Corporate Customers divisions.

Central regional division

Regional division manager Private Customers
Joachim Ewald

Regional division manager Corporate Customers
Arent Bolte

Regions

Altona-Ottensen
Jan Richert

Barmbek
Metta Schade

Eimsbüttel
Peter Engelhorn

Eppendorf-Rotherbaum
Michael Schilling

City Centre
Stefan Nickel

St. Georg-Hohenfelde
Andreas Stockdreher

St. Pauli
Detlef Rüter

Uhlenhorst-Winterhude
Frank Ennen

North-East regional division

Regional division manager Private Customers
Niels-Helge Pirck

Regional division manager Corporate Customers
Ralf Günther
Helge Steinmetz

Regions

Alstertal
Claus Schmieder

Bramfeld-Steilshoop
Metta Schade (acting)

Jenfeld-Farmsen
Stefan Sagau

Rahlstedt-Berne
Marco Röder

Stormarn
Martin Englert

Wandsbek
Thomas Brümmerstedt

Walddörfer
Marcel Sluppke

North-West regional division

Regional division manager Private Customers
Thomas Hinsch

Regional division manager Corporate Customers
Ralf Günther
Helge Steinmetz

Regions

Bahrenfeld-Othmarschen
Nico Damm

Blankenese-Rissen
Jan-Erik Schuldt

Eidelstedt-Pinneberg
Jürgen Ropers

Niendorf
Daan Scheffer

Norderstedt-Langenhorn
Nicole Weber

South-East regional division

Regional division manager Private Customers
Holger Knappe

Regional division manager Corporate Customers
Arent Bolte

Regions

Altes Land
Kai Köster

Bergedorf
Petra Wittenhagen

Billstedt
Tobias Foerster

Harburg
Andreas Römer

Horn-Hamm
Olaf Namat

Nordheide
Reinhard Lackner

Sachsenwald
Kai Arnold

Veddel-Wilhelmsburg
Tobias Foerster (acting)

Corporate divisions

Compliance
Christian Albers

Digital Sales
Tobias Lücke

Purchasing, Facility Management and Logistics
Volker Widdra

Corporate Customers 1
Arent Bolte

Corporate Customers 2
Ralf Günther
Helge Steinmetz

Comprehensive Bank Controlling
Stefan Hahn

Real Estate Customers
Wilfried Jastrembski

Information Technology and Organisation
Dr. Rudolf Hoyer

Credit and Legal
Olav Melbye, General Legal Representative

SME Customers
Michael Maaß

Human Resources
Dr. Elisabeth Keßeböhmer

Private Banking
Jörg Ludewig, General Legal Representative

Private Customers Central
Joachim Ewald

Private Customers North-East
Niels-Helge Pirck

Private Customers North-West
Thomas Hinsch

Private Customers South-East
Holger Knappe

Audit
Thorsten Pegelow

Risk Management
York Heitmann

Treasury
Henrik Bustorf

Corporate Communication
Stefanie von Carlsburg

Enterprise Customers
Andreas Mansfeld, General Legal Representative

Corporate Customers Sales Management
Ralf Günther (acting)

Private Customers Sales Management
Thorsten Giele

Board Staff
Arne Nowak

Securities and Transaction Service
Dr. Christian Tonnesen

Works Council

Chairman of the Works Council
Claus Krohn

Business development 2014 to 2018

of Hamburger Sparkasse AG

Balance sheet figures ASSETS	2014 € million	2015 € million	2016 € million	2017 € million	**2018 € million**
Cash reserve	612	391	883	690	2,299
Receivables from banks	3,727	2,819	3,102	3,828	2,645
Receivables from customers	29,492	30,192	30,763	30,901	32,743
Business loans	6,055	5,773	5,710	5,913	6,474
Personal loans	1,886	1,695	1,531	1,460	1,401
Commercial real estate financing	13,073	14,124	15,095	15,151	16,097
Private real estate financing	8,134	8,032	8,058	8,109	8,266
Public-sector loans	344	568	369	268	505
Securities	7,782	8,978	8,498	7,976	7,076
Trading portfolio	181	119	106	71	125
Equity investments, shares in affiliated companies	65	61	60	119	119
Tangible and intangible fixed assets	65	55	46	42	45
Other assets	23	24	30	44	42
EQUITY AND LIABILITIES					
Liabilities to banks	5,005	4,619	3,778	3,782	3,786
Liabilities to customers	30,472	31,627	33,020	32,662	33,627
Savings deposits	7,252	7,826	8,438	8,708	9,111
RentaPlan	63	54	45	34	28
Savings certificates	1,228	1,335	1,233	1,220	1,222
Time deposits	791	1,003	385	451	534
Promissory note loan	1,371	449	288	229	225
Registered Pfandbrief securities	3,011	3,357	3,680	3,732	3,547
Deposits payable on demand	16,756	17,603	18,952	18,287	18,959
Securitised liabilities (excluding Pfandbrief securities)	1,705	1,522	1,337	1,332	1,151
Pfandbrief securities	533	503	876	1293	1,784
Trading portfolio	57	43	37	28	24
Provisions	858	939	1,018	1067	1,088
Subordinated liabilities	0	0	0	0	0
Equity and fund for general banking risks	3,163	3,218	3,273	3,353	3,433
Other equity and liabilities	154	168	149	153	200
Total equity and liabilities	41,947	42,639	43,488	43,670	45,093

Figures from the income statement	2014 € million	2015 € million	2016 € million	2017 € million	**2018 € million**
Net interest income	677	745	709	725	712
Interest income[1]	1,224	1,189	1,064	1,001	915
Interest expense	547	444	355	277	203
Net commission income	263	278	280	299	308
Administrative expenses	671	687	675	738	743
Net income from financing activities	2	–4	–2	–2	–1
Other operating income / expenses (net)	–52	–92	–89	–40	–46
Operating result before loan loss provisions	219	240	223	243	231
Taxes on income	84	101	104	90	59
Earnings after taxes	80	80	80	80	70
Cost / income ratio (according to DSGV)[2] in %	72.2	70.2	69.3	68.0	67.5
Return on equity before tax in %	6.0	5.7	5.7	5.1	3.8

[1] *Including items 3 and 4 of the income statement*
[2] *Following the definition by the German Savings Banks Association (DSGV)*

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