Annual Report 2019

Haspa
Hamburger Sparkasse

Key figures

	2015 € million	2016 € million	2017 € million	2018 € million	2019 € million
Total assets	42,639	43,488	43,670	45,093	46,581
Receivables from banks	2,819	3,102	3,828	2,645	2,820
Customer loans	30,192	30,763	30,901	32,743	34,362
Securities portfolio	8,978	8,498	7,976	7,076	5,423
Liabilities to banks	4,619	3,778	3,782	3,786	4,148
Customer deposits	31,627	33,020	32,662	33,627	34,631
Equity and fund for general banking risks	3,218	3,273	3,353	3,433	3,503

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 Hanseatischer Sparkassen- und Giroverband (Hanseatic Savings Banks Association – HSGV), Hamburg, and the Verband der freien Sparkassen (Association of Independent Savings Banks), Frankfurt am Main. 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,
In addition to persistently low interest rates that substantially reduce profitability, the entire lending industry is currently facing two other challenges: digitalisation and sustainability.

Ever since its foundation over 190 years ago, Haspa has been synonymous with social responsibility across the region and thus with sustainability in the original sense of the word. This makes us a natural partner in Hamburg when the time comes for renovating houses and apartments in an energy-efficient way, replacing oil-fired heating systems or buying electric cars, and when companies invest in efficient, environmentally-friendly technology.

Haspa is the bank for all of Hamburg and a strong brand trusted by individuals and companies across the region. From this position we are working hard to enhance Haspa for future generations and further increase our attractiveness for customers.

We forged ahead with our programme of investments in digitalisation, IT and neighbourhood branches in 2019. In April, we successfully migrated to the German Savings Banks Finance Group's powerful IT system, and we continue to expand our digital offering further. To equip ourselves for a digital future, we are also aiming to make ourselves even more customer-focused, digital and lean in the future with our "Haspa Spring – Sparkasse richtig neu gedacht" project.

Our new branch concept makes our strong regional ties and our proximity to the people even more tangible for customers than before. 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.

By the end of 2019, Haspa converted more than 60 branches into meeting points for local neighbourhoods. We are planning to convert approximately 30 more branches in 2020. At the end of this process, around 100 branches will ultimately remain permanently. This means that we will continue to have by far the densest network of branches in Hamburg in the future.

At the end of November 2019 we were able to open the Schanzen branch that was destroyed by the G20 riots in 2017 as a new building with four publicly-funded apartments. This sends a clear message to our city and people in the Schanzenviertel.

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 and their willingness to embrace change in a challenging environment. We would also like to thank the Supervisory Board and the Works Council for their constructive cooperation.

Hamburg, 18 February 2020

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.

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.

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.

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.

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.

Management Report

of Hamburger Sparkasse AG for the year ended 31 December 2019

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. This situation is exacerbated by intense competition, a weak economy and geopolitical uncertainties such as Brexit, the situation in the Middle East and ongoing conflicts between the US government and important trading partners.

Taking into account these difficult conditions, Hamburger Sparkasse AG (Haspa) in financial year 2019 posted a solid result for the year.

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 customer business in what is a highly challenging environment – thanks in no small measure to the great commitment of our employees.

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

1. Fundamental information about the company

Strategic focus

Ever since our foundation in 1827, we have been 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 assist people and companies in their financial planning and in safeguarding the future. We collect deposits in the region and extend loans at local level. We thus keep money in circulation in the region and keep the regional business cycle going, thereby playing a key role in creating and safeguarding growth and jobs in Hamburg. On top of this, we serve the public interest with our multifaceted corporate social responsibility activities by promoting areas such as education and social welfare, the arts, music and sport.

We are rounding off our range of services with specialist expertise. For high net worth customers we offer Haspa Private Banking, named the "Best Asset Manager in all German-Speaking Territories" for the seventeenth time running. Our Haspa StartUp Center is the first port of call for start-up entrepreneurs. And for large real estate or enterprise customers we have our special industry expertise. With in-house expert knowledge and our alliance partners, we support our customers in their transactions both in and outside Germany.

Regionality and expansion of digital services

Haspa is present in the Hamburg Metropolitan with more than 120 branches and financial centres, plus around 50 self-service branches. Our new branch concept means that our branches offer more than financial services but also evolve to become meeting places for local people. After the first five branches of the future were launched in 2017, a total of 32 conversions were carried out in 2018. In 2019, we converted 26 additional branches to the new concept. Furthermore, a neighbourhood branch was opened in a new HASPA Group building at Schulterblatt in the Schanzenviertel.

We have forged close ties with local people and companies in all areas of the city with initiatives such as our customer advisory boards. The members of the advisory boards provide significant input for the city districts and Haspa.

Of course, we are also 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. The JokerApp enables users to access the benefits of our value-added account and take advantage of regional offers on the go. We also interact digitally with neighbourhoods via the AINO event recommendation app and the kiekmo app, reaching around one million Hamburg residents in the process.

We successfully migrated to the German Savings Banks Finance Group's powerful IT system over the Easter weekend in April 2019. This will enable us to optimise processes, offer new services and meet our customers' needs for modern banking long into the future.

Focus on the future

To equip ourselves for future challenges as optimally as possible, Haspa launched a forward-looking project entitled “Haspa Spring – Sparkasse richtig neu gedacht” (“Haspa Spring – completely rethinking savings banks”) in mid-November 2018 that continued during the year under review.

With “Haspa Spring” we want to set ourselves up with maximum customer focus for the benefit of our customers and become more digital, leaner and more agile. The needs and requirements of our customers are at the heart of this process. We are planning to transform our entire organisation. As part of these efforts, we want to bring our private customer and corporate customer business even closer together to ensure that customers can be served even more effectively from a single source.

We are planning to expand our digital services to a similar level as our over-the-counter sales and marketing and broaden our customer support via telephone, mail and video. As in sales and marketing, we also want to focus our operations even more strongly on the needs of our customers.

By implementing the “Haspa Spring” project as planned, we want to optimise the Haspa business model and generate higher revenues and cost savings in the future. We are planning for Haspa to employ 800 to 900 fewer staff overall by 2024. This reduction will be implemented in as socially responsible a manner as possible by way of a reconciliation of interests with the Works Council.

We can make all necessary changes based on strong market positioning, as Haspa’s customer business recorded further growth in 2019.

2. Report on economic position

2.1. Macroeconomic and sector-specific environment

Weaker economic growth in Germany

Real gross domestic product (GDP) expanded by 0.6 percent in 2019, which means that economic growth in Germany continued to lose momentum. The German economy was still growing by 2.5 percent in 2017 and expanded by 1.5 percent in 2018. During the year under review, consumer and government spending as well as investments in construction were particularly strong growth drivers. By contrast, the industrial sector was in recession. However, the labour market again saw a positive trend with the number of people in gainful employment growing by 0.9 percent to 45.3 million.

Consumer prices in Germany increased by an annual average of 1.4 percent compared with the previous year. Consumer prices in the euro zone rose by 1.2 percent. As a result, the inflation rate remained below the European Central Bank (ECB)’s target of “below, but close to, 2 percent”. In light of this price trend, the weakening economy and the US Federal Reserve’s interest rate cuts, the ECB continued to pursue its extremely expansive monetary policy in 2019. This meant that it kept the rate for main refinancing operations at 0.00 percent and in September lowered the interest rate on deposits by banks imposed by the ECB from –0.4 percent to –0.5 percent. The ECB also restarted the asset purchase programme it halted at the end of 2018. It has been making net purchases of securities of € 20 billion per month since November 2019.

