Annual Report 2020

Haspa
Hamburger Sparkasse

Key figures

	2016 € million	2017 € million	2018 € million	2019 € million	2020 € million
Total assets	43,488	43,670	45,093	46,581	55,157
Receivables from banks	3,102	3,828	2,645	2,820	2,646
Customer loans	30,763	30,901	32,743	34,362	35,797
Securities portfolio	8,498	7,976	7,076	5,423	6,772
Liabilities to banks	3,778	3,782	3,786	4,148	10,244
Customer deposits	33,020	32,662	33,627	34,631	36,741
Equity and fund for general banking risks	3,273	3,353	3,433	3,503	3,545

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 2020, the coronavirus crisis brought drastic changes to all of our lives within a very short period of time. The measures introduced to limit the spread of the virus fundamentally changed our private and professional lives. The effects of this health crisis on the economy and society have been massive. And although vaccinations have started, it is still impossible to predict how long the coronavirus pandemic and its consequences will be with us.

However, even in these times of crisis, Haspa has once again proven to be a reliable partner to individuals and businesses across the region. We took steps to protect the health of our customers and employees at an early stage while at the same time doing everything we could to keep money in circulation and keep the business cycle going in the Hamburg Metropolitan Region.

We were the only branch-based bank in Hamburg to keep all of our branches open during the coronavirus crisis. We were there for our customers as a good neighbour and advisor in challenging times – not only in person but also via telephone, email and video chat as well as via online banking, which is being used more and more.

At times, as many as 1,000 of our employees were exclusively working on arranging coronavirus support. They went to huge lengths in developing individual solutions together with our customers, in granting loans and in suspending the loan instalments and repayments of many customers who had been badly affected by the crisis.

We have won a great deal of praise and recognition from our customers and the general public for our commitment. This was also reflected in a national media analysis carried out by the Institute for Management and Economic Research (IMWF), which examined the impact of the coronavirus crisis on banks' reputation in the period from April to June 2020. We came out on top of a total of 20 banks and savings banks.

However, besides its negative effects the coronavirus pandemic is also having a positive impact: Coronavirus has given digitalisation and new forms of work a significant boost. The progress achieved in this area is certainly permanent in nature. The crisis has also demonstrated the considerable importance of regional business cycles and solidarity between people. We see this as confirmation of our role as a savings bank. We have always provided financial services and a range of initiatives at a local level for people and companies in our region, in order to develop prosperity as well as improving quality of life.

We thank our customers and business partners for the trust they have placed in us in difficult times. Our heartfelt thanks also go to our employees, who have been exceptionally committed to our customers and to Haspa amid an extremely stressful crisis. We would also like to thank the Supervisory Board and the Works Council for their constructive cooperation in an extraordinarily challenging environment.

Stay safe and positive!

Hamburg, 16 February 2021

The Board of Management

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.

Reporting areas:
Finance, Risk and Human Resources

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.

Reporting areas:
Customer Business and Treasury

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.

Reporting areas:
Central Staffs Functions and Central Real Estate Business

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.

Reporting areas:
Processes, IT and Market Support

Dr. Olaf Oesterhelweg,

born in 1968, holds a degree in business administration (Diplom-Kaufmann). He has been a member of the Board of Management of Hamburger Sparkasse AG since 2020.

Reporting areas:
Customer Business, Marketing and Transformation Management

Management report

of Hamburger Sparkasse AG for the year ended 31 December 2020

The 2020 financial year of Hamburger Sparkasse AG (Haspa) was dominated by the coronavirus crisis. On the one hand, we supported many private and corporate customers who had been affected by the pandemic during difficult times. On the other hand, like all banks and savings banks we ourselves felt the effects of the pandemic in our business activities.

Given the extraordinarily challenging environment associated with the coronavirus crisis, regulation and the extremely low interest rate levels, we can be satisfied with our result for the year.

Thanks to our sustainable business model focused on the needs of private and commercial customers in the region we continued to contribute to the metropolitan region's development, achieve success in our business with customers and invest in our future.

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

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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, especially in times of crisis. 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 education and social welfare, environmental and climate protection, the arts, music and sports.

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 eighteenth 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.

Haspa is there to support Hamburg during the coronavirus crisis

Right from the start of the coronavirus crisis, we kept all of our locations open – as far as we are aware, we were the only branch-based bank in Hamburg to do so. We were also there for our customers via telephone, email and video chat. We thus played a key role in ensuring that the metropolitan region retained access to cash and financial services and in keeping money in circulation and the business cycle going. We also supported the trend of cashless and contact-free payment during the pandemic through our online banking and mobile services.

In the spring, at the peak of the crisis, as many as 1,000 employees were exclusively working on arranging coronavirus support. We provided loans of around € 600 million by way of coronavirus assistance – this comprised our own loan funds as well as more than € 300 million through development banks such as KfW and IFB Hamburg. In addition, around 6,000 customers who had been affected by the crisis were allowed to suspend loan instalments and repayments – even beyond the statutory moratorium period. Together with their customers, our customer relationship managers developed tailor-made solutions in order to bridge financial bottlenecks.

We had already assembled a crisis prevention team in late February, and Haspa's coronavirus crisis team was then operational from mid-March. Thanks to hygiene measures and social distancing regulations as well as organisational changes such as team allocations and mobile working, for our own benefit and that of our customers we ensured that our business operations remained intact at all times.

Focus on the future

With our branches, we are active in the region supporting neighbourhoods in the city districts and bring people and businesses together locally. The coronavirus crisis once again has clearly shown how important stable local networks are.

In 2020, within the scope of our programme of investments we transformed another 20 branches into neighbourhood branches, in line with our innovative model. All told, by the end of the year 83 branches had been converted. We are thus a good deal closer to our goal of around 100 neighbourhood branches. According to our assessment of the market, this means that we will continue to have by far the densest network of branches in Hamburg. We also interact digitally with neighbourhoods via the community apps AINO and kiekmo.

We are preparing for the future through our forward-looking “Haspa Spring – Sparkasse richtig neu gedacht” project and aim to generate higher revenues as well as cost savings. We are planning to employ considerably fewer staff overall by 2024. In order for this reduction to be implemented in as socially responsible a manner as possible, a reconciliation of interests was agreed with the Works Council in February 2020. Due to the coronavirus crisis, we were temporarily forced to pause the implementation of our Haspa Spring project from mid-March. In early June, we resumed our journey into the future.

In the second half of 2020, we transformed our entire organisation in order to serve our customers even more effectively from a single source. We have brought our private customer and corporate customer business even closer together in seven regions, with a combined management team in each of these regions. We have significantly strengthened the role of our branch managers and their local decision-making authority. Digital services were expanded to a similar level as our over-the-counter sales and marketing, since we aim to transform Haspa into a digital bank with the best branches, true to our vision for the future. With our new direct advisory service, our private and corporate customers can contact Haspa’s customer relationship managers over the telephone or via video chat from 8 a.m. to 8 p.m., from Monday to Saturday.

As with our sales and marketing activities, we have also redesigned the organisational structure for our business operations, streamlined management levels and made changes to our teamwork model. Based on four so-called “customer journeys”, we have defined fields where we intend to step up the development of innovative products and services to meet our customers’ needs and to open up new areas of business. We are increasingly also making use of agile work methods so as to bring new, customer-focused solutions to the market rapidly and flexibly, through an intensified teamwork model.

2. Report on economic position

2.1. Macroeconomic and sector-specific environment

Sharp decline in growth due to the coronavirus crisis

Following a ten-year growth period, the German economy has entered a serious recession as a result of the coronavirus crisis: according to initial calculations of the Federal Statistical Office, Germany's real gross domestic product fell by 5.0 percent in 2020.

The pandemic had an abrupt impact on both supply and demand. Industry suffered due to the disruptions to supply chains in the first half of the year in particular. In the services segment, social distancing and lockdowns resulted in a very strong drop in economic output in areas such as the trade and transport sectors and the hotel and restaurant industries. According to initial calculations of the Federal Statistical Office, in the coronavirus year 2020 private consumer spending declined at an unprecedented rate, with a decrease of 6.0 percent. The increase in government consumption expenditure and the rise in the volume of investments in construction had a stabilising impact during the crisis. On the other hand, investments in machinery and equipment fell sharply. The export sector also registered a negative performance.

The number of people in gainful employment decreased by 1.1 percent. In the previous year, it had risen by 0.9 percent. The 14-year upward employment trend in Germany thus came to an end during the coronavirus crisis.

Consumer prices in Germany increased by an annual average of 0.5 percent compared with the previous year. This low inflation rate reflected factors such as the temporary cut in value-added tax rates as well as the significant fall in energy prices.

In light of the coronavirus crisis, the European Central Bank (ECB) stepped up its extremely expansive monetary policy and announced a Pandemic Emergency Purchase Programme (PEPP) in March 2020. After being topped up in June and December, this programme now includes bond purchases totalling €1,850 billion and will run until March 2022. At the same time, the ECB kept the rate for main refinancing operations at 0.00 percent, while the interest rate on deposits by banks imposed by the ECB remained at –0.5 percent.

Although extremely low interest rates help to create momentum for the economy and bring down the high levels of sovereign debt in the euro zone member states, investors are losing out on interest income and the incentive to make private retirement provision has weakened.

Low interest rates, regulation and the Covid crisis 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.

The business with financial services providers also suffered in the year under review as a result of the measures required to combat the Covid pandemic. During lockdown and even after the initial easing, many customers refrained from seeking advice on financial topics.

