Half-yearly Report 2020

Haspa
Hamburger Sparkasse

Contents

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 public sector 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, DSGV) 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).

Foreword of the Board of Management

Ladies and Gentlemen,
In the first half of 2020, the coronavirus pandemic turned all of our lives upside down within a very short space of time. Measures introduced to limit the spread of the virus, including contact restrictions, closures and constraints on companies, schools and nurseries as well as cultural, sporting and recreational facilities, changed our private and professional lives in extraordinary ways that are continuing even after the easing of restrictions. The effects of this health crisis on the economy and society have been massive. What's more, it is still impossible to predict how long the coronavirus pandemic and its consequences will be with us.

Even in these times of crisis, Haspa continues 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 its branches open during the coronavirus crisis, with only our opening hours restricted in some cases. Thanks to hygiene measures and social distancing regulations as well as organisational changes such as team allocations and mobile working, we were able to be there for our customers as a good neighbour and advisor even in challenging times – not only in person but also via telephone, mail and video chat as well as via online banking, which is being used more and more. Coronavirus also gave the trend towards cashless and contactless payments a noticeable boost.

While Haspa has always been the biggest intermediary for public funding in Hamburg, these activities reached an unprecedented scale in the first few weeks of the coronavirus crisis. At times, as many as 1,000 of our employees were working exclusively to provide coronavirus support for our corporate customers and develop tailor-made solutions together with them.

We made more than half a billion euros of coronavirus aid available to our private and corporate customers by the end of June to help them through the crisis. We also suspended the loan instalments and repayments of many customers affected by the crisis.

While the coronavirus pandemic and its impact initially put a major strain on us, our customers and our employees, the crisis could also have a positive effect in the long run. Coronavirus has given digitalisation and new forms of work a significant boost. Local production and regional business cycles have become more important once again. Last but not least, there has been a greater sense of solidarity between people. After all, we are stronger together.

We thank our customers and business partners for the trust they have placed in us in difficult times. Our heartfelt thanks 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 healthy!

Hamburg, 25 August 2020

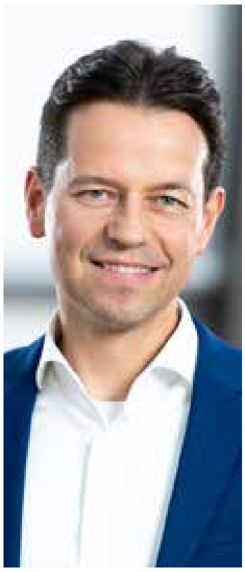
The Board of Management

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

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

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

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



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 1 April 2020.

Interim management report

of Hamburger Sparkasse AG for the period ended 30 June 2020

1. Fundamental information about the company

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 remain inseparably intertwined with the interests of Hamburg and the welfare of all its residents.

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

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

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

We launched our forward-looking "Haspa Spring – Sparkasse richtig neu gedacht" project in November 2018 to become more digital, leaner and more agile for the benefit of our customers. The needs and requirements of our customers are at the heart of this process. We are planning to transform our entire organisation. As part of these efforts, we want to bring our private customer and corporate customer business even closer together to ensure that customers can be served even more effectively from a single source.

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

By implementing the "Haspa Spring" project as planned, we want to optimise the Haspa business model and generate higher revenues and cost savings in the future. We are planning for Haspa to employ 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. Due to the coronavirus crisis, we were forced to pause the implementation of our Haspa Spring project from mid-March. In early June, we resumed our strong efforts of pursuing our course into the future.

2. Report on economic position

2.1. Macroeconomic and sector-specific environment

The coronavirus pandemic triggered a massive collapse in economic output, as it had an abrupt impact on both supply and demand. Interruptions to value and supply chains, logistical problems, reduced staffing and government measures to contain the pandemic led to significant production cutbacks. At the same time, demand declined due to contact restrictions, loss of earnings and uncertainty.

Against this backdrop, real gross domestic product (GDP) fell by 2.0 percent year-on-year in the first quarter of 2020. The economic slump caused by coronavirus was particularly apparent in the second quarter of the year, which saw GDP contracting by 10.1 percent. In the first half of the year, real GDP shrank by 6.9 percent compared with the prior-year period. Economic activity picked up considerably as a result of the relaxation of measures introduced to tackle the pandemic. If this trend continues and there are no new major restrictions on public life and the economy, the German economy is likely to contract by 7 percent in 2020 as a whole.