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 curb the incentive to make private retirement provisions.

Low interest rates and regulation continue to impact the German lending industry – combined with high investments in digitalisation

The extremely low interest rates continue to reduce 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 and financial services offered by large technology corporations increase the competitive intensity within the financial services market.

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.

Sustained economic growth in Hamburg

In the first six months of 2019, Hamburg's real gross domestic product rose by 1.6 percent year on year. As a result, the Hamburg economy grew by significantly more than the national average of 0.4 percent during this period.

In the third quarter of 2019, the Hamburg Chamber of Commerce's economic barometer reported a more negative assessment of the surveyed companies' current business situation. However, there were signs of an economic upturn in the fourth quarter of 2019. Hamburg's labour market also remains in a very healthy state. The number of people in gainful employment in Hamburg rose by around 19,000 in 2019, Hamburg's growth of 1.5 percent was significantly higher than the national growth rate of 0.9 percent.

All in all, Hamburg's economy is expected to have grown significantly faster than the national average in 2019.

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 62,000 new customers in the reporting year. This has further consolidated Haspa's strong position.

Private customers are our largest customer group; in 2019 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.

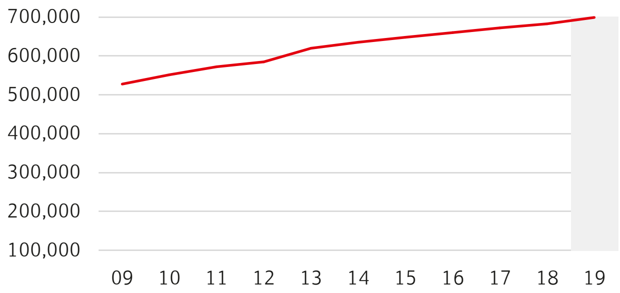
No other bank knows the Hamburg Metropolitan Region better. We are at home in Hamburg and know what our customers need. In-depth knowledge of the market, competent and committed staff, competitive products, in-house expert knowledge, corporate social responsibility for the region and local decision-making 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 corporate customer 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 seventeenth 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 698,000 giro account holders – around 16,000 more than at the close of the previous year and almost 75 percent of the close to 958,000 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 12,000 in total.

Number of HaspaJoker accounts 2009 to 2019



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 continues to grow. In the 2019 financial year alone, a good 5,000 new accounts of this type were opened, bringing the number of MäuseKonto accounts to just over 141,000 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, which continue to be dominated by housing construction and business loans. In the capital investment segment and in the special funds in particular, a process of strategic realignment initiated in 2018 was 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 well below expectations at € 42 million due to the historically low and negative interest rate environment in particular. In addition to pressure on deposit margins, high expenses arising from the revaluation of pension provisions and persistently stringent regulatory requirements also continued to have an impact on the result for the year. Significant expenses also arose in connection with our forward-looking "Haspa Spring" project. Under these circumstances, we consider the result for the year to be solid.

This result also continues to include 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. In April 2019, large parts of our IT infrastructure migrated to the OSPlus system of Finanz Informatik GmbH & Co. KG.

Other developments in the past financial year are described below 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	2019 € million	2018 € million	abs.	rel.
Cash reserve	3,638	2,299	+ 1,339	+ 58%
Receivables from banks	2,820	2,645	+ 174	+ 7%
Receivables from customers	34,362	32,743	+ 1,619	+ 5%
Securities	5,423	7,076	– 1,653	– 23%
Trading portfolio	139	125	+ 14	+ 11%
Other assets	200	205	– 6	– 3%
Total assets	46,581	45,093	+ 1,487	+ 3%

Equity and liabilities	2019 € million	2018 € million	abs.	rel.
Liabilities to banks	4,148	3,786	+ 362	+ 10%
Liabilities to customers	34,631	33,627	+ 1,004	+ 3%
Securitised liabilities	2,911	2,935	– 25	– 1%
Trading portfolio	24	24	– 0	– 2%
Provisions	1,250	1,088	+ 162	+ 15%
Equity and fund for general banking risks	3,503	3,433	+ 70	+ 2%
Other equity and liabilities	115	200	– 85	– 42%
Total equity and liabilities	46,581	45,093	+ 1,487	+ 3%

Increase in total assets

Total assets rose by € 1.5 billion to around € 46.6 billion. Both receivables from customers and liabilities to customers showed a substantial increase. Liabilities to banks also rose. These continue to be dominated by pass-through loans – especially of Kreditanstalt für Wiederaufbau. These pass-through loans are reported as a component of the lending business on the assets side of the balance sheet and at around € 2.4 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 primarily by another increase in receivables from customers.

The continued strategic realignment in the capital investment segment is reflected in another sharp decline in special funds. A positive tax effect resulted in this context.

Total assets (in € billion)

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

Overall, liabilities to customers rose by around € 1.0 billion or 3 percent to € 34.6 billion. This increase was driven primarily by deposits payable on demand, which climbed by just under € 1.2 billion or 6 percent to approximately € 20.2 billion. Our customers' trust was also reflected in the performance of other tried-and-trusted products. For example, savings deposits remained at the high level seen in the previous year, despite the prevailing uncertainty on the money and capital markets.

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. 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 regulatory ratios and the management of the liquidity situation, please refer to the risk report.

Customer receivables remain high

Receivables from customers rose by € 1.6 billion to € 34.4 billion. Customer loans continue to be made up mainly of residential construction loans and business loans. In the past financial year, new loan approvals remained at a high level of € 7.9 billion and slightly above the prior year's figure.

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 increased further in the financial year, continuing the trend of the previous years. At the end of 2019, this amounted to a good € 2.8 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	2019 € million	2018 Mio €	abs.	rel.
Net interest income [1]	624	712	– 89	– 12%
Net commission income	335	308	+ 27	+ 9%
Net income from financing activities	– 1	– 1	+ 0	– 14%
Administrative expenses	716	743	– 27	– 4%
Other operating result	– 169	– 46	– 123	+ 269%
Net revaluation gain / loss	– 30	– 101	+ 71	– 70%
Result from ordinary activities	43	129	– 86	– 67%
Tax expense	1	59	– 58	– 98%
Result for the year	42	70	– 28	– 40%

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

Result for the year down significantly year-on-year

Net interest income was significantly lower year-on-year in 2019, whereas net commission income delivered higher contributions. The reasons for the change on the expenses side once again were the interest rate-related revaluation of our pension provisions and material investments in the future. The net revaluation loss did not weigh as heavily on the income statement as in the previous year. At € 42 million after low tax expense, the result for the year was down by € 28 million on the prior-year figure.

Against the backdrop of the slight strengthening of our equity capital – including the fund for general banking risks – the return on equity before tax was lower than expected at 1.2 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 0.1 percent for Haspa at the end of the year.

Net interest income down year-on-year

Net interest income at € 624 million was down € 89 million or a good 12 percent on the prior-year level and fell well short of our original expectations. Overall, the interest rates held at an extremely low level through the continuation of the loose monetary policy had an increasingly 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 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 below the prior-year level and our expectations. The limit for the present value interest rate risk from maturity transformation was met at all times amid fluctuations during the year. The reporting year was impacted by one-time factors in connection with a reduction in the volume of derivatives. While contributions to net interest income from proprietary securities investments almost met our forecast figures, they still were sharply lower year-on-year. Investment income in 2019 almost met our forecast.