In spite of the negative effects, the German lending industry has again proven to be stable overall. This applies in particular to the savings banks and the cooperative banks and their regionally focused business models. 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.

Significant drop in economic output in Hamburg

The Hamburg economy has also clearly felt the effects of the coronavirus crisis. In the first six months of 2020, Hamburg's real gross domestic product declined by 6.6 percent year-on-year. The trend for Hamburg's economic output thus matched the national average in this period. For 2020 as a whole, in our view the decrease in Hamburg's real gross domestic product will likely match the drop in economic output in Germany.

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, the effects of the Covid crisis and rapid digitalisation. We believe that the versatility of the financial centre, the attractiveness of the city and an economy dominated by mid-size enterprises are the factors driving Hamburg's positive development as a financial centre.

2.2. Course of business

Extremely low interest rates and the coronavirus pandemic

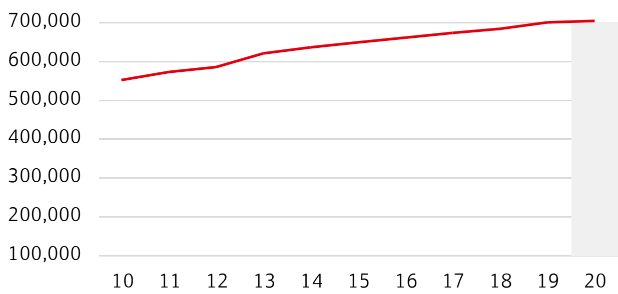
As well as the low and negative interest rate environment which has endured for some years now and is putting pressure on us, in 2020 the coronavirus crisis posed previously undreamt-of challenges for ourselves and for our customers. We have kept all of our branches open even during the pandemic and have helped our customers to cope with this crisis through measures such as extensive coronavirus support and the suspension of loan instalments.

Even in this challenging year, thanks to our sustainable business model focused on the needs of private and commercial customers in the region we were able to make a continued contribution to the metropolitan region's development, achieve success in our business with customers and invest in our future. As a retail bank, we focus on competent and comprehensive services for private customers as well as small and mid-size corporate customers (SMEs) in the Hamburg Metropolitan Region. We have gained new customers even in the difficult environment outlined above. Our receivables from customers and our customers' deposits once again increased sharply in overall terms. We also participated in the ECB's low-interest longer-term refinancing operations through which the ECB is providing additional liquidity in order to counter a possible credit squeeze and support the business cycle in the event of a continuing coronavirus pandemic.

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 702,000 giro account holders – around 4,000 more than at the close of the previous year and almost 75 percent of the close to 959,000 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.

Number of HaspaJoker accounts 2010 to 2020



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 2020 financial year, a good 2,000 new accounts of this type were opened, bringing the number of MäuseKonto accounts to just over 143,000 at the end of the year.

Generally satisfactory business performance

In light of the challenging environment described earlier, we are generally satisfied with our business performance in the reporting period. The rise in deposits payable on demand resulted in a strong increase in liabilities to customers. Demand for credit remained at a high level, contributing to another sharp rise in receivables from customers, which continue to be dominated by housing construction and business loans. In addition, our participation in ECB open market operations led to a significant increase in total assets. Overall, our balance sheet structure continued to be dominated by the customer business amid a challenging competitive and market environment.

Despite the generally satisfactory business performance, the result for the year was well below the prior-year figure at € 9 million due to the coronavirus pandemic and 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 a negative impact. Given the highly challenging environment and the provisions made for pandemic-related credit risks which are not yet discernible, we can be satisfied with our result for the year.

This result also includes major expenses associated with investments in our forward-looking projects – in particular, in broadening our collaboration with the German Savings Banks Finance Group and expanding our digital offering.

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	2020 € million	2019 € million	abs.	rel.
Cash reserve	9,443	3,638	+ 5,805	+ 160%
Receivables from banks	2,646	2,820	– 173	– 6%
Receivables from customers	35,797	34,362	+ 1,435	+ 4%
Securities	6,772	5,423	+ 1,348	+ 25%
Trading portfolio	161	139	+ 22	+ 16%
Other assets	338	200	+ 138	+ 69%
Total assets	55,157	46,581	+ 8,576	+ 18%

Equity and liabilities	2020 € million	2019 € million	abs.	rel.
Liabilities to banks	10,244	4,148	+ 6,096	+ 147%
Liabilities to customers	36,741	34,631	+ 2,110	+ 6%
Securitised liabilities	3,041	2,911	+ 130	+ 4 %
Trading portfolio	23	24	– 1	– 4%
Provisions	1,345	1,250	+ 95	+ 8%
Equity and fund for general banking risks	3,545	3,503	+ 42	+ 1%
Other equity and liabilities	219	115	+ 104	+ 90%
Total equity and liabilities	55,157	46,581	+ 8,576	+ 18%

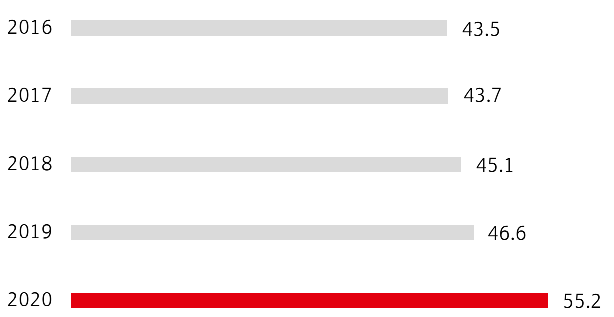
Increase in total assets

Total assets rose by a strong € 8.6 billion to around € 55.2 billion. This increase is due, in particular, to our participation in the ECB's open market operations within the scope of its TLTRO III programme in June and September 2020, with a total volume of € 6 billion. On the liabilities side of the balance sheet, this is evident in higher liabilities to banks, while on the assets side of the balance sheet the cash reserve in particular increased. However, at the same time this additional liquidity cushion also supported the further increase in receivables from customers. The rise in the volume of securities is attributable to an increased volume of German government securities.

Liabilities to banks include pass-through loans – especially of Kreditanstalt für Wiederaufbau. These are reported as a component of the lending business on the assets side of the balance sheet and at around € 2.7 billion were slightly higher than the figure recorded at the end of the previous year.

Within the significantly higher liabilities to customers, short-term deposits again recorded strong growth during the pandemic.

Total assets (in € billion)



Increased liabilities to customers

Overall, liabilities to customers rose by around € 2.1 billion or 6 percent to € 36.7 billion. This increase was driven primarily by deposits payable on demand, which climbed by € 2.5 billion or 12 percent to approximately € 22.7 billion. Savings deposits rose by almost 3 percent despite the prevailing uncertainty on the money and capital markets. Overall, it is becoming apparent that the coronavirus crisis is strengthening the trend of holding short-term liquid assets.

Against the backdrop of our large volume of new loan approvals, the market for Pfandbrief securities offers considerable potential as a sustained source of liquidity for longer-term funding requirements. 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 € 1.4 billion to € 35.8 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.

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 2020, 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, held steady 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	2020 € million	2019 € million	abs.	rel.
Net interest income [1]	567	624	– 57	– 9%
Net commission income	316	335	– 19	– 6%
Net income from financing activities	0	– 1	+ 1	– 92%
Administrative expenses	699	716	– 17	– 2%
Other operating result	– 90	– 169	+ 79	– 47%
Net revaluation gain / loss	– 49	– 30	– 19	63%
Result from ordinary activities	45	43	+ 2	5%
Tax expense	36	1	+ 35	3,289%
Result for the year	9	42	– 33	– 79%

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

Result for the year down year-on-year

In 2020, the interest-rate environment outlined above and also the coronavirus pandemic generally had a negative impact on various items of our income statement. Net interest income and net commission income, in particular, were considerably lower than in the previous year. As in previous years, the development of expenses was also dominated by the interest-related revaluation of our pension provisions. However, the previous year also included an increased volume of expenses associated with the goal of reducing the bank's volume of personnel. The net revaluation loss weighed slightly more heavily on the income statement than in the previous year. At € 9 million after significantly higher tax expense, the result for the year was down by € 33 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 at 1.3 percent was slightly higher than expected and up marginally from 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 0.0 percent for Haspa at the end of the year.

Net interest income down year-on-year

Net interest income at € 567 million was down € 57 million or 9 percent on the prior-year level and slightly exceeded our original expectations. Overall, the interest rates held at an extremely low level due to the continuation of the very loose monetary policy had a persistently 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 because of unfavourable margins in the deposit business and failed to meet the forecast figures. 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 slightly by one-time factors. Contributions to net interest income from proprietary securities investments failed to reach our forecast figures or the previous year's level due to a reduced volume of special fund distributions. In the current financial year, our participation in the ECB's above-mentioned targeted longer-term refinancing operations had a slightly negative impact overall due to the increased volume of liquidity held, since we have not recognised interest pro rata on an accrual basis on account of the precautionary principle under commercial law in particular. In addition, investment income in 2020 fell short of our forecast.

Net commission income down year-on-year

Net commission income declined by € 19 million or 6 percent year-on-year to € 316 million and thus fell clearly short of our expectations. Following a strong start to the year, its contributions subsequently decreased as the coronavirus pandemic spread. This is reflected in virtually every component of net commission income.

Net income from financing activities breaks even

Trading activities serve to support our retail banking business; in particular they comprise gains and losses from securities trading. The net income for the past financial year was almost break-even.

Administrative expenses below prior-year level

Personnel expenses decreased by € 2 million year-on-year to € 346 million. We had not anticipated a slight decrease, which is attributable in particular to a lower number of employees than planned. 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 € 353 million in total. This decline is due in particular to the fact that we postponed individual projects because of the Covid pandemic. Overall, other administrative expenses were much lower than projected.