As a foreign trade and logistics centre, major aviation hub and shopping, event and tourism metropolis, Hamburg is also seriously affected by the impact of the coronavirus pandemic. The Hamburg Chamber of Commerce's economic barometer shows that, in the current and future business situation, negative assessments dominate the outlook for the export sector as well as planned investments and human resources planning. The economic slump in Hamburg is expected to be similar to that of Germany as a whole.

In light of the coronavirus crisis, the European Central Bank (ECB) announced a Pandemic Emergency Purchase Programme (PEPP) on 18 March 2020. After being expanded in June, this programme now includes bond purchases totalling € 1,350 billion and will run until June 2021. 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. The extremely low interest rates result in investors losing out on interest income and reduce the incentive to make private retirement provision. Furthermore, the extremely low level of interest rates continues to limit credit institutions' opportunities to generate revenue.

The capital markets experienced unexpected turbulence in the first half of 2020 as a result of the coronavirus pandemic. This global health crisis of historic proportions triggered a slump in the equity markets during the first quarter. Stock markets bounced back considerably in the second quarter due to the easing of measures introduced to tackle the pandemic, comprehensive financial assistance programmes and stimulus packages, the beginnings of an economic recovery and the provision of additional liquidity by the central banks. Germany's DAX share index initially reached an all-time high of 13,789 points in February before crashing to 8,442 points in mid-March as a result of coronavirus. As of 30 June 2020, the DAX had recovered to 12,311 points. The yield on ten-year Bunds fell to a historic low of –0.85 percent on 9 March 2020, and stood at –0.45 percent at the end of the first half of the year.

2.2. Course of business

As a retail bank, Haspa focuses on competent and comprehensive services for private customers as well as commercial customers in the Hamburg Metropolitan Region. Haspa has been gaining both customers and deposits thanks to this stable business model. In total, we succeeded in acquiring some 20,000 new customers in the first six months of the year, lifting the total number of giro accounts to almost 1.4 million as at the end of June 2020. The number of giro account holders who have opted for the "HaspaJoker" account – Hamburg's advantage account – continues to expand, totalling around 700,000 at the end of the first half-year. Besides extensive banking services, these customers also benefit from a multitude of value-added services.

We are delighted to report that the number of Haspa MäuseKonto accounts has continued to grow and reached 142,000 in the year to date. Currently offering 2 percent interest from the first euro up to an amount of € 500, Haspa's MäuseKonto account is not only a popular and safe investment. Established as a savings and learner account, it also gives children the opportunity to learn how to manage money and a current account.

In light of the further consolidation of our positioning in the Hamburg Metropolitan Region and the exceptional situation triggered by the coronavirus pandemic, which has posed extreme challenges for us and our customers in recent months, we are generally satisfied with our business performance to date. However, we were forced to pause the implementation of our Haspa Spring project from mid-March as a result of the coronavirus crisis. In early June, we resumed our strong efforts of pursuing our course into the future. The historically low and negative interest rate environment continued to have a particularly adverse impact on net interest income, and it also led once again to high expenses connected with our pension provisions. Persistently stringent regulatory requirements also continued to have a negative impact. Overall, we reached break-even in the first six months of the year, a result which we should be satisfied with given the current environment.

Other developments in the past half-year are described in the section on net assets, financial position and results of operations.

2.3. Net assets, financial position and results of operations

2.3.1. Net assets and financial position

Assets in € million	30.06.20	31.12.19	abs.	rel.
Cash reserve	7,659	3,638	+4,021	+111 %
Receivables from banks	2,653	2,820	–166	–6 %
Receivables from customers	34,982	34,362	+621	+2 %
Securities	7,240	5,423	+1,816	+33 %
Trading portfolio	132	139	–6	–5 %
Other assets	282	200	+83	+41 %
Total assets	52,948	46,581	+6,368	+14 %

Equity and liabilities in € million	30.06.20	31.12.19	abs.	rel.
Liabilities to banks	9,247	4,148	+5,099	+123 %
Liabilities to customers	35,514	34,631	+884	+3 %
Securitised liabilities	3,176	2,911	+266	+9 %
Trading portfolio	24	24	+0	+1 %
Provisions	1,285	1,250	+35	+3 %
Equity and fund for general banking risks	3,545	3,503	+42	+1 %
Other equity and liabilities	157	115	+42	+37 %
Total equity and liabilities	52,948	46,581	+6,368	+14 %