Net commission income up year-on-year

Net commission income rose by € 27 million or 9 percent year-on-year to € 335 million, falling only slightly short of the expected strong increase. This year-on-year rise is attributable to various components of net commission income. Besides moderate price adjustments on clearing transactions and rents for safe deposit boxes, net commission income primarily benefited from higher contributions from securities transactions and 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. The € 1 million impact on the net result for the financial year ended is due in particular to an increased risk discount applied in the trading portfolio under German commercial law.

Administrative expenses below prior-year level

Personnel expenses were down by € 12 million or 3 percent year-on-year to € 348 million. Contrary to expectations, this figure did not increase due to lower variable salary payments and positive actuarial effects connected with pension provisions. Other administrative expenses, amortisation and write-downs of intangible fixed assets, and depreciation and write-downs of tangible fixed assets were down € 15 million on the prior-year figure at € 368 million in total. As forecast, this drop was also due to the broadening of our collaboration with the German Savings Banks Finance Group, which resulted in even higher project-related charges in the past year. As a result of rigorous cost discipline, however, other administrative expenses were lower than projected.

Other operating result less favourable than in the previous year

At € 169 million, the charge resulting from the other operating result increased by € 123 million, making it significantly higher than in the previous year. While other operating income was lower, this is primarily attributable to other operating expenses, which were once again significantly impacted by the revaluation of the retirement provision for our employees. In addition, some € 60 million of this increase is due to expenses associated with the reduction in headcount arising from our forward-looking “Haspa Spring” project. This resulted in a considerably less favourable development compared to our forecasts. As a result, the figures recognised for provisions continue to be commercially conservative.

Net revaluation loss up year-on-year

The risk provisions for the lending business, which remained at a very favourable level, again decreased year-on-year. The net revaluation loss on our proprietary securities investments, particularly our special funds, was considerably lower than in the previous year. Overall, the net revaluation loss is significantly lower than in the previous year and also surpasses projections.

Result from ordinary activities dominated by investments in the future

Although the result from ordinary activities remained solid overall at € 43 million, this figure was significantly lower than both the previous year's figure and our forecast. Compared to both the previous year's figure and our forecast, this result is dominated by expenses associated with our forward-looking "Haspa Spring" project, which means that it is actually still quite positive in these exceptionally difficult conditions.

Tax expense down year-on-year

The tax expense to be borne fell by € 58 million year-on-year to € 1 million in the reporting year. In particular, this included positive one-off tax effects associated with the strategic realignment of the capital investment segment, which led to a significant reduction in the tax expense.

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 € 255 million in accordance with the definition by the DSGV, the result from ordinary activities came to € 43 million after deduction of € 212 million in total. This deduction is composed of the net revaluation loss of € 30 million and the non-operating result of € 182 million. The development of the non-operating result was driven mainly by expenses associated with pension provisions, investments aimed at broadening our collaboration with the German Savings Banks Finance Group and expenses incurred in connection with our forward-looking "Haspa Spring" project. Overall, the operating result before loan loss provisions was considerably below both the prior-year level and 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 and below 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 almost 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 were available in the year under review 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. To equip ourselves optimally for future challenges, we launched the forward-looking "Haspa Spring – Sparkasse richtig neu gedacht" project to make ourselves even more customer-focused, digital and lean. We are planning to employ 800 to 900 fewer staff overall by 2024. This reduction should be implemented in as socially responsible a manner as possible. With this in mind, we began negotiations with the Works Council during the reporting year to work towards a reconciliation of interests.

A new generation for the banking business

Haspa offers young people highly qualified training. With around 200 trainees, we are one of the largest private companies in the Hanseatic City of Hamburg that takes on trainees. We currently train bank 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 specialist (Bankfachwirt) at the Hanseatic Savings Bank Academy.

Women make up roughly 60 percent of our junior staff. Almost 90 percent of our trainees graduated from secondary school with the "Abitur", the German university entrance qualifications, while 6 percent had a technical college entrance qualification ("Fachhochschulreife") and 6 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 2019, 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 again named Haspa "Best Company for Trainees".

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 44, 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.

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.

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.

We also 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.

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 56 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 2019 and lowered its interest rate on deposits by banks once more to –0.5 percent. Haspa responded to the challenging environment by pursuing a forward-looking risk policy. 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 39 projects were subject to investment controlling in 2019. 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 Management 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 associated with our business operations in a responsible manner 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 of 99.9 percent. The assumed holding period for all types of risk was set at one year in 2019, as a result of which for conceptual reasons the VaR amounts are not fully comparable with the previous year. 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 € 3.7 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 € 1.5 and 1.7 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, an economic slump, a sharp decline in property prices and higher regulatory requirements 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 2019, Haspa's total capital ratio applying the standard approach was 14.1 percent and its Tier 1 capital ratio was 13.2 percent. At around 16.7 percent and 15.8 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 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 € 273 million. The lower figure compared with the previous year is due in particular to an adjustment of the method of treating alliances and items in public budgets whereby a large number of very conservative calculation assumptions were replaced.

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 derivatives 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 persistently low interest rates, the scale of the interest rate risk was controlled at a moderate level overall in the 2019 financial year, with strategic interest rate positions being set up to a limited extent as well. The present value interest rate risk amounted to € 753 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 regularly. 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 regularly in greater depth and controlled with respect to money and capital market trends during Board of Management meetings. 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

The capital markets, particularly the equity market, recovered significantly after a difficult year in 2018, with Germany's DAX share index ending 2019 just below its all-time high. Capital market interest rates decreased further until the start of the second half of the year, before rising again in the fourth quarter in particular.

Overall, the prolonged uncertainty triggered by the trade war between the USA and China and uncertainty over the completion of Brexit did not harm the capital markets any further. Temporary volatility was primarily caused by concerns about the economy. The German share index DAX reached its annual low of 10,417 points in January before improving amid fluctuations to reach 13,249 points by the end of the year. As a result, the DAX made gains of 25.5 percent during 2019 after recording an 18.3 percent loss in the previous year.

Realignment of the capital investment segment

A new special fund was launched at the start of 2019 to bundle strategic capital investments. As a first step, existing investments in European real estate funds were allocated to the fund, with additional investments in the pipeline.

To ensure liquidity at all times, securities with the best credit ratings are still held as direct investments and in an additional special fund. A special fund with European corporate bonds is also included in fixed assets.

The risk on the entire portfolio of proprietary securities investments stood at € 444 million at year-end. It should be noted that the assumed holding period for calculating risks was uniformly extended to one year compared to the previous year.

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 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 € 160 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, Finanz Informatik GmbH, IBM Deutschland GmbH, Diebold Nixdorf Portavis 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. In addition, risk scenarios for the short and long term are considered and analysed, taking into account the funding potential. Based on these considerations, the risk tolerance is defined using thresholds. Compliance with the thresholds is monitored regularly 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 292 percent and the NSFR is 123 percent.

Risk measurement

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

6. Report on expected developments – opportunities and risks

Subdued economic momentum in Germany

The continuing healthy state of the labour market, income growth and favourable financing opportunities as a result of sustained low interest rates will ensure that domestic demand remains strong in 2020. However, industrial activity and foreign trade are not expected to stimulate growth. It is not yet possible to calculate the potential impact of the latest developments associated with coronavirus. Economic momentum in Germany will remain subdued overall. The German economy is expected to be slightly higher than in the previous year at 0.9 percent due to the higher number of working days. We anticipate an inflation rate of 1.5 percent for 2020.