Other operating result more favourable than in the previous year

As expected, the charge resulting from other operating income at € 90 million was € 79 million lower than the previous year and slightly higher than expected. This is primarily attributable to other operating expenses, which were once again significantly impacted by the revaluation of the retirement provision for our employees. The previous year also included expenses associated with the reduction in headcount arising from our forward-looking “Haspa Spring” project.

Net revaluation loss up year-on-year

The risk provisions for the lending business, which remained at a moderate level overall in view of the coronavirus pandemic, rose significantly year-on-year. They include considerably higher provisions to cover risks associated with the current crisis which are not yet discernible. We registered a net revaluation gain on our proprietary securities investments in 2020, following a loss in the previous year. This gain is associated with a reduction in the volume of one of our special funds. The overall net revaluation gain / loss was slightly weaker than in the previous year and is in line with projections.

Result from ordinary activities up year-on-year

In an extraordinarily challenging environment, the result from ordinary activities at € 45 million was € 2 million higher than in the previous year.

Tax expense up year-on-year

At € 36 million, the tax expense to be borne is significantly higher than in the previous year. In the previous year, this was shaped by stronger positive one-off tax effects associated with the strategic realignment of the capital investment segment, which led to a more significant reduction in the level of tax expense. Overall, tax expense is influenced by the negative impact of the differences between the measurement requirements for the financial statements under commercial law and for the tax base.

Development of the most important key performance indicators

The most important financial key performance indicator for our internal management is the operating result before loan loss provisions, as defined by the German Savings Banks Association (DSGV). This business-orientated approach does not include, in particular, any prior-period, external or extraordinary effects; these are instead presented in the non-operating result. Based on the operating result before loan loss provisions of € 202 million in accordance with the definition by the DSGV, the result from ordinary activities came to € 45 million after deduction of € 156 million in total. This deduction is composed of the net revaluation loss of € 47 million and the non-operating result of € 110 million, which as in previous years was mainly impacted by the measurement of the pension obligations for our employees. The operating result before loan loss provisions was considerably below the prior-year level but higher than projected. There was no most significant non-financial performance indicator in 2020.

3. Human resources report

Attractive employer in the Hamburg Metropolitan Region

Haspa offers its approximately 4,700 employees in the Hamburg Metropolitan Region many qualified jobs in a modern and team-based environment. We use remuneration commensurate with performance, personnel development and flexible working hours to promote both motivation and entrepreneurial thinking and acting in our employees. Above and beyond salaries governed by collective agreements we also pay benefits that enhance Haspa's attractiveness as an employer. We promote the health of our employees through a variety of measures.

Promoting diversity and equal opportunity are just as integral to Haspa's corporate culture as is ensuring work-life balance. About one third of our workforce works part-time. As a signatory of the "Diversity Charter", we are committed to fairness toward and respect for the people in the company and the creation of a working environment that is free of prejudice, discrimination and exclusion.

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 such as the promotion of part-time models for older employees, early retirement arrangements, termination benefits, sabbaticals and the option to convert salary into leave were available in the reporting year.

To equip ourselves optimally for future challenges, we continued with our forward-looking "Haspa Spring – Sparkasse richtig neu gedacht" project aimed at boosting revenue and reducing costs: We are planning to employ considerably fewer staff overall by 2024. In order for this reduction to be implemented in as socially responsible a manner as possible, a reconciliation of interests was agreed with the Works Council in February 2020.

A new generation for the banking business

Haspa offers young people highly qualified training. With around 180 staff training to become qualified bank managers, we are one of the largest private companies in the Hanseatic City of Hamburg that takes on trainees. In addition to the apprenticeship at Haspa, there is also a dual studies course: 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.

Women account for 63 percent of our junior staff. A proportion of 84 percent of our trainees graduated from secondary school with the "Abitur", the German university entrance qualifications, while 9 percent had a technical college entrance qualification ("Fachhochschulreife") and 6 percent a medium level school leaving certificate. Trainees with a medium-level 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 2020, 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 45, 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.

The Haspa Campus offers our employees a diverse and broad range of opportunities for their continuing professional development. It enhances the professionalism and quality of the 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.

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 by offering a series of seminars and networking events. 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.

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 2020 and kept its interest rate on deposits by banks at –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 focused on its 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 47 projects were subject to investment controlling in 2020. These were principally investments in broadening our collaboration with the German Savings Banks Finance Group and expanding our digital services. 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 unit 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 and a holding period of one 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. As a result of the impact of the Covid pandemic, the risk coverage potential fluctuated between € 3.5 billion and the year-end figure of just over € 4.0 billion in the reporting year, thus returning to the prior-year level at the end of the year. Overall, the risk coverage potential has been shown to be comfortable even in extremely volatile market conditions. The sum total of the risks entered into ranged between around € 1.7 billion and € 2.1 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. The most recent capital planning also included an analysis of the effects of a severe recession triggered by a deepening of the Covid crisis and higher regulatory burdens as stress test scenarios. 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 2020, Haspa's total capital ratio applying the standard approach was 14.2 percent and its Tier 1 capital ratio was 13.3 percent. At around 16.9 percent and 16.0 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 at Haspa level and 8.7 percent at HASPA Group level and thus substantially higher than the prospective requirement of 3 percent. This ratio in particular reflects the high level of nominal capital of Haspa and the HASPA Group.

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 – including a liquidity outlook – 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 – which in 2020 also included a particular focus on the potential effects of the coronavirus crisis – 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.

Haspa is currently examining how to integrate climate and environmental risks in its risk management strategy on the basis of the guide published by the ECB at the end of 2020. In line with the ECB's expectations, Haspa has defined physical risk (extreme weather events, gradual climate changes, destruction of the environment) and transition risk (processes of adjusting to a lower-carbon and more sustainable economy) as risk factors. In Haspa's view, these risk factors are primarily affecting the existing key risk types, although the relevant time horizon differs substantially. Activities are currently focusing on the analysis of core business, in particular customer lending business, own investments and asset management. In addition, in relation to the bank's own business activities measures to improve its environmental impact are being intensified. To date, analyses of Haspa's climate and environmental risks have not identified any positions which will result in a significant deterioration in Haspa's risk exposure. In 2021, Haspa intends to continue to develop appropriate tools for the identification and management of climate and environmental risks and for their integration in its risk management strategy.

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

Haspa's credit risk stems from the lending business. Our customer loan portfolio is 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 € 309 million.

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

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

In response to the coronavirus pandemic, the bank's corporate customer portfolio was examined for potential default risks early on and repeatedly over the course of the year by means of manual and automated portfolio analyses. As a result of these analysis activities, the higher-risk investments identified were included in the early-warning system or the necessary management level (intensified management and workout). We monitor potential default risks in our private customer portfolio by means of our established risk processes, while giving particular consideration to our private mortgage business in our risk activities.

We expanded the provisions in our lending business in the past financial year in view of the expected effects of the coronavirus crisis. To date, the comprehensive government financial assistance programmes have in most cases mitigated companies' economic difficulties and thus prevented insolvencies for the time being.

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 2020 financial year, with strategic interest rate positions being set up to a limited extent as well. The present value interest rate risk amounted to € 900 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 shaped by coronavirus-related economic slump and highly expansionary monetary and fiscal policy responses

The international capital markets experienced a year characterised by an extreme level of volatility. The international capital market crash triggered by the coronavirus pandemic in February and March was halted by unprecedented global monetary and fiscal policy measures. The international stock markets subsequently recovered despite a sharp slump of the real economy and reached new record levels. The rapid development of various coronavirus vaccines and the outcomes of the US elections and the Brexit negotiations also had a supportive effect.

Having posted a gain of 25.5 percent in the previous year, the German share index started out in the new year at 13,249 points and reached a new all-time high of 13,789 points in February. It subsequently fell to 8,442 points by mid-March, due to the coronavirus pandemic, before recovering to 13,718 points by the end of the year. Overall, the share index thus achieved an annual growth rate of 3.5 percent.

In the first quarter, capital market interest rates once again declined significantly and were subsequently close to their all-time lows.

Realignment of the capital investment segment

The bank's special fund, which was launched in 2019 in order to pool strategic capital investments, was gradually expanded. The fund's existing investments in European real estate funds were supplemented with European shares. Further investments will be added in the near future.

To ensure liquidity at all times, securities with the best credit ratings are still held as direct investments, which were likewise further expanded in the past year. A special fund focusing on European corporate bonds is also included in fixed assets.

The risk on the entire portfolio of proprietary securities investments stood at € 429 million at year-end.

Country risks

In terms of country risks, Haspa's obligations 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.

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 € 157 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, technical guidelines and process descriptions, 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 and Portavis GmbH.

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 read and write access. Extensive security systems such as firewalls, virus scanners and monitoring systems provide protection against external attacks.

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 in an expected and in an adverse scenario. 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 194 percent and the NSFR is 124 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

Recovery of the economy in Germany and Hamburg

The coronavirus pandemic resulted in a deep recession in Germany and Hamburg in 2020. However, a gradual return to normality, stimulus packages and financial assistance programmes introduced by the federal and state governments, together with extremely low interest rates, should ensure that the economy rebounds strongly in 2021. Admittedly, this does depend on the further course of the pandemic and the progress made in vaccination campaigns and is therefore subject to considerable uncertainty. It is not yet clear how long the current lockdown will need to continue for. The longer the delay in easing the restrictions, the more sluggish the economic recovery. We currently expect real gross domestic product to increase by 3.5 percent in Germany. Hamburg's economic growth should likewise fall within a range of 3 to 4 percent.