Total assets increased

Total assets rose significantly by € 6.4 billion or 14 percent compared with 31 December 2019 to € 52.9 billion. This increase is due in particular to our participation in the ECB's open market operations as part of the GLRG III programme in June 2020. On the liabilities side of the balance sheet, this is evident in higher liabilities to banks. Liabilities to customers also increased during the coronavirus crisis, while securitised liabilities grew following a Pfandbrief issue in February. The pass-through loans reported in liabilities to banks – especially those of Kreditanstalt für Wiederaufbau – are reported as a component of the lending business on the assets side of the balance sheet and were on a similar level to the previous year. On the assets side of the balance sheet, the increase in total assets is particularly evident in the cash reserve as well as in a larger securities portfolio for the collateral required from open market operations. We are happy to report that our receivables from customers also rose.

Customer deposits increased amid low interest rates

Overall, customer deposits were up € 0.9 billion or 3 percent to € 35.5 billion. This increase is mainly due to other liabilities, in particular deposits payable on demand. Our traditional products also saw growth as savings deposits increased slightly in a time of low interest rates to € 9.3 billion. In the context of the funding and investment structure, Haspa's liquidity situation is considered comfortable on account of the large portfolio of liabilities from the customer business. For more information about compliance with the regulatory ratios and the management of the liquidity situation, please see the risk report.

Receivables from customers increased

Receivables from customers were up € 0.6 billion or 2 percent to € 35.0 billion. This encouraging development was largely attributable to longer-term loans. New loan approvals were slightly up year-on-year.

2.3.2. Results of operations

Income statement in € million	1–6 2020	1–6 2019	abs.	rel.
Net interest income	294	330	–36	–11 %
Net commission income	161	165	–3	–2 %
Net income from financing activities	–0	–1	+1	–82 %
Administrative expenses	–349	–371	+22	–6 %
Other operating result	–45	–48	+3	–6 %
Net revaluation gain / loss	–48	–39	–9	+23 %
Result from ordinary activities	13	35	–22	–63 %
Extraordinary result	0	0	+0	k. A.
Tax expense	–13	0	–13	k. A.
Result	0	35	–35	–100 %

Result below prior-year level in an environment that continues to be challenging and impacted by the coronavirus pandemic

The persistently low level of interest rates and the substantially increasing regulation continue to pose major challenges for the lending industry. In this demanding environment that was compounded by the coronavirus pandemic, the Company posted a break-even result for the first half-year – a result that, as expected, was significantly below the one generated in the prior-year period. Specifically, although we generated less income on the one hand, our expenses were also lower. There were no major effects driving up the net revaluation loss in the first six months of the year. After the one-off positive tax effect of the strategic realignment of our proprietary securities investment meant we did not report a tax expense in the prior-year period, we once again reported a tax expense in the period under review.

Net interest income decreased

At € 294 million, net interest income was down € 36 million on the prior-year period in the first half of 2020. Overall, the interest rates held at a low level through the continuation of an extremely loose monetary policy had a negative impact on various components of net interest income. In addition, distributions from special funds at the beginning of 2019 associated with our strategic realignment of the capital investment segment had an effect on the comparison with the prior-year period. Contributions from maturity transformation were slightly lower. Although the customer business continued to account for by far the largest share of net interest income, it was adversely impacted by liability margins that remained under pressure, particularly in light of significant increases in deposits payable on demand.

Net commission income down year-on-year

After the end of the first half of the year, net commission income was down by € 3 million on the prior-year level at € 161 million. Triggered by the coronavirus crisis, among others, some balance sheet items saw income decline with higher income from precious metals business having an offsetting effect.

Lower administrative expenses

Administrative expenses decreased by a total of € 22 million compared with the prior-year period. This is attributable both to personnel expenses and to other administrative expenses. This reflects our continued strict cost discipline on the one hand and the postponement of projects as a result of the coronavirus crisis on the other. As in previous years, expenses for the European guarantee schemes had a negative impact.

Other operating result improved

At € 45 million, other operating income was up € 3 million year-on-year. Other operating income once again was dominated by expenses attributable to the revaluation of our pension provisions as a result of the low and negative interest environment, which had a slightly less negative impact compared with the prior-year period.