The European Central Bank will also continue to pursue its extremely expansive monetary policy in 2020, and will continue to purchase € 20 billion of securities each month. There is no sign of a change in key interest rates. We assume that this period of extremely low interest rates will continue for a long time.

Against this backdrop of monetary policy, the yield on ten-year Bunds will remain negative in 2020 to reach around –0.25 percent by the year-end. Equity markets will perform positively despite continuing political uncertainties such as the trade conflict between the USA and China. The DAX could reach 14,000 points by the end of 2020.

Positive growth prospects for Hamburg's economy

Hamburg Chamber of Commerce's economic barometer showed a more optimistic view of business prospects in the fourth quarter of 2019 compared with the previous quarter. Eighteen percent of the companies surveyed expect a better trend in business with around 60 percent expecting a consistent trend. Overall, the companies surveyed are also seeking to recruit more staff and expand their investment activities in 2020. The outlook for exports is predominantly regarded as good or steady. As a result of the improved assessment of business prospects from companies in Hamburg and the city's strong appeal as a business location, we expect Hamburg's economic growth to exceed the national average in 2020.

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 2020, 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 want to continue expanding our market position based on 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. Haspa also plans to further intensify its activities related to corporate customers, as well as its Private Banking.

We want to implement our forward-looking "Haspa Spring – Sparkasse richtig neu gedacht" project to set ourselves up with maximum customer focus for the benefit of our customers and become more digital, leaner and more agile.

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 2020 financial year is likely to be considerably below 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 2020 due in particular to an increase in the securities business and higher contributions from the insurance business. 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 2019 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. Furthermore, administrative expenses will continue to be adversely impacted by high regulatory requirements. We expect other operating income to be significantly more favourable. The past financial year was burdened by an unfavourable 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 2019, risk provisions for the lending business are conservatively expected to rise in the current year to a significantly higher level. If 2017 is similarly successful as 2016, much lower effects than projected may nevertheless arise here. We do not expect the measurement of our own investment portfolio of securities to have a positive or negative effect. Despite continuing uncertainty on the capital markets, the focus here will be on creating reserves. Overall, therefore, we anticipate a slightly 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 2019. Gross new customers will no longer be one of the most significant performance indicators in 2020.

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 2019 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 2019 Sustainability Report together with the 2019 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 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 2019

Assets in € '000		31.12.2019	31.12.2018
1. Cash reserve			
a) Cash on hand		563,708	485,261
b) Balance with Deutsche Bundesbank		3,073,865	1,813,751
		3,637,573	2,299,012
2. Receivables from banks			
a) Payable on demand		762,534	606,137
b) Other receivables		2,056,987	2,039,160
		2,819,521	2,645,297
3. Receivables from customers		34,361,837	32,743,218
of which: secured by mortgages / mortgage loans	18,886,702		(15,537,552)
Public-sector loans	354,689		(504,701)
Other receivables	15,120,447		(16,700,965)
of which: loans on securities	117,650		(7,116)
4. Debentures and other fixed-interest securities			
b) Bonds and debentures			
ba) by public-sector issuers		3,089,844	3,307,130
of which: eligible as collateral for Deutsche Bundesbank advances	3,089,844		(3,307,130)
bb) by other issuers		712,684	782,994
of which: eligible as collateral for Deutsche Bundesbank advances	712,684		(782,994)
		3,802,528	4,090,124
		3,802,528	4,090,124
5. Equities and other non-fixed interest securities		1,620,690	2,985,604
5a. Trading portfolio		138,733	124,667
6. Long-term equity investments		106,142	106,255
of which: in banks	2,504		(2,504)
in financial services institutions	—		(—)
7. Shares in affiliated companies		12,512	12,512
of which: in banks	—		(—)
in financial services institutions	—		(—)
8. Fiduciary assets		2	2
of which: Fiduciary loans	2		(2)
9. Intangible fixed assets			
a) Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets		5,272	8,076
b) Prepayments		46	4,229
		5,319	12,304
10. Tangible fixed assets		41,557	32,274
11. Other assets		27,707	33,958
12. Prepaid expenses		6,429	7,984
of which: from the issue and lending business	4,385		(4,941)
Other	2,044		(3,043)
Total assets		46,580,550	45,093,214

Equity and liabilities in € '000		31.12.2019	31.12.2018
1. Liabilities to banks			
a) Payable on demand		286,020	145,683
b) With agreed maturity or notice period		3,861,623	3,640,107
of which: registered mortgage Pfandbrief securities issued	379,261		(356,116)
Other liabilities	3,482,363		(3,283,990)
		4,147,643	3,785,790
2. Liabilities to customers			
a) Savings deposits			
aa) With agreed notice period of three months		9,096,832	9,111,229
ab) With agreed notice period of more than three months		—	—
		9,096,832	9,111,229
b) Other liabilities			
ba) Payable on demand		20,181,500	18,959,215
bb) With agreed maturity or notice period		5,352,489	5,556,318
of which: registered mortgage Pfandbrief securities issued	3,350,087		(3,546,879)
Other liabilities	2,002,402		(2,009,439)
		25,533,989	24,515,533
		34,630,820	33,626,762
3. Securitised liabilities			
a) Debentures issued		2,910,589	2,935,121
of which: mortgage Pfandbrief securities	1,734,685		(1,784,042)
Other debentures	1,175,904		(1,151,079)
		2,910,589	2,935,121
3a. Trading portfolio		23,520	23,960
4. Fiduciary liabilities		2	2
of which: Fiduciary loans	2		(2)
5. Other liabilities		85,368	179,507
6. Deferred income		29,993	20,958
of which: from the issue and lending business	16,104		(16,822)
Other	13,890		(4,137)
7. Provisions			
a) Provisions for pensions and similar obligations		1,035,846	943,767
b) Provisions for taxes		36,375	36,760
c) Other provisions		177,393	107,586
		1,249,614	1,088,113
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)
9. Equity			
a) Subscribed capital		1,000,000	1,000,000
b) Capital reserves		1,584,000	1,514,000
c) Revenue reserves			
ca) Legal reserve		0	0
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		—	—
		2,801,000	2,731,000
Total equity and liabilities		46,580,550	45,093,214
1. Contingent liabilities			
b) Contingent liabilities from guarantees and indemnity agreements		569,956	577,485
		569,956	577,485
2. Other obligations			
c) Irrevocable loan commitments		3,408,052	3,537,867
		3,408,052	3,537,867

Income statement

of Hamburger Sparkasse AG for the period from 1 January to 31 December 2019

All figures stated in € '000		2019	2018
1. Interest income from			
a) Lending and money market transactions		793,752	817,115
b) Fixed interest securities and registered government debt		6,147	2,277
		799,900	819,391
2. Interest expense		– 216,803	– 202,936
		583,097	616,456
3. Current income from			
a) Equities and other non-fixed interest securities		32,960	87,143
b) Long-term equity investments		4,777	3,333
c) Shares in affiliated companies		—	—
		37,737	90,476
4. Income from profit pooling, profit transfer, or partial profit transfer agreements		2,731	5,390
of which: from tax allocations	787		(440)
5. Commission income		362,648	331,060
6. Commission expenses		– 27,319	– 23,003
		335,329	308,057
7. Net trading income or expense		– 944	– 1,104
8. Other operating income		31,711	75,498
		989,661	1,094,774
9. General and administrative expenses			
a) Personnel expenses			
aa) Wages and salaries		– 286,135	– 290,369
ab) Social security, post-employment and other employee benefit costs		– 61,541	– 69,337
		– 347,676	– 359,706
of which: in respect of post-employment benefits	– 6,459		(– 14,403)
b) Other administrative expenses		– 355,332	– 368,277
		– 703,008	– 727,983
10. Depreciation, amortisation and write-downs of tangible and intangible fixed assets		– 12,934	– 14,693
11. Other operating expenses		– 200,518	– 121,293
12. Write-downs of and valuation allowances on receivables and certain securities, and additions to loan loss provisions		– 30,053	– 100,790
13. Income from reversals of write-downs of receivables and certain securities and from the reversal of loan loss provisions		—	—
		– 30,053	– 100,790
14. Write-downs of and valuation allowances on other equity investments, shares in affiliated companies and securities classified as fixed assets		– 83	– 436
15. Income from reversals of write-downs of other equity investments, shares in affiliated companies and securities classified as fixed assets		—	—
		– 83	– 436
16. Cost of loss absorption		– 1	– 152
17. Additions to / withdrawals from the fund for general banking risks		—	—
18. Result from ordinary activities		43,065	129,426
19. Extraordinary income		—	—
20. Extraordinary expenses		—	—
21. Extraordinary result		—	—