In light of the coronavirus crisis, the ECB announced a Pandemic Emergency Purchase Programme (PEPP) totalling €1,850 billion that runs until March 2022. This means that the ECB continues to flood the markets with liquidity. At the same time, the ECB will keep the rate for main refinancing operations at 0.00 percent, while the interest rate on deposits by banks imposed by the ECB will remain at –0.5 percent.

Against this monetary policy backdrop, we believe that the yield on ten-year Bunds will be around –0.50 percent at the end of 2021. Equity markets are set to profit from the economic recovery, increasing corporate profits and extensive supply of liquidity by central banks. We currently expect the DAX to end the year at 14,000 points. Developments on the capital markets will be heavily influenced by the rate of economic recovery and the further course of the coronavirus pandemic.

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 2021, 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 and SME 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 major corporate customers in its Enterprise Customers and Real Estate Customers divisions, as well as its Private Banking.

We are implementing 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 – with an even stronger focus on customer needs

While net interest income in the 2021 financial year is likely to be considerably above the figure for the financial year ended, this will be partly due to extraordinary factors in connection with the TLTRO III programme. The extremely low interest rates continue to constitute a challenging environment especially for Haspa's customer business.

Net commission income is expected to show a sharp year-on-year rise in 2021 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 2020 figure slightly in the current year, a trend that is partly due to project delays. They will continue to be dominated by the broadening of our collaboration with the German Savings Banks Finance Group and the expansion of our digital services. Furthermore, administrative expenses will continue to be adversely impacted by high regulatory requirements. We expect other operating income to be slightly down on the financial year ended.

In view of a likely increase in customer assets and, in particular, the good outcome of 2020 despite the Covid pandemic and its effects, risk provisions for the lending business are expected to rise in the current year to a significantly higher level. If this year is similarly successful as the previous year, much lower effects than projected may nevertheless arise here. We expect the measurement of our own investment portfolio of securities to have a negative impact due to pull-to-par effects. Overall, therefore, we anticipate a considerably higher charge from the net revaluation loss than in the previous year.

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 higher than in the previous year.

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

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

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

Our 2020 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 2020 Sustainability Report together with the 2020 Annual Report in the Electronic Federal Gazette.

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

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

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

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

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

Balance sheet

of Hamburger Sparkasse AG for the year ended 31 December 2020

Assets in € '000		31.12.2020	31.12.2019
1. Cash reserve			
a) Cash on hand		665,850	563,708
b) Balance with Deutsche Bundesbank		8,776,769	3,073,865
		9,442,619	**3,637,573**
2. Receivables from banks			
a) Payable on demand		769,872	762,534
b) Other receivables		1,876,573	2,056,987
		2,646,446	**2,819,521**
3. Receivables from customers		**35,797,171**	**34,361,837**
of which: secured by mortgages / mortgage loans	18,194,163		(18,886,702)
Public-sector loans	1,058,131		(354,689)
Other receivables	16,544,878		(15,120,447)
of which: collateralised by securities	134,421		(117,650)
4. Debentures and other fixed interest securities			
b) Bonds and debentures			
ba) by public-sector issuers		4,552,950	3,089,844
of which: eligible as collateral for Deutsche Bundesbank advances	4,552,950		(3,089,844)
bb) by other issuers		1,278,271	712,684
of which: eligible as collateral for Deutsche Bundesbank advances	1,278,271		(712,684)
		5,831,221	**3,802,528**
		5,831,221	**3,802,528**
5. Equities and other non-fixed interest securities		**940,376**	**1,620,690**
5a. Trading portfolio		**160,613**	**138,733**
6. Long-term equity investments		**104,645**	**106,142**
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		**132,165**	**2**
of which: fiduciary loans	132,165		(2)
9. Intangible fixed assets			
a) Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets		2,198	5,272
b) Prepayments		295	46
		2,493	**5,319**
10. Tangible fixed assets		**46,935**	**41,557**
11. Other assets		**33,974**	**27,707**
12. Prepaid expenses		**5,421**	**6,429**
of which: from the issue and lending business	3,197		(4,385)
other	2,225		(2,044)
Total assets		**55,156,591**	**46,580,550**

Equity and liabilities in € '000		31.12.2020	31.12.2019
1. Liabilities to banks			
a) Payable on demand		333,007	286,020
b) With agreed maturity or notice period		9,910,865	3,861,623
of which: registered mortgage Pfandbrief securities issued	313,300		(379,261)
other liabilities	9,597,564		(3,482,363)
		10,243,872	**4,147,643**
2. Liabilities to customers			
a) Savings deposits			
aa) With agreed notice period of three months		9,343,185	9,096,832
ab) With agreed notice period of more than three months		—	—
		9,343,185	**9,096,832**
b) Other liabilities			
ba) Payable on demand		22,693,250	20,181,500
bb) with agreed maturity or notice period		4,704,534	5,352,489
of which: registered mortgage Pfandbrief securities issued	3,140,263		(3,350,087)
other liabilities	1,564,270		(2,002,402)
		27,397,784	**25,533,989**
		36,740,969	**34,630,820**
3. Securitised liabilities			
a) Debentures issued		3,040,530	2,910,589
of which: mortgage Pfandbrief securities	2,209,600		(1,734,685)
other debentures	830,931		(1,175,904)
		3,040,530	**2,910,589**
3a. Trading portfolio		**22,514**	**23,520**
4. Fiduciary liabilities		**132,358**	**2**
of which: fiduciary loans	132,358		(2)
5. Other liabilities		**57,312**	**85,368**
6. Deferred income		**29,258**	**29,993**
of which: from the issue and lending business	18,538		(16,104)
other	10,720		(13,890)
7. Provisions			
a) Provisions for pensions and similar obligations		1,128,226	1,035,846
b) Provisions for taxes		58,759	36,375
c) Other provisions		157,794	177,393
		1,344,779	**1,249,614**
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		1,626,000	1,584,000
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		—	—
		2,843,000	**2,801,000**
Total equity and liabilities		**55,156,591**	**46,580,550**
1. Contingent liabilities			
b) Contingent liabilities from guarantees and indemnity agreements		631,225	569,956
		631,225	**569,956**
2. Other obligations			
c) Irrevocable loan commitments		3,487,195	3,408,052
		3,487,195	**3,408,052**

Income statement

of Hamburger Sparkasse AG for the period from 1 January to 31 December 2020

All figures stated in € '000		2020	2019
1. Interest income from			
a) Lending and money market transactions		727,652	793,752
b) Fixed interest securities and registered government debt		8,559	6,147
		736,212	799,900
2. Interest expense		– 172,834	– 216,803
		563,378	**583,097**
3. Current income from			
a) Equities and other non-fixed interest securities		97	32,960
b) Long-term equity investments		3,056	4,777
c) Shares in affiliated companies		—	—
		3,153	**37,737**
4. Income from profit pooling, profit transfer, or partial profit transfer agreements		**202**	**2,731**
of which: from tax allocations	94		(787)
5. Commission income		**342,517**	**362,648**
6. Commission expenses		– 26,152	– 27,319
		316,365	335,329
7. Net trading income or expense		**– 79**	**– 944**
8. Other operating income		28,150	31,711
		911,169	**989,661**
9. General and administrative expenses			
a) Personnel expenses			
aa) Wages and salaries		– 273,672	– 286,135
ab) Social security, post-employment and other employee benefit costs		– 72,227	– 61,541
		– 345,899	– 347,676
of which: in respect of post-employment benefits	– 18,599		(– 6,459)
b) Other administrative expenses		– 343,764	– 355,332
		– 689,662	**– 703,008**
10. Depreciation, amortisation and write-downs of tangible and intangible fixed assets		**– 9,069**	**– 12,934**
11. Other operating expenses		**– 118,175**	**– 200,518**
12. Write-downs of and valuation allowances on receivables and certain securities, and additions to loan loss provisions		**– 61,492**	**– 30,053**
13. Income from reversals of write-downs of receivables and certain securities and from the reversal of loan loss provisions		–	–
		– 61,492	**– 30,053**
14. Write-downs of and valuation allowances on other equity investments, shares in affiliated companies and securities classified as fixed assets		—	**– 83**
15. Income from reversals of write-downs of other equity investments, shares in affiliated companies and securities classified as fixed assets		**14,878**	—
		14,878	**– 83**
16. Cost of loss absorption		**– 2,550**	**– 1**
17. Additions to / withdrawals from the fund for general banking risks		—	—
18. Result from ordinary activities		**45,099**	**43,065**
19. Extraordinary income		—	—
20. Extraordinary expenses		—	—
21. Extraordinary result		—	—

All figures stated in € '000		2020	2019
22. Taxes on income		– 36,099	– 1,065
of which: for tax allocations	– 35,796		(– 1,065)
23. Other taxes not included in item 11		—	—
		– 36,099	– 1,065
24. Income from loss absorption		—	—
25. Profit transferred on the basis of profit pooling, profit transfer, or partial profit transfer agreements		– 9,000	– 42,000
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 shares in a parent or majority investor		—	—
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) from the reserve for shares in a parent or majority investor		—	—
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 2020 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.

Irrevocable debts where no payment is expected to be forthcoming from the debtor were written off.

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

Until 2019, we measured global valuation allowances using average credit losses over the last five years, reduced by a discount of 10 percent. In order to present a more meaningful view of the net assets, financial position and results of operations in 2020 in accordance with generally accepted accounting principles, this discount has not been applied and the average credit losses over the last ten years are now factored in. Moreover, in order to give due consideration to the unusual current events a specific adjustment amount has been calculated for the global valuation allowances on the basis of statistical and mathematical methods. The level was increased by a total of € 32.0 million as of 31 December 2020, whereas it would have been reduced by € 1.9 million had the previous input been retained unchanged.