Net revaluation loss up year-on-year

Although the risk provisions for the lending business were slightly higher year-on-year, they remained at an encouraging level – especially given the coronavirus crisis. Conversely, the net revaluation loss on our proprietary securities investments was slightly lower than in the previous year. The net revaluation loss also includes a provision for potential risks in subsequent years.

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 € 107 million, following the definition by the DSGV, the result from ordinary activities came to € 13 million after deduction of € 94 million in total. This deduction was triggered in equal measure by the net revaluation loss and the non-operating result. Due to the low and negative interest environment, the non-operating result was dominated by expenses associated with pension provisions. Overall, the operating result before loan loss provisions was considerably below the prior-year level and above projections for the period.

3. Risk report

Internal control and risk management system as an essential component of the business organisation

Pursuant to section 25a (1) German Banking Act, overall responsibility for proper business organisation and the risk management system integral to it rests with Haspa's Board of Management. The Board of Management is supported by Compliance and Risk Management in this context. Among other things the risk management system comprises the implementation of internal control procedures consisting of an internal control system and an internal auditing system. Internal Audit 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. Internal Audit directly or indirectly reviews the accounting related internal control and risk management systems based on a risk oriented audit plan.

Risk management focusing on risk-bearing capacity

Given Haspa's commercial strategy, our private and corporate customers, enterprise and real estate customer business, and private banking form the core of our business. Capital market instruments are also used to stabilise income and support the company's strategic goals relating to risk management, balance sheet management and refinancing. Haspa is exposed to credit, interest rate, market price, liquidity and operational risks as part of its business activities.

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 risk-bearing capacity calculation compares against Haspa's economic capital (risk coverage potential) all risks that could have a material impact on Haspa's capital position from an economic perspective. Under the economic perspective, risk-bearing capacity is assured if all material risks are covered by the risk coverage potential on an ongoing basis.

The company's risk coverage potential consists largely of capital components eligible for regulatory capital and, from an economic perspective, is supplemented with hidden reserves and losses. The risk coverage potential as at 30 June 2020 was over € 3.8 billion, down slightly compared to the end of 2019. Present value risks rose to € 2.0 billion compared to the end of 2019. Both developments are due in particular to volatile market conditions caused by coronavirus that are impacting interest rates and spreads. Overall, the economic capital analysis of Pillar II (ICAAP) shows that free risk coverage potential still significantly exceeds the thresholds at € 1.8 billion, thus ensuring the continuation of Haspa as a going concern from an economic perspective even amid volatile market conditions.

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. Haspa is subject to regulatory capital requirements primarily under the Capital Requirements Regulation (CRR). As at 30 June 2020, Haspa's total capital ratio applying the standard approach was 14.3 percent, and its Common Equity Tier 1 capital ratio was 13.4 percent. At 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. Capital ratios have increased compared to the end of 2019, which is primarily due to the continued strengthening of equity by the net income generated. The leverage ratio, which indicates an institution's exposures in relation to its own funds and is therefore based more on balance sheet figures, was around 6.3 percent and thus remained substantially higher than the requirement of 3 percent applicable from mid-2021. At HASPA Group level, the leverage ratio is 7.9 percent. The decline in this ratio compared with the end of 2019 is related to the increase in total assets.

Even when taking into account the latest information about the progress and impact of the coronavirus pandemic, the capital ratios of both Haspa and the HASPA Group remain at a solid level due to high level of nominal capital in 2020. According to the latest forecasts, key figures are not expected to fluctuate significantly for the rest of the year, although there is still uncertainty about the progress of the pandemic. Credit quality indicators (NPL ratio) are currently at a reasonable level based on a European and German cross-comparison. The coronavirus pandemic did not have any notable impact until the middle of 2020.

Liquidity risks limited through funding strategy and solid liquidity limit

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.

When analysing the short-term insolvency risk, hypothetical liquidity scenarios simulating strong outflows of customer deposits and market losses on realisable assets are calculated. This makes it possible to determine whether the liquidity buffer is adequate even in the event that adverse developments arise quickly.

Haspa also uses its divisional planning to develop a strategic liquidity outlook that identifies possible liquidity needs early on. This enables us to assess our liquidity needs for future maturities and manage cash flows accordingly. Risk scenarios are monitored and analysed. All of this enables Haspa to adopt timely control measures as necessary. The current and prospective requirements for the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR) are clearly being met. As at 30 June 2020, the LCR was 195 percent and the NSFR was 120 percent. The decline in the LCR compared with the end of 2019 is primarily due to a change in the regulatory presentation of highly liquid assets.