All figures stated in € '000		2019	2018
22. Taxes on income		– 1,065	– 59,426
of which: for tax allocations	– 1,065		(– 59,719)
23. Other taxes not included in item 11		—	—
		– 1,065	– 59,426
24. Income from loss absorption		—	—
25. Profit transferred on the basis of profit pooling, profit transfer, or partial profit transfer agreements		– 42,000	– 70,000
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 2019 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.

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

Due to the migration of large parts of our IT infrastructure to the OSPlus system of Finanz Informatik GmbH & Co. KG, the "of which" entries of the balance sheet item "Receivables from customers" cannot be fully compared with the prior-year figures.

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 1,250 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 2.71 percent (average market interest rate for the past ten years) and 1.97 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	2019 € million	2018 € million
Net income / loss for the period before profit transfer	**42.0**	**70.0**
Depreciation, amortisation and write-downs and valuation allowances on receivables and items of fixed assets / reversals of such write-downs and valuation allowances	20.8	30.6
Increase / decrease in provisions (excluding provisions for income taxes)	204.3	89.1
Other non-cash expenses / income	– 4.7	– 71.6
Gain / loss on disposal of fixed assets	0.3	0.8
Other adjustments (net)	0.0	0.0
Increase / decrease in receivables from banks	– 199.2	1,166.3
Increase / decrease in receivables from customers	– 1,633.7	– 1,860.7
Increase / decrease in securities (unless classified as long-term financial assets)	2,388.6	1,615.1
Increase / decrease in other assets relating to operating activities	7.8	2.2
Increase / decrease in liabilities to banks	389.4	32.7
Increase / decrease in liabilities to customers	997.3	962.7
Increase / decrease in securitised liabilities	– 24.9	312.4
Increase / decrease in other liabilities relating to operating activities	– 128.5	– 29.3
Interest expense / interest income	– 583.1	– 616.5
Current income from equities, non-fixed interest securities, equity investments and shares in affiliated companies	– 37.7	– 90.5
Expenses for / income from extraordinary items	0.0	0.0
Income tax expense / income	1.1	59.4
Interest payments received	832.4	835.6
Payments received from current income from equities, non-fixed interest securities, equity investments and shares in affiliated companies	37.7	90.5
Interest paid	– 237.4	– 232.3
Extraordinary receipts	0.0	0.0
Extraordinary payments	0.0	0.0
Income tax payments	– 0.8	– 54.9
Cash flows from operating activities	**2,071.7**	**2,311.6**
Proceeds from disposal of long-term financial assets	0.0	0.0
Payments to acquire long-term financial assets	– 745.6	– 694.0
Proceeds from disposal of tangible fixed assets	0.0	0.0
Payments to acquire tangible fixed assets	– 14.9	– 15.3
Proceeds from disposal of intangible fixed assets	0.0	0.4
Payments to acquire intangible fixed assets	– 0.6	– 3.6
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	**– 761.1**	**– 712.5**
Cash receipts from capital contributions of HASPA Finanzholding	70.0	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	– 42.0	– 70.0
Change in cash from other capital sources (net)	0.0	0.0
Cash flows from financing activities	**28.0**	**10.0**
Net change in cash funds	1,338.6	1,609.1
Effect of exchange rate movements on cash funds	0.0	0.0
Cash funds at beginning of period	2,299.0	689.9
Cash funds at end of period	**3,637.6**	**2,299.0**

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 in the amount of € 10.0 million in the reporting period.

Notes to the balance sheet (assets)

Receivables from banks	2019 € million	2018 € million
This item includes:		
Receivables from affiliated companies	0.0	5.0
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	1,683.8	1,322.5
more than 3 months up to 1 year	270.8	589.7
more than 1 year up to 5 years	25.3	22.4
more than 5 years	16.2	18.7

Receivables from customers	2019 € million	2018 € million
This item includes:		
Receivables from affiliated companies	314.0	301.2
Receivables from other long-term investees and investors	7.3	14.8
Subordinated receivables	12.7	4.2
of which:		
from affiliated companies	0.0	0.0
from other long-term investees and investors	0.0	0.0
Breakdown of the item Receivables from customers by maturity:		
up to 3 months	1,780.4	1,739.6
more than 3 months up to 1 year	2,750.6	2,318.5
more than 1 year up to 5 years	9,008.9	8,346.8
more than 5 years	20,197.6	19,178.3
with indefinite maturity	601.4	1,129.7

Debentures and other fixed interest securities	2019 € million	2018 € million
Of the marketable securities included in this balance sheet item the following are:		
listed	3,495.8	3,837.8
not listed	306.7	252.3
due in the following year	561.5	545.2
The carrying amount of the debentures and other fixed interest securities treated as fixed assets is	696.7	696.8
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 changed by € 0.1 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	2019 € million	2018 € 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
The carrying amount of the equities and other non-fixed interest securities treated as fixed assets is	745.6	0.0
Securities not measured at the lower of cost or market	0.0	0.0

The carrying amount of the equities and other non fixed-income securities classified as fixed assets increased by € 745.6 million in the financial year. It was unnecessary to write down these securities, as their market values were higher than their carrying amounts.

This balance sheet item contains shares in special funds with a carrying amount of € 1.6 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 31.12.2019	Market value 31.12.2019	Difference	Distribution 2019	Returnable daily	Write-downs omitted
JUPITER-FONDS 2	DE000DK0ECD4						
Bond fund: Euro zone government bonds and Pfandbrief securities		411.0	411.0	0.0	2.8	Yes	No
Wikinger-Fonds 1	DE000DK0NLE4						
Property investment fund: Property investment fund shares		452.1	474.7	22.6	0.0	Yes	No
Wikinger-Fonds 2	DE000DK0LNF1						
Bond fund: Euro corporate bonds		745.6	771.1	25.5	0.0	Yes	No

Trading portfolio	2019 € million	2018 € million
The trading portfolio comprises:		
Derivative financial instruments	24.1	25.3
Receivables	0.0	0.0
Debentures and other fixed interest securities	116.2	99.9
Equities and other non-fixed interest securities	0.0	0.0
Other assets	0.0	0.0
Subtotal	140.3	125.2
Risk discount	– 1.6	– 0.5
	138.7	124.7