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

Securities

Half of the securities in the bank's own portfolio are held as investments, with the remaining securities being held as a liquidity reserve as well as for 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 2.31 percent (average market interest rate for the past ten years) and 1.61 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 and in compliance with IDW RS BFA 4. 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 that are neither held for trading nor form part of a hedge as defined in Section 254 German Commercial Code, 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 offsetting hedging 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. 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.

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 ccounting Standard No. 21.

Cash flow statement	2020 € million	2019 € million
Net income/loss for the period before profit transfer	**9.0**	**42.0**
Depreciation, amortisation and write-downs and valuation allowances on receivables and items of fixed assets/reversals of such write-downs and valuation allowances	69.2	20.8
Increase/decrease in provisions (excluding provisions for income taxes)	133.6	204.3
Other non-cash expenses/income	−3.4	−4.7
Gain/loss on disposal of fixed assets	0.5	0.3
Other adjustments (net)	0.0	0.0
Increase/decrease in receivables from banks	167.2	−199.2
Increase/decrease in receivables from customers	−1,496.1	−1,633.7
Increase/decrease in securities (unless classified as long-term financial assets)	631.3	2,388.6
Increase/decrease in other assets relating to operating activities	−137.4	7.8
Increase/decrease in liabilities to banks	6,099.2	389.4
Increase/decrease in liabilities to customers	2,162.6	997.3
Increase/decrease in securitised liabilities	132.5	−24.9
Increase/decrease in other liabilities relating to operating activities	28.4	−128.5
Interest expense/interest income	−563.4	−583.1
Current income from equities, non-fixed interest securities, equity investments and shares in affiliated companies	−3.2	−37.7
Expenses for/income from extraordinary items	0.0	0.0
Income tax expense/income	36.1	1.1
Interest payments received	740.2	832.4
Payments received from current income from equities, non-fixed interest securities, equity investments and shares in affiliated companies	3.2	37.7
Interest paid	−230.9	−237.4
Extraordinary receipts	0.0	0.0
Extraordinary payments	0.0	0.0
Income tax payments	−0.4	−0.8
Cash flows from operating activities	**7,778.2**	**2,071.7**
Proceeds from disposal of long-term financial assets	267.3	0.0
Payments to acquire long-term financial assets	−2,261.4	−745.6
Proceeds from disposal of tangible fixed assets	0.0	0.0
Payments to acquire tangible fixed assets	−11.8	−14.9
Proceeds from disposal of intangible fixed assets	0.1	0.0
Payments to acquire intangible fixed assets	−0.4	−0.6
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	**−2,006.2**	**−761.1**
Cash receipts from capital contributions of HASPA Finanzholding	42.0	70.0
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	−9.0	−42.0
Change in cash from other capital sources (net)	0.0	0.0
Cash flows from financing activities	**33.0**	**28.0**
Net change in cash funds	5,805.0	1,338.6
Effect of exchange rate movements on cash funds	0.0	0.0
Cash funds at beginning of period	3,637.6	2,299.0
Cash funds at end of period	**9,442.6**	**3,637.6**

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.

Notes to the balance sheet (assets)

Receivables from banks	**2020 € million**	**2019 € million**
This item includes:		
Receivables from affiliated companies	25.0	0.0
Receivables from other long-term investees and investors	0.0	0.0
Subordinated receivables	11.8	0.0
of which:		
from affiliated companies	0.0	0.0
from other long-term investees and investors	0.0	0.0
Breakdown of sub-item b) Other amounts by maturity:		
up to 3 months	1,290.4	1,683.8
more than 3 months up to 1 year	506.9	270.8
more than 1 year up to 5 years	10.4	25.3
more than 5 years	14.0	16.2

Receivables from customers	**2020 € million**	**2019 € million**
This item includes:		
Receivables from affiliated companies	409.5	314.0
Receivables from other long-term investees and investors	7.8	7.3
Subordinated receivables	0.7	12.7
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	1,578.9	1,780.4
more than 3 months up to 1 year	2,902.4	2,750.6
more than 1 year up to 5 years	9,747.4	9,008.9
more than 5 years	21,147.3	20,197.6
with indefinite maturity	398.9	601.4

Debentures and other fixed interest securities	**2020 € million**	**2019 € million**
Of the marketable securities included in this balance sheet item the following are:		
listed	5,353.2	3,495.8
not listed	478.0	306.7
due in the following year	149.4	561.5
The carrying amount of the debentures and other fixed interest securities treated as fixed assets is	2,960.8	696.7
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 € 2,265.0 million in the financial year and amounts to € 2,960.8 million. These securities had to be written down by € 0.9 million.

Equities and other non-fixed interest securities	2020 € million	2019 € 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	479.8	745.6
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 decreased by € 265.8 million to € 479.8 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 € 940.4 million. The fungibility of these shares is limited. Gains on shares in special funds resulting from rate gains as well as interest and dividend income were largely reinvested; distributions were made via a special property fund.

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

NAME	ISIN	Carrying amount 31.12.2020	Market value 31.12.2020	Difference	Distribution 2020	Returnable daily	Write-downs omitted
Wikinger-Fonds 1	DE000DK0NLE4	452.1	498.6	46.5	0.0	Yes	No
Equity and property investment fund: Equity and property investment fund shares							
Wikinger-Fonds 2	DE000DK0LNF1	479.8	504.0	24.2	0.0	Yes	No
Bond fund: Euro corporate bonds Investment grade							

Trading portfolio	2020 € million	2019 € million
The trading portfolio comprises:		
Derivative financial instruments	22.8	24.1
Receivables	0.0	0.0
Debentures and other fixed interest securities	140.1	116.2
Equities and other non-fixed interest securities	0.0	0.0
Other assets	0.0	0.0
Subtotal	162.9	140.3
Risk discount	– 2.3	– 1.6
	160.6	**138.7**

The nominal volume of the derivative financial instruments is € 144.2 million for interest rate swaps and € 4.8 million for currency options.

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

Equity investments of Hamburger Sparkasse as at 31.12.2020 [1]

Name and registered office of the entity	Equity interest in percent	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%	41,825.0	651.4
Bürgschaftsgemeinschaft Hamburg GmbH, Hamburg	21.35%	26,782.7	504.9
Cenito Service GmbH, Hamburg	100.00%	800.0	0.0 [3]
CFC Corporate Finance Contor GmbH, Hamburg	49.00%	1,071.7	571.7
Deka Erwerbsgesellschaft mbH & Co. KG – Unterbeteiligung –, Neuhardenberg	2.96%	1,785,143.0 [4]	81,283.0
DMG Deutsche Malaria GmbH, Hamburg	18.48%	16.2	– 61.3
GBP Gesellschaft für Betriebliche Pensionsplanung mbH, Hamburg	100.00%	42.6	0.0 [3]
Hanseatischer Sparkassen- und Giroverband, Hamburg	74.87% [7]	62,496.1	5.0
Haspa Beteiligungsgesellschaft für den Mittelstand mbH, Hamburg	100.00%	5,000.0	0.0 [3]
HASPA Projektentwicklungs- und Beteiligungsgesellschaft mbH, Hamburg	30.00%	18,626.5	– 264.6
Haspa-DIREKT Servicegesellschaft für Direktvertrieb mbH, Hamburg	100.00%	687.1	0.0 [3]
Next Commerce Accelerator GmbH, Hamburg	16.66%	121.0	28.0
Odewald & Compagnie GmbH & Co. Dritte Beteiligungsgesellschaft für Vermögensanlagen KG, Berlin	1.00%	20,896.6	– 86.9
SCHUFA Holding AG, Wiesbaden	2.22%	118,321.1	41,119.7
Indirect equity investments via Haspa Beteiligungsgesellschaft für den Mittelstand mbH:			
AMAS Beteiligung GmbH, Neu Kaliß	49.98%	1,815.8	– 1.7
Aqua free GmbH, Hamburg	30.00%	3,774.7	0.0 [3]
CDF Logistik Beteiligungs GmbH, Fockbek	49.90%	2,340.1	1,693.9
Hanse-Residenz Lübeck GmbH, Lübeck	5.00%	796.2	242.5
Helmers Bet. GmbH, Hamburg	49.00%	6,236.1	1,341.5
IPD Beteiligungs GmbH, Hamburg	33.33%	n.a. [5]	n.a. [5]
MT.DERM GmbH, Berlin	22.50%	24,827.2	2,185.4
PWM Beteiligungs GmbH, Hamburg	49.99%	1,471.8	293.6
R+S Beteiligungs GmbH, Fulda (form. M. Röhner Bet. GmbH)	20.00%	7,966.5	4,316.5
TSH und BGM Beteiligungs GmbH, Visbek	49.00%	3,876.2 [6]	– 0.4 [6]

[1] *Equity investments unless insignificant*

[2] *Based on the most recent annual financial statements available for 2019 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 company, established in the reporting year*

[6] *Based on the most recent annual financial statements available for 2018*

[7] *The voting share is 15.38%*

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 01.01.2020	155.6	169.8
Additions	0.4	11.8
Disposals	0.1	21.9
Reclassifications	0.0	0.0
Cost on 31.12.2020	155.9	159.7
Depreciation, amortisation and write-downs		
Accumulated depreciation, amortisation and write-downs as at 01.01.2020	150.3	128.2
Depreciation, amortisation and write-downs	3.1	5.9
Reversal of write-downs	0.0	0.0
Disposals	0.0	21.3
Reclassifications	0.0	0.0
Accumulated depreciation, amortisation and write-downs as at 31.12.2020	153.4	112.8
Carrying amount as at 31.12.2020	**2.5**	**46.9**
Carrying amount previous year	**5.3**	**41.6**