The nominal volume of the derivative financial instruments is € 93.1 million for interest rate swaps, € 22.9 million for interest rate futures and € 2.3 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 31.12.2019 [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	41,173.6	992.0
Bürgschaftsgemeinschaft Hamburg GmbH, Hamburg	21.35	26,277.8	1,034.4
Cenito Service GmbH, Hamburg	100.00	800.0	0.0 [3]
CFC Corporate Finance Contor GmbH, Hamburg	49.00	1,333.9	833.9
Deka Erwerbsgesellschaft mbH & Co. KG – Unterbeteiligung –, Neuhardenberg	2.96	1,785,143.0 [4]	77,792.0
Diebold Nixdorf Portavis GmbH, Hamburg	25.00	20,491.4	1,079.5
DMG Deutsche Malaria GmbH, Hamburg	18.48	27.4	– 71.3
EDD AG, Düsseldorf	0.44	27.5	– 5,300.9
GBP Gesellschaft für Betriebliche Pensionsplanung mbH, Hamburg	100.00	42.6	0.0 [3]
Hanseatischer Sparkassen- und Giroverband, Hamburg	74.87 [6]	62,496.1	– 2.9
Haspa Beteiligungsgesellschaft für den Mittelstand mbH, Hamburg	100.00	5,000.0	0.0 [3]
HASPA Projektentwicklungs- und Beteiligungsgesellschaft mbH, Hamburg	30.00	18,891.1	– 565.6
Haspa-DIREKT Servicegesellschaft für Direktvertrieb mbH, Hamburg	100.00	687.1	0.0 [3]
Next Commerce Accelerator GmbH, Hamburg	16.66	93.0	55.7
Next Logistics Accelerator GmbH, Hamburg	15.00	– 48.1	– 84.5
Odewald & Compagnie GmbH & Co. Dritte Beteiligungsgesellschaft für Vermögensanlagen KG, Berlin	1.00	24,826.8	– 237.1
SCHUFA Holding AG, Wiesbaden	2.22	101,550.3	34,599.3
Indirect equity investments via Haspa Beteiligungsgesellschaft für den Mittelstand			
AMAS Beteiligung GmbH, Neu Kaliß	49.98	1,817.6	– 2.5
Aqua free GmbH, Hamburg	30.00	2,274.7	0.0 [3]
CDF Logistik Beteiligungs GmbH, Fockbek	49.90	n. a. [5]	n. a. [5]
HAM-LOG-GRUPPE Holding GmbH, Hamburg	25.00	3,532.8	680.8
Hanse-Residenz Lübeck GmbH, Lübeck	5.00	830.5	376.9
Helmers Beteiligungs GmbH, Osnabrück	49.00	4,894.6	– 105.4
MT.DERM GmbH, Berlin	22.50	22,641.8	2,694.0
PWM Beteiligungs GmbH, Hamburg	49.99	1,387.9	– 2.0
R+S Beteiligungs GmbH, Fulda (form. M. Röhner Bet. GmbH)	20.00	17,615.8	– 2,269.6
TSH und BGM Beteiligungs GmbH, Visbek	49.00	3,876.2	– 0.4

[1] *Equity investments unless insignificant*
[2] *Based on the most recent annual financial statements available for 2018 if no other information is given*
[3] *Profit and loss transfer agreement*
[4] *Not including reserves, as these are earmarked for repayment of the DSGV öK loan*
[5] *New entity, established in the reporting year*
[6] *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 use 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 01.01.2019	155.0	171.3
Additions	0.6	14.9
Disposals	0.0	16.4
Reclassifications	0.0	0.0
Cost on 31.12.2018	155.6	169.8
Depreciation, amortisation and write-downs		
Accumulated depreciation, amortisation and write-downs as at 01.01.2019	142.7	139.0
Depreciation, amortisation and write-downs	7.6	5.4
Reversal of write-downs	0.0	0.0
Disposals	0.0	16.2
Reclassifications	0.0	0.0
Accumulated depreciation, amortisation and write-downs as at 31.12.2019	150.3	128.2
Carrying amount as at 31.12.2019	**5.3**	**41.6**
Carrying amount previous year	**12.3**	**32.3**

Other assets	**2019 € million**	**2018 € million**
Other assets are comprised as follows:		
Capitalised inventories and other assets	2.4	3.0
Adjustment item from foreign currency translation	1.8	0.1
Other receivables from affiliated companies	3.7	10.1
Premium receivables from securities and currency options	0.0	6.8
Other receivables from cash collateral	10.0	8.2
Trade receivables from third parties	8.4	0.4
Other receivables	1.4	5.4
	27.7	**34.0**

Prepaid expenses	**2019 € million**	**2018 € million**
Prepaid expenses include:		
The difference between the lower of the settlement amount and the issue price of liabilities or debentures	4.4	4.9
Other prepaid expenses	2.0	3.1
	6.4	**8.0**

Notes to the balance sheet (equity and liabilities)

Liabilities to banks	2019 € million	2018 € million
This item includes:		
Liabilities to affiliated companies	0.3	0.2
Liabilities to other long-term investees and investors	0.9	1.9
Total amount of assets transferred as collateral for the liabilities included in this item	2,468.0	2,390.8
Breakdown of sub-item b) by maturity:		
up to 3 months	229.4	132.0
more than 3 months up to 1 year	300.7	177.3
more than 1 year up to 5 years	1,284.9	1,321.2
more than 5 years	1,982.3	1,917.8

Liabilities to customers	2019 € million	2018 € million
This item includes:		
Liabilities to affiliated companies	78.5	142.9
Liabilities to other long-term investees and investors	15.2	20.1
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	0.0
more than 5 years	0.0	0.0
Breakdown of sub-item bb) by maturity:		
up to 3 months	665.0	514.8
more than 3 months up to 1 year	276.8	88.3
more than 1 year up to 5 years	627.2	761.3
more than 5 years	3,627.8	4,042.9

Securitised liabilities	2019 € million	2018 € 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	398.4	192.6

Trading portfolio	2019 € million	2018 € million
The trading portfolio is comprised as follows:		
Derivative financial instruments	23.5	24.0
Liabilities	0.0	0.0
Subtotal	23.5	24.0
Risk premium	—	—
	23.5	**24.0**

The nominal volume of the derivative financial instruments is € 93.2 million for interest rate swaps and € 2.3 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	**2019 € million**	**2018 € million**
Other liabilities are comprised as follows:		
Tax liabilities	10.0	60.2
Liabilities to companies of HASPA Finance Group		
under profit transfer agreements	42.0	70.2
other liabilities	8.7	9.0
Adjustment item from foreign currency translation	8.0	19.6
Trade payables to third parties	4.3	5.7
Other liabilities	12.4	14.8
	85.4	179.5

Deferred income	**2019 € million**	**2018 € million**
Deferred income includes:		
The difference between the lower of the nominal amount and the settlement amount of loan receivables	12.5	15.0
The difference between the higher of the settlement amount and the issue price of liabilities or debentures	1.6	1.7
Other deferred income	15.9	4.3
	30.0	21.0

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 € 152.0 million as at 31 December 2019.

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 31.12.2018	1,000.0	1,514.0	217.0	0.0	2,731.0
Allocation		70.0			
Net income for the financial year				42.0	
Profit to be transferred				– 42.0	
Balance on 31.12.2019	1,000.0	1,584.0	217.0	0.0	2,801.0

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 € 15.5 million is shown for lending products.

Interest expense
Interest expense includes a total of € 0.1 million due to the unwinding of discounts on provisions related to the banking business. Furthermore, this item includes negative interest of € 11.5 million for deposit products.

Commission income
A portion of 34.1 percent of total commission income is attributable to brokerage and management services for third parties.

Other operating income
This item contains € 8.1 million in income from currency translation and € 4.5 million in income from staff leasing.

It also includes € 4.2 million in income from the reversal of provisions.

Other operating expenses
Other operating expenses include a total of € 119.6 million due to the unwinding of discounts on long-term provisions.

A total of € 69.0 million was expensed for the recognition of provisions during the reporting year. Of this amount, € 62.4 million is attributable to the recognition of a provision for a reduction in personnel resulting from our forward-looking “Haspa Spring” project, which is reported under Other provisions.

Taxes on income
This item totalling € 1.1 million includes € 3.8 million in current tax allocations and € 2.9 million in prior-period tax allocations. It also includes € 5.6 million in income from the reversal of provisions.

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 2019 financial year, the members of the Board of Management received total benefits of € 3.2 million. Loans and guarantees granted to members of the Board of Management amounted to € 6.3 million.

A total of € 2.5 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 2019 amounted to € 0.9 million. Loans and guarantees granted to members of the Supervisory Board amounted to € 3.2 million.

Expenses for the auditor

The total fee for the auditor for the 2019 financial year amounted to € 1.5 million, of which € 1.5 million concerned the audit of the annual financial statements and € 36 thousand other assurance services.

The audit services provided mainly relate to statutory audit services, which include the audit of the annual financial statements, the audit of the investment services and custodian business, and the audit of arrangements to prevent money laundering and the financing of terrorism and other criminal acts.

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 2019 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
2020	55.4	23.7
2021	55.2	23.8
2022	52.9	23.5
	163.5	71.0

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 € 20.1 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 € 1,014.2 million and € 656.7 million respectively.

Forward transactions / Derivative financial transactions of Hamburger Sparkasse

The following table shows the volume of transactions in effect at the end of 2019.

as at 31.12.2019	Nominal values				of which: nominal values in the trading portfolio	Market values excluding market values of the trading portfolio	
	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	61.3	29.2	0.5	91.0	0.0	0.0	0.0
Floors	0.0	0.0	0.9	0.9	0.0	0.0	0.0
Structured swaps	90.0	206.6	5,047.1	5,343.7	0.0	340.6	8.1
Forward transactions in securities	100.0	40.0	0.0	140.0	0.0	2.4	2.2
Interest rate swaps	1,596.6	5,921.3	7,692.0	15,209.9	186.3	571.5	874.6
Stock market instruments							
Interest rate futures	437.3	0.0	0.0	437.3	22.9	1.5	0.4
Total	**2,285.2**	**6,197.1**	**12,740.5**	**21,222.8**	**209.2**	**916.0**	**885.3**
Currency-related transactions							
OTC products							
Currency options	4.7	0.0	0.0	4.7	4.7	0.0	0.0
Forward currency transactions	2,728.4	170.4	0.0	2,898.8	0.0	14.4	20.6
Currency swaps	0.0	36.3	134.3	170.6	0.0	32.0	29.4
Stock market instruments							
Interest rate futures	11.8	0.0	0.0	11.8	0.0	0.0	0.2
Total	**2,744.9**	**206.7**	**134.3**	**3,085.9**	**4.7**	**46.4**	**50.2**
Transactions involving other price risks							
OTC products							
Structured swaps	8.0	46.3	0.0	54.3	0.0	1.6	2.6
Stock market instruments							
Index futures	26.3	0.0	0.0	26.3	0.0	0.1	0.1
Index options	30.8	0.0	0.0	30.8	0.0	0.1	0.1
Total	**65.1**	**46.3**	**0.0**	**111.4**	**0.0**	**1.8**	**2.8**

Derivatives are always measured by reference to their current market price. The prices on the last trading day in 2019 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 included 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 that are always 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 € 3,170.7 million and executory contracts with a nominal value of € 157.6 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 € 332.5 million were in place to hedge interest rate risks; transactions with a negative fair value of € 4.2 million to hedge currency risks; as well as transactions with a negative fair value of € 1.0 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	2019 € million	2018 € million
Receivables from banks	0.0	0.0
Receivables from customers	7,411.6	7,080.3
Debentures and other fixed interest securities	300.0	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	2019 € million	2018 € million
Section 28 (1) no. 1 and 3 German Pfandbrief Act		
Mortgage Pfandbrief circulation		
of which derivative transactions	0.0	0.0
Nominal value	5,418.7	5,632.2
Present value	6,066.3	6,208.3
Risk net present value [1]	5,777.6	5,900.6
Cover assets		
of which derivative transactions	0.0	0.0
Nominal value	7,711.6	7,280.3
Present value	8,552.8	7,974.7
Risk net present value [1]	8,174.5	7,577.6
Excess cover		
Nominal value	2,292.9	1,648.1
Present value	2,486.5	1,766.4
Risk net present value [1]	2,397.0	1,677.0
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	432.5	235.0
more than 0.5 years up to 1 year	91.6	223.5
more than 1 year up to 1.5 years	226.0	426.1
more than 1.5 years up to 2 years	39.7	91.2
more than 2 years up to 3 years	882.1	265.0
more than 3 years up to 4 years	723.1	882.1
more than 4 years up to 5 years	949.5	723.1
more than 5 years up to 10 years	1,611.8	2,160.8
more than 10 years	462.5	625.5

			of which additional cover assets	
	2019 € million	2018 € million	2019 € million	2018 € million
Fixed-interest periods of the cover assets				
up to 0.5 years	437.7	327.4	0.0	0.0
more than 0.5 years up to 1 year	326.3	371.2	0.0	0.0
more than 1 year up to 1.5 years	474.5	305.4	0.0	0.0
more than 1.5 years up to 2 years	341.7	415.2	0.0	0.0
more than 2 years up to 3 years	903.7	728.6	0.0	0.0
more than 3 years up to 4 years	608.3	709.9	0.0	0.0
more than 4 years up to 5 years	658.6	550.3	0.0	0.0
more than 5 years up to 10 years	3,190.5	3,006.8	300.0	200.0
more than 10 years	770.5	865.6	0.0	0.0

	in %	in %
Section 28 (1) no. 9 German Pfandbrief Act		
Share of fixed-interest cover assets in total cover assets	83.9	97.3
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	2019 € million	2018 € 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	2,626.7	2,779.2
more than € 300 thousand up to € 1 million	1,491.8	1,355.1
more than € 1 million up to € 10 million	2,537.2	2,345.3
more than € 10 million	755.9	600.7

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	
	2019 € million	2018 € million	2019 € million	2018 € million
Commonhold / leasehold properties	710.4	747.1	0.0	0.0
Single- and two-family homes	1,954.4	2,011.3	0.0	0.0
Multi-family homes	2,529.3	2,263.3	0.0	0.0
Office buildings	0.0	0.0	914.8	932.4
Commercial buildings	0.0	0.0	288.3	493.7
Industrial buildings	0.0	0.0	156.1	58.8
Other commercially used buildings	0.0	0.0	858.4	573.7
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

	2019 € million	2018 € 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

	2019 in years	2018 in years
Section 28 (1) no. 11 German Pfandbrief Act		
Volume-weighted average age of receivables	6.9	6.5

	2019 in %	2018 in %
Section 28 (2) no. 3 German Pfandbrief Act		
Average weighted loan-to-value ratio	52.4	51.6

[1] *No liens on property outside Germany*

III) Composition of additional cover assets	2019 € million	2018 € 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	300.0	200.0

IV) Overview of past due payments	2019 € million	2018 € 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	
	2019 Number	2018 Number	2019 Number	2018 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	
	2019 € million	2018 € million	2019 € million	2018 € million
Total interest in arrears	0.0	0.0	0.0	0.0

Trustees
Dr. Adam Freiherr von Kottwitz – 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	1,953	1,013	2,966
Part-time employees	121	938	1,059
	2,074	1,951	4,025
Trainees	88	123	211
	2,162	2,074	4,236

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

An annual average of 1,639 part-time staff were employed in 2019.