Other assets	**2020 € million**	**2019 € million**
Other assets are comprised as follows:		
Capitalised inventories and other assets	2.1	2.4
Adjustment item from foreign currency translation	10.1	1.8
Other receivables from affiliated companies	3.9	3.7
Other receivables from cash collateral	12.2	10.0
Trade receivables from third parties	3.7	8.4
Other receivables	2.0	1.4
	34.0	27.7

Prepaid expenses	**2020 € million**	**2019 € million**
Prepaid expenses include:		
The difference between the lower of the settlement amount and the issue price of liabilities or debentures	3.2	4.4
Other prepaid expenses	2.2	2.0
	5.4	6.4

Notes to the balance sheet (equity and liabilities)

Liabilities to banks		2020 € million	2019 € million
This item includes:			
Liabilities to affiliated companies		0.6	0.3
Liabilities to other long-term investees and investors		1.1	0.9
Total amount of assets transferred as collateral for the liabilities included in this item		9,092.8	2,468.0
Breakdown of sub-item b) by maturity:			
up to	3 months	189.1	229.4
more than	3 months up to 1 year	6,322.1	300.7
more than	1 year up to 5 years	1,390.6	1,284.9
more than	5 years	1,947.7	1,982.3

At the reporting date, securities with a carrying amount of € 5,206.4 million had been deposited with Deutsche Bundesbank for TLTRO III operations.

A further €1,018.0 million was deposited with Deutsche Bundesbank in accordance with the MACCs (Mobilisation and Administration of Credit Claims) procedure.

A total of € 16.4 million were utilised in connection with transactions in futures exchanges and at clearing houses, for which securities with a carrying amount of € 44.9 million were deposited.

Liabilities to customers		2020 € million	2019 € million
This item includes:			
Liabilities to affiliated companies		76.6	78.5
Liabilities to other long-term investees and investors		40.0	15.2
Breakdown of sub-item bb) by maturity:			
up to	3 months	289.2	665.0
more than	3 months up to 1 year	122.1	276.8
more than	1 year up to 5 years	716.3	627.2
more than	5 years	3,473.7	3,627.8

Securitised liabilities	2020 € million	2019 € million
This item includes:		
Liabilities to affiliated companies	20.0	25.0
Liabilities to other long-term investees and investors	0.0	0.0
Debentures issued that are due in the following year	289.6	398.4

Trading portfolio	2020 € million	2019 € million
The trading portfolio is comprised as follows:		
Derivative financial instruments	22.5	23.5
Liabilities	0.0	0.0
Subtotal	22.5	23.5
Risk premium	—	—
	22.5	**23.5**

The nominal volume of the derivative financial instruments is € 199.3 million for interest rate swaps and € 4.8 million for currency options.

Fiduciary liabilities

The fiduciary liabilities reported exclusively concern liabilities to banks.

Other liabilities	**2020 € million**	**2019 € million**
Other liabilities are comprised as follows:		
Tax liabilities	9.1	10.0
Liabilities to companies of Haspa Finanzgruppe		
under profit transfer agreements	11.5	42.0
other liabilities	9.4	8.7
Liabilities to employees		
from vacation savings deposits and grants	6.5	6.1
other liabilities	17.3	3.2
Other liabilities	3.5	15.4
	57.3	**85.4**

Deferred income	**2020 € million**	**2019 € million**
Deferred income includes:		
The difference between the lower of the nominal amount and the settlement amount of loan receivables	10.6	12.5
The difference between the higher of the settlement amount and the issue price of liabilities or debentures	6.1	1.6
Other deferred income	12.6	15.9
	29.3	**30.0**

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 € 159.8 million as at 31 December 2020 (previous year: € 152.0 million).

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 31.12.2019	1,000.0	1,584.0	217.0	0.0	2,801.0
Allocation		42.0			
Net income for the financial year				9.0	
Profit to be transferred				-9.0	
Balance on 31.12.2020	1,000.0	1,626.0	217.0	0.0	2,843.0

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 € 22.3 million is shown for lending products. In the current financial year, due to the precautionary principle under commercial law in particular Haspa is not recognising interest pro rata on an accrual basis in connection with TLTRO III operations.

Interest expense
Interest expense includes a total of € 30 thousand (previous year: € 59 thousand) due to the unwinding of discounts on provisions related to the banking business. Furthermore, this item includes negative interest of € 17.8 million for deposit products.

Commission income
A portion of 33.1 percent of total commission income is attributable to brokerage and management services for third parties.

Other operating income
This item contains € 5.8 million (previous year: € 8.1 million) in income from currency translation and € 4.2 million in income from staff leasing.

It also includes € 5.0 million in income from the reversal of provisions.

Other operating expenses
Other operating expenses include a total of € 110.0 million (previous year: € 119.6 million) due to the unwinding of discounts on long-term provisions.

A total of € 0.7 million was expensed for the recognition of provisions during the reporting year.

Taxes on income
This item totalling € 36.1 million includes € 35.8 million in current tax allocations.

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 2020 financial year, the members of the Board of Management received total benefits of € 3.3 million. Loans and guarantees granted to members of the Board of Management amounted to € 5.4 million.

A total of € 2.8 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 2020 amounted to € 0.9 million. Loans and guarantees granted to members of the Supervisory Board amounted to € 3.3 million.

Expenses for the auditor

The total fee for the auditor for the 2020 financial year amounted to € 1.7 million, of which € 1.7 million concerned the audit of the annual financial statements and € 5 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 2020 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
2021	54.6	9.3
2022	52.8	9.3
2023	52.4	9.5
	159.8	28.1

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”) in the form of fully hedged payment entitlements. The security provided for this purpose amounted to € 12.2 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 € 962.3 million and € 730.7 million respectively.

Forward transactions / derivative financial transactions
The following tables show the volume of transactions in effect at the end of 2020.

Derivatives are always measured by reference to their current market price. The prices on the last trading day in 2020 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 or Bachelier 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 below 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 concern trades for customers.

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 and developments in credit spreads.

Summary of derivative financial instruments not recognised at fair value (Part I)

as at 31.12.2020	Nominal values				Market values (incl. accrued interest)	
	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	17.4	11.4	0.0	28.8	0.0	0.0
Floors	0.0	0.0	0.8	0.8	0.0	0.0
Structured swaps	12.7	201.6	4,810.1	5,024.4	351.9	2.7
Forward transactions in securities	0.0	40.0	0.0	40.0	0.0	3.0
Interest rate swaps	1,116.6	5,896.4	8,220.1	15,233.1	543.4	891.9
Stock market instruments						
Interest rate futures	105.6	0.0	0.0	105.6	0.1	0.0
Total	**1,252.3**	**6,149.4**	**13,031.0**	**20,432.7**	**895.4**	**897.6**
Currency-related transactions						
OTC products						
Forward currency transactions	3,425.1	271.3	0.0	3,696.4	76.9	67.5
Currency swaps	6.0	29.7	125.6	161.3	33.0	30.1
Stock market instruments						
Interest rate futures	12.9	0.0	0.0	12.9	0.0	0.0
Total	**3,444.0**	**301.0**	**125.6**	**3,870.6**	**109.9**	**97.6**
Transactions involving other price risks						
OTC products						
Structured swaps	5.8	31.8	0.0	37.6	0.9	5.3
Stock market instruments						
Index futures	197.2	0.0	0.0	197.2	4.0	10.5
Index options	24.8	0.0	0.0	24.8	0.0	0.2
Total	**227.8**	**31.8**	**0.0**	**259.6**	**4.9**	**16.0**

Summary of derivative financial instruments not recognised at fair value (Part II)

as at 31.12.2020	Carrying amounts		Balance sheet item	Provisions
	Option premiums, upfronts, variation margins			Balance sheet item P7
in € million	Assets	Liabilities		
Interest rate related transactions				
OTC products				
Caps	0.0	0.1	A11/P5	—
Floors	—	—	—	—
Structured swaps	0.7	5.1	A2/P1	—
Forward transactions in securities	—	—	—	—
Interest rate swaps	134.9	5.4	A2/P2	—
Stock market instruments				
Interest rate futures	0.0	0.1	A3/P2	—
Total	**135.6**	**10.7**		
Currency-related transactions				
OTC products				
Forward currency transactions	—	—	—	0.1
Currency swaps	—	—	—	—
Stock market instruments				
Interest rate futures	0.0	0.0	A3/P2	—
Total	**0.0**	**0.0**		**0.1**
Transactions involving other price risks				
OTC products				
Structured swaps	0.0	0.0	A2/P1	—
Stock market instruments				
Index futures	0.0	0.3	A3/P2	—
Index options	0.0	0.0	A3/P2	—
Total	**0.0**	**0.3**		**0.0**

Summary of derivative financial instruments recognised at fair value

as at 31.12.2020	Nominal values				Market values (incl. accrued interest)	
	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						
Interest rate swaps	0.2	79.1	264.2	343.5	22.6	22.2
Total	**0.2**	**79.1**	**264.2**	**343.5**	**22.6**	**22.2**
Currency-related transactions						
OTC products						
Forward currency transactions	7.5	2.1	0.0	9.6	0.3	0.3
Total	**7.5**	**2.1**	**0.0**	**9.6**	**0.3**	**0.3**