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 AG, 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 Partner of Karl Wachholtz Verlag GmbH & Co. KG
Stefan Forgé	Second Deputy Chairman of the Works Council of Hamburger Sparkasse AG
Sandra Goldschmidt (since 24 August 2019)	Deputy Head of ver.di – Hamburg District
Cord Hamester	Works council member of Hamburger Sparkasse AG
Katja Karger	Chairwoman of the German Trade Unions Association Hamburg
Josef Katzer	Managing Director of Katzer GmbH
Björn Krings (until 30 June 2019)	Trade union secretary of ver.di
Dr. Thomas Ledermann (since 1 November 2019)	Member of the Management Board of BÖAG Börsen Aktiengesellschaft
Dirk Lender	Department Head of Hamburger Sparkasse AG
Dr.-Ing. Georg Mecke	Vice President Site Management Hamburg and External Affairs Airbus Operations GmbH
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 of Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft
Cord Wöhlke (until 31 October 2019)	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 four 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, 18 February 2020

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, 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, 18 February 2020

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 2019 and the income statement for the financial year from 1 January to 31 December 2019, 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 2019. 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 2019, and of its results of operations for the financial year from 1 January 2019 to 31 December 2019, 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 2019. 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 € 1,035.8 million. In the 2019 financial year, allocations to this item affecting the income statement totalled € 92.6 million.

      In our view, this matter was particularly significant in the context of our audit as the expenses resulting from this matter are material for the assessment of the net assets, financial position and results of operations and recognition and measurement of the provisions 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 2019 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) Further information is included in the notes to the annual financial statements under the sections on accounting policies and notes to the balance sheet (equity and liabilities).

2. Accounting for provisions for restructuring obligations

   a) In financial year 2019, Hamburger Sparkasse AG, Hamburg, recognised provisions for restructuring obligations in the amount of € 62.4 million through profit or loss, which are reported in the financial statements under the balance sheet item "Other provisions".

      In our view, this matter was particularly significant in the context of our audit as the expenses resulting from this matter are material for the assessment of the net assets, financial position and results of operations and recognition and measurement of the provisions 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. We obtained the relevant evidence and assessed it for this purpose. 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 2019 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 and measurement of provisions for restructuring obligations has thus been carried out in an appropriate manner. The measurement was based on the results of our audit within reasonable ranges.

   c) Further information is included in the notes to the annual financial statements under the section on notes to the income statement. We also refer to the presentations and explanations in the management report of Sparkasse in sections 1 Fundamental information about the company and 2 Report on economic position, specifically 2.3.2 Results of operations.

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 2019 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's 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 auditors' 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 auditors' 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 10 April 2019, the General Meeting of the Sparkasse adopted a resolution to appoint us as auditor for the 2019 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 Sparkasse under Other information, Expenses for the auditor.

Responsible auditor
The German Public Auditor responsible for the engagement is Mr Ulf-Torben Krüger, German Public Auditor.

Hamburg, 24 March 2020

Auditing Division of the

HANSEATISCHER SPARKASSEN- UND GIROVERBAND
(HANSEATIC SAVINGS BANKS ASSOCIATION)

Ulf-Torben Krüger
German Public Auditor

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 redistribution of responsibilities within the Board of Management including the appointment of a new Labour Director, measures to promote women within the Group and regular reporting on the progress of projects to realign the organisation and culture of Hamburger Sparkasse AG ("Haspa Spring") and migrate IT systems to Finanz Informatik ("AMANDUS").

Furthermore, the Supervisory Board discussed the supervision by the European Central Bank, specifically the SREP resolution and the review of the HASPA Group's liquidity management. 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.

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 Chairman of the Supervisory Board and the Spokesman of the Board of Management also regularly engaged in discussions at which the latter informed the former 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. It received regular reports on the work of the committees. The annual continued professional development seminar addressed topics such as handling cyber risks and current regulatory issues.

Mr Björn Krings and Mr Cord Wöhlke stepped down from the Supervisory Board at their own request before the end of their terms of office effective at the end of 30 June 2019 and 31 October 2019 respectively. The Supervisory Board wishes to thank them for their trust and, in the case of Mr Wöhlke, many years of cooperation, as well as their service to Hamburger Sparkasse AG. Ms Sandra Goldschmidt and Dr. Thomas Ledermann were appointed to the Supervisory Board to succeed Mr Krings and Mr Wöhlke.

At the end of 31 March 2020, Ms Bettina Poullain stepped down from the Board of Management one year before the regular end of her term of office due to her private life planning. The Supervisory Board thanks Ms Poullain for her many years of successful work on behalf of Hamburger Sparkasse AG. The Supervisory Board appointed Dr. Olaf Oesterhelweg to the Board of Management as her successor with effect from 1 April 2020.

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 2019 – 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 2019 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, 8 April 2020

The Supervisory Board

Günter Elste
Chairman of the Supervisory Board

Business development 2015 to 2019

of Hamburger Sparkasse AG

Balance sheet figures ASSETS	2015 € million	2016 € million	2017 € million	2018 € million	2019 € million
Cash reserve	391	883	690	2,299	3,638
Receivables from banks	2,819	3,102	3,828	2,645	2,820
Receivables from customers	30,192	30,763	30,901	32,743	34,362
Securities	8,978	8,498	7,976	7,076	5,423
Trading portfolio	119	106	71	125	139
Equity investments, shares in affiliated companies	61	60	119	119	119
Tangible and intangible fixed assets	55	46	42	45	47
Other assets	24	30	44	42	34
EQUITY AND LIABILITIES					
Liabilities to banks	4,619	3,778	3,782	3,786	**4,148**
Liabilities to customers	31,627	33,020	32,662	33,627	**34,631**
Securitised liabilities (excluding Pfandbrief securities)	1,522	1,337	1,332	1,151	**1,176**
Pfandbrief securities	503	876	1,293	1,784	**1,735**
Trading portfolio	43	37	28	24	**24**
Provisions	939	1,018	1,067	1,088	**1,250**
Subordinated liabilities	0	0	0	0	**0**
Equity and fund for general banking risks	3,218	3,273	3,353	3,433	**3,503**
Other equity and liabilities	168	149	153	200	**115**
Total equity and liabilities	42,639	43,488	43,670	45,093	**46,581**

Figures from the income statement	2015 € million	2016 € million	2017 € million	2018 € million	2019 € million
Net interest income	745	709	725	712	**624**
Interest income [1]	1,189	1,064	1,001	915	840
Interest expense	444	355	277	203	217
Net commission income	278	280	299	308	**335**
Administrative expenses	687	675	738	743	**716**
Net income from financing activities	–4	–2	–2	–1	**–1**
Other operating income / expenses (net)	–92	–89	–40	–46	**–169**
Operating result before loan loss provisions	240	223	243	231	**73**
Taxes on income	101	104	90	59	**1**
Earnings after taxes	80	80	80	70	**42**
Cost / income ratio (according to DSGV) [2] in %	70.2	69.3	68.0	67.5	**73.0**
Return on equity before tax in %	5.7	5.7	5.1	3.8	**1.2**

[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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