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Hedges

Both liabilities with a carrying amount of € 2,980.9 million and executory contracts with a nominal value of € 67.1 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 € 349.3 million were in place to hedge interest rate risks; transactions with a negative fair value of € 4.0 million to hedge currency risks; as well as transactions with a negative fair value of € 4.4 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 issued	2020 € million	2019 € million
Receivables from banks	0.0	0.0
Receivables from customers	7,711.2	7,411.6
Debentures and other fixed interest securities	300.0	300.0

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	2020 € million	2019 € million
Section 28 (1) no. 1, 3 and 10 German Pfandbrief Act		
Mortgage Pfandbrief circulation		
of which derivative transactions	0.0	0.0
Nominal value	5,618.3	5,418.7
Present value	6,283.9	6,066.3
Risk net present value [1]	5,969.9	5,777.6
Cover assets		
of which derivative transactions	0.0	0.0
Nominal value	8,011.2	7,711.6
Present value	8,951.9	8,552.8
Risk net present value [1]	8,499.7	8,174.5
Excess cover		
Nominal value	2,392.8	2,292.9
Present value	2,668.1	2,486.5
Risk net present value [1]	2,529.9	2,397.0
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	226.7	432.5
more than 0.5 years up to 1 year	39.7	91.6
more than 1 year up to 1.5 years	615.1	226.0
more than 1.5 years up to 2 years	267.0	39.7
more than 2 years up to 3 years	723.1	882.1
more than 3 years up to 4 years	949.5	723.1
more than 4 years up to 5 years	462.0	949.5
more than 5 years up to 10 years	1,980.3	1,611.8
more than 10 years	355.0	462.5

			of which additional cover assets	
	2020 € million	2019 € million	2020 € million	2019 € million
Fixed-interest periods of the cover assets				
up to 0.5 years	550.2	437.7	0.0	0.0
more than 0.5 years up to 1 year	420.5	326.3	0.0	0.0
more than 1 year up to 1.5 years	449.8	474.5	0.0	0.0
more than 1.5 years up to 2 years	408.2	341.7	0.0	0.0
more than 2 years up to 3 years	699.0	903.7	0.0	0.0
more than 3 years up to 4 years	670.8	608.3	0.0	0.0
more than 4 years up to 5 years	979.6	658.6	200.0	0.0
more than 5 years up to 10 years	3,167.7	3,190.5	100.0	300.0
more than 10 years	665.4	770.5	0.0	0.0

	In percent	In percent
Section 28 (1) no. 9 German Pfandbrief Act		
Share of fixed-interest cover assets in total cover assets	84.8	83.9
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	2020 € million	2019 € 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	2,473.5	2,626.7
more than € 300 thousand up to € 1 million	1,590.6	1,491.8
more than € 1 million up to € 10 million	2,659.4	2,537.2
more than € 10 million	987.6	755.9

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	
	2020 € million	2019 € million	2020 € million	2019 € million
Commonhold properties	717.7	710.4	0.0	0.0
Single- and two-family homes	1,893.3	1,954.4	0.0	0.0
Multi-family homes	2,709.2	2,529.3	0.0	0.0
Office buildings	0.0	0.0	1,033.8	914.8
Commercial buildings	0.0	0.0	268.3	288.3
Industrial buildings	0.0	0.0	182.9	156.1
Other commercially used buildings	0.0	0.0	906.1	858.4
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

	2020 € million	2019 € 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

	2020 in years	2019 in years
Section 28 (1) no. 11 German Pfandbrief Act		
Volume-weighted average age of receivables	7.0	6.9

	2020 in percent	2019 in percent
Section 28 (2) no. 3 German Pfandbrief Act		
Average weighted loan-to-value ratio	52.4	52.4

[1] *No liens on property outside Germany*

III) Composition of additional cover assets	2020 € million	2019 € 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	300.0

IV) Overview of past due payments	2020 € million	2019 € 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 percent 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	
	2020 Number	2019 Number	2020 Number	2019 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	
	2020 € million	2019 € million	2020 € million	2019 € million
Total interest in arrears	0.0	0.0	0.0	0.0

Trustees
Joachim Pradel – retired judge
Dr. Adam Freiherr von Kottwitz – retired notary public (until 31 January 2020)
Claus Wilhelm Möller – deputy, retired department head at Deutscher Ring
Rolf-Hermann Henniges – deputy, notary public (since 1 February 2020)

Employees

	Annual average		
	Male	Female	Total
Full-time employees	1,846	932	2,778
Part-time employees	124	935	1,059
	1,970	1,867	3,837
Trainees	67	104	171
	2,037	1,971	4,008

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

An annual average of 1,630 part-time staff were employed in 2020.

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	
Sparkasse Mittelholstein AG, Rendsburg	Chairman

Dr. Olaf Oesterhelweg (member of the Board of Management)
(since 1 April 2020)

Supervisory Board	
Bordesholmer Sparkasse AG, Bordesholm	Member

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)
(until 31 March 2020)

Board of Directors	
Hamburgische Investitions- und Förderbank, Hamburg	Member

Directors

Olav Melbye (General Legal Representative)

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

Thorsten Giele (Director)

Supervisory Board	
LBS Bausparkasse Schleswig-Holstein-Hamburg AG, Hamburg	Member

Wilfried Jastrembski (Director)

Board of Directors	
Hamburgische Investitions- und Förderbank, Hamburg	Member

Supervisory Board

Dipl.-Kfm. Günter Elste **Chairman**	Chairman of the Supervisory Board of HASPA Finanzholding (until 27 January 2021)
Claus Krohn **Deputy Chairman** **(until 31 December 2020)**	Chairman of the Works Council of Hamburger Sparkasse AG
Stefan Forgé **Stellvertreter des Vorsitzenden** **(since 26 January 2021)**	Second Deputy Chairman of the Works Council of Hamburger Sparkasse AG
Ulrich Wachholtz **Additional Deputy Chairman**	Managing Director of Karl Wachholtz Verlag GmbH & Co. KG
Sandra Goldschmidt	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
Dr. Thomas Ledermann	Member of the Management Board of BÖAG Börsen Aktiengesellschaft
Dirk Lender	Head of Legal Services of Hamburger Sparkasse AG
Dr.-Ing. Georg Mecke	Prokurist of Airbus Operations GmbH Hamburg
Olav Melbye	Head of Credit and Legal of Hamburger Sparkasse AG
Thomas Sahling	Works council member of Hamburger Sparkasse AG

Prof. Dr. Burkhard Schwenker	Senior Fellow of Roland Berger GmbH
Claudia Stübe (since 1 January 2021)	Works council member of Hamburger Sparkasse AG
Gabriele Voltz	Lawyer
Dr. Jost Wiechmann	Lawyer, Tax Consultant, German Public Auditor Wiechmann – Rechtsanwälte

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

Jürgen Marquardt

Bettina Poullain
(until 31 March 2020)

Dr. Olaf Oesterhelweg
(since 1 April 2020)

Hamburg, 16 February 2021

The Board of Management

Dr. Harald Vogelsang

Frank Brockmann

Axel Kodlin

Jürgen Marquardt

Dr. Oesterhelweg

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, 16 February 2021

The Board of Management

Dr. Harald Vogelsang

Frank Brockmann

Axel Kodlin

Jürgen Marquardt

Dr. Oesterhelweg

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 2020, the income statement, the cash flow statement and the statement of changes in equity for the financial year from 1 January to 31 December 2020 as well as the notes including the presentation of accounting policies. We also audited the management report of Hamburger Sparkasse AG for the financial year from 1 January to 31 December 2020. 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 2020, and of its results of operations for the financial year from 1 January to 31 December 2020, 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 in the audit of the annual financial statements

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 2020. 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 € 1,128.2 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 Board of Management 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 Board of Management 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 2020 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 Board of Management 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. Measurement of receivables from customers amid the Covid-19 crisis

a) Loan assets in the amount of € 35,797.2 million have been reported in the Sparkasse’s annual financial statements as of 31 December 2020 under the balance-sheet item “Receivables from customers”. For this loan portfolio, risk provisions have been recognised in the balance sheet as of 31 December 2020 which consist of specific and global valuation allowances. The expenses for risk provisions in the lending business recognised in the 2020 income statement have increased considerably year-on-year.

The measurement of risk provisions for customer lending business is determined, in particular, by the Board of Management’s assessment regarding future credit losses, the structure and quality of the loan portfolio as well as overall economic factors. The value of specific valuation allowances on customer receivables corresponds to the difference between the loan amount outstanding and the lower fair value as of the reporting date. Collateral is taken into consideration. Since the current year, global valuation allowances have been measured on the basis of the average credit losses of the past ten years, without any further discounts. In addition, specific risk factors have been taken into consideration for the measurement of global valuation allowances on the basis of mathematical and statistical methods, through increased allocations to global valuation allowances. Global valuation allowances were increased by a total of € 32.0 million as of 31 December 2020, whereas they would have been reduced by € 1.9 million had the previous input been retained unchanged.

Valuation allowances on customer lending business have a highly significant impact on the Sparkasse’s net assets, financial position and results of operations, while the Sparkasse’s Board of Management has significant discretion over these valuation allowances. In addition, the measurement parameters applied which are subject to a high level of uncertainty play a considerable role in determining whether it is necessary to establish valuation allowances and, if so, their amount. In this context, this matter was particularly significant in the context of our audit.

b) Within the framework of our audit, we initially assessed the appropriateness of the controls implemented within the Sparkasse’s relevant internal control system and tested the functionality of these controls on a spot check basis. In doing so, we took into consideration the bank’s business organisation, its IT systems and relevant measurement models as well as, in particular, the procedural, i. e. temporary, adjustments made during the Covid-19 crisis. We also assessed the measurement of customer receivables, including the appropriateness of estimated values, on the basis of spot checks of credit commitments. We therefore evaluated the Sparkasse’s documentation concerning its financial condition as well as the recoverability of collateral. In addition, we have evaluated the calculation methods applied by the Sparkasse as well as the underlying assumptions and parameters by way of assessment of the specific and global valuation allowances recognised. We have assessed the appropriateness of the inclusion of further specific risk factors in relation to the current economic uncertainty in the context of the Covid-19 crisis. On the basis of our audit activities, we were able to confirm the appropriateness of the assumptions made by the Sparkasse’s Board of Management in its review of the asset quality of its loan portfolio as well as the appropriateness and effectiveness of the processes implemented by the Sparkasse.

c) Further information is included in the notes to the annual financial statements of the Sparkasse in the section on accounting policies and in the following sections of the management report: 2.2 Course of business and 2.3.2. Results of operations, 5. Risk report on the development of the risk situation and 6. Report on expected developments – opportunities and risks.

Other information

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

The other information comprises:
- The separate non-financial report in accordance with section 289b HGB, which is referenced in section 7 of the management report,

- The corporate governance declaration in accordance with section 289f HGB contained in section 8 of the management report,

- Other parts of the annual report of Hamburger Sparkasse AG for the year ended 31 December 2020 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 Sparkasse 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

Assurance report in accordance with Section 317 Abs. 3b HGB on the electronic reproduction of the annual financial statements and the management report prepared for publication purposes

Assurance conclusion
We have performed an assurance engagement in accordance with Section 317 (3b) HGB to obtain reasonable assurance about whether the reproduction of the annual financial statements and the management report (hereinafter "ESEF documents") contained in the attached electronic file Haspa_AG_ESEF-2020-12-31.xhtml and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the annual financial statements and the management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the annual financial statements and the management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance conclusion and our audit opinion on the accompanying annual financial statements and the accompanying management report for the financial year from 1 January to 31 December 2020 contained in the "Report on the Audit of the Annual Financial Statements and on the Management Report" above.

Basis for the reasonable assurance conclusion
We conducted our assurance engagement on the reproduction of the annual financial statements and the management report contained in the above-mentioned attached electronic file in accordance with Section 317 (3b) HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with Section 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Accordingly, our responsibilities are further described below in the "Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents" section. Our audit department has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibility of the Board of Management and the Supervisory Board for the ESEF documents

The Board of Management of the Sparkasse is responsible for the preparation of the ESEF documents including the electronic reproduction of the annual financial statements and the management report in accordance with Section 328 (1) sentence 4 no. 1 HGB.

In addition, the Board of Management of the Sparkasse is responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format, whether due to fraud or error.

The Board of Management of the Sparkasse is also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited annual financial statements and audited management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Auditor's responsibilities for the assurance engagement on the ESEF documents
Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error. As part of an audit, we exercise professional judgement and maintain professional scepticism. We also

- identify and assess the risks of material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.

- obtain an understanding of internal control relevant to the assurance engagement on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.

- evaluate the technical validity of the ESEF documents, i. e. whether the electronic file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 as applicable on the reporting date on the technical specification for this electronic file.

- evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited annual financial statements and the audited management report.

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 8 April 2020, the General Meeting of the Sparkasse adopted a resolution electing us as auditor for the 2020 financial year. We were engaged by the Supervisory Board on 9 April 2020

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.

Hamburg, 23 March 2021

Auditing Division of the
HANSEATISCHEN SPARKASSEN-
UND GIROVERBAND
(HANSEATIC SAVINGS
BANKS ASSOCIATION)

Ulf-Torben Krüger
Wirtschaftsprüfer (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. Due to the coronavirus pandemic, all meetings were held as telephone or video conferences.

In the context of performance and risk reporting, and taking particular account of the Covid pandemic, the Supervisory Board discussed the financial and risk situation of Hamburger Sparkasse AG at length and deliberated on the possible effects the pandemic has on it. Other issues of importance were the redistribution of responsibilities within the Board of Management, the realignment of the Advisory Board structure and regular reporting on the progress of the project to reposition the organisation and culture of Hamburger Sparkasse AG ("Haspa Spring").

Furthermore, the Supervisory Board discussed the European Central Bank's SREP decision. 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 continuing professional development event focused on the impact of the Covid pandemic on lending business and risk work, as well as current developments in the banking industry and banking supervision.

At the end of 31 December 2020, the previous Deputy Chairman of the Supervisory Board, Mr Claus Krohn, retired from the Supervisory Board. The Supervisory Board wishes to thank Mr Krohn for his trust and many years of cooperation, as well as his dedicated service to Hamburger Sparkasse AG. Ms Claudia Stübe joined the Supervisory Board as the member elected to succeed Mr Krohn.

At the end of 31 March 2020, Ms Bettina Poullain stepped down from the Board of Management. 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 2020 – 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 2020 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, which was dominated by the extraordinary challenges caused by the Covid pandemic. The Supervisory Board also thanks the works council for the good and constructive collaboration.

Hamburg, 15 April 2021

The Supervisory Board

Günter Elste
Chairman of the Supervisory Board

Corporate divisions

Compliance
Christian Albers

Direct Consulting
Michael Maaß

Purchasing, Facility Management and Logistics
Volker Widdra

Comprehensive Bank Controlling
Stefan Hahn

Real Estate Customers
Wilfried Jastrembski

IT Management
Niels Rasmussen

Credit and Legal
Olav Melbye, General Legal Representative

Customer Journey Investment and Pension
Thomas Hinsch

Customer Journey Daily
Lars Fiolka

Customer Journey Start-up and Grow
Thorsten Detjen

Customer Journey Living
Helge Fobbe

Omnichannel Management
Arne Nowak

Organisation and Process Management
Alexandra Hasse

Human Resources
Dr. Elisabeth Keßeböhmer

Private Banking
Frank Krause

Alster-East Region
Ralf Günther
Tobias Kleinert

Alster-West Region
Carsten Blöß
Tobias Foerster

North Region
Frank Ennen
Dörte Martens

North-East Region
Niels-Helge Pirck
TBD

East Region
Holger Knappe
TBD

South Region
Arent Bolte
Marcel Sluppke

West Region
Metta Schade
Helge Steinmetz

Audit
Thorsten Pegelow

Risk Management
York Heitmann

Transfer Support
Joachim Ewald

Transformation Management
Dennis Chan

Treasury
Henrik Bustorf

Corporate Development
Tobias Lücke

Corporate Communication
Stefanie von Carlsburg

Enterprise Customers
Andreas Mansfeld, General Legal Representative

Works Council

Chairman of the Works Council
Gottfried Max Segert

Business development 2016 to 2020

of Hamburger Sparkasse AG

Balance sheet figures ASSETS	2016 € million	2017 € million	2018 € million	2019 € million	2020 € million
Cash reserve	883	690	2,299	3,638	9,443
Receivables from banks	3,102	3,828	2,645	2,820	2,646
Receivables from customers	30,763	30,901	32,743	34,362	35,797
Securities	8,498	7,976	7,076	5,423	6,772
Trading portfolio	106	71	125	139	161
Equity investments, shares in affiliated companies	60	119	119	119	117
Tangible and intangible fixed assets	46	42	45	47	49
Other assets	30	44	42	34	172
EQUITY AND LIABILITIES					
Liabilities to banks	3,778	3,782	3,786	4,148	10,244
Liabilities to customers	33,020	32,662	33,627	34,631	36,741
Securitised liabilities (excluding Pfandbrief securities)	1,337	1,332	1,151	1,176	831
Pfandbrief securities	876	1,293	1,784	1,735	2,210
Trading portfolio	37	28	24	24	23
Provisions	1,018	1,067	1,088	1,250	1,345
Subordinated liabilities	0	0	0	0	0
Equity and fund for general banking risks	3,273	3,353	3,433	3,503	3,545
Other equity and liabilities	149	153	200	115	219
Total equity and liabilities	43,488	43,670	45,093	46,581	55,157

Figures from the income statement	2016 € million	2017 € million	2018 € million	2019 € million	2020 € million
Net interest income	709	725	712	624	567
Interest income	1,064	1,001	915	840	740
Interest expense	355	277	203	217	173
Net commission income	280	299	308	335	316
Administrative expenses	675	738	743	716	699
Net income from financing activities	-2	-2	-1	-1	0
Other operating income / expenses (net)	-89	-40	-46	-169	-90
Operating result before loan loss provisions	223	243	231	73	94
Taxes on income	104	90	59	1	36
Earnings after taxes	80	80	70	42	9
CIR (according to DSGV) [1]	69.3	68.0	67.5	73.0	76.9
Return on equity before tax	5.7	5.1	3.8	1.2	1.3

[1] *Following the definition by the German Savings Banks Association (DSGV)*

Published by

Hamburger Sparkasse AG
Ecke Adolphsplatz / Großer Burstah
20457 Hamburg
Phone + 49 (0)40 3579-0
Fax: + 49 (0)40 3579-3418
www.haspa.de
haspa@haspa.de

Consulting, concept & design
Silvester Group
www.silvestergroup.com

Hamburger Sparkasse AG
Ecke Adolphsplatz / Großer Burstah
20457 Hamburg
Phone + 49 (0)40 3579-0
Fax: + 49 (0)40 3579-3418
www.haspa.de
haspa@haspa.de