Given its current funding and investment structure and the available funding opportunities, Haspa's liquidity situation remains orderly and adequate, even under the current circumstances triggered by the coronavirus pandemic.

Risk measurement

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

4. Report on expected developments – opportunities and risks

Economic slump in Germany and Hamburg

The coronavirus pandemic plunged the German economy into a deep recession that passed its low point in the second quarter. The easing of measures introduced to tackle the pandemic as well as 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 the second half of the year – provided that there are no significant new restrictions on public life and the economy as a result of a second wave of infections. We are expecting real GDP to fall by 7 percent for 2020 as a whole, followed by economic growth of 3 percent in 2021.

The Hamburg economy also passed the bottom of its economic slump in the spring and is recovering from the shock of the coronavirus pandemic. In the first quarter of 2020, the Hamburg Chamber of Commerce's economic barometer recorded 38.6 points for its business climate index, the lowest figure since it began surveying Hamburg's companies in 1971. The business climate index reached 71.3 points by the end of the second quarter of 2020. While this is a sharp increase compared to the previous quarter, it is well below the pre-coronavirus level of 108.3 points recorded at the end of 2019.

In light of the coronavirus crisis, the ECB announced a Pandemic Emergency Purchase Programme (PEPP) totalling € 1,350 billion that runs until June 2021. At the same time, the ECB is keeping the rate for main refinancing operations at 0.00 percent, while the interest rate on deposits by banks imposed by the ECB remains at –0.5 percent. These decisions support our assessment that low interest rates will persist for a long time yet. The European Central Bank is likely to leave key interest rates at their current level for quite some time and continue using refinancing operations to manage the money market.

Against this backdrop, we believe that the yield on ten-year Bunds will be around –0.45 percent at the end of 2020. Equity markets are set to profit from the extensive supply of liquidity by central banks. We currently expect the DAX to end the year at 12,500 points. Developments on the capital markets will be heavily influenced by the rate of economic recovery and the further course of the coronavirus pandemic.

Customer business remains the focus of our activities

Private customers are and will remain the foundation of our business. Haspa will continue to expand in the Hamburg Metropolitan Region thanks to its comprehensive services for this customer segment. We want to continue expanding our market position by investing in our neighbourhood branches, expanding digital services and broadening our collaboration with the German Savings Banks Finance Group.

Haspa also plans to further intensify its activities related to corporate customers, as well as its Private Banking.

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

Result for the year below expectations

Overall, the result for the year, which will be transferred in full to HASPA Finanzholding in the annual financial statements, is predicted to break even. Specifically, we expect net interest income to be slightly below the prior-year level, having planned for an even more significant decline. As a result of the coronavirus crisis, we now also anticipate a moderate fall in net commission income. Contrary to expectations, administrative expenses are expected to be slightly below the previous year’s level in the 2020 financial year, primarily as a result of project delays. The net revaluation gain / loss is subject to greater uncertainty overall due to the exceptional situation caused by the coronavirus crisis. Risk provisions for the lending business are expected to trend significantly less favourably in the second half of the year. We now anticipate a moderate adverse impact on the net revaluation gain / loss from securities. We expect the operating result before loan loss provisions as defined by the DSGV to be considerably lower than 2019, yet slightly above target.

Balance sheet

of Hamburger Sparkasse AG for the period ended 30 June 2020

Assets in € '000	30.06.2020	31.12.2019
1. Cash reserve		
a) Cash on hand	610,733	563,708
b) Balance with Deutsche Bundesbank	7,047,824	3,073,865
	7,658,557	3,637,573
2. Receivables from banks		
a) Payable on demand	919,562	762,534
b) Other receivables	1,733,575	2,056,987
	2,653,137	2,819,521
3. Receivables from customers	34,982,405	34,361,837
4. Debentures and other fixed-interest securities		
b) Bonds and debentures		
ba) by public-sector issuers	4,358,833	3,089,844
bb) by other issuers	1,157,764	712,684
	5,516,597	3,802,528
	5,516,597	3,802,528
5. Equities and other non-fixed interest securities	1,723,074	1,620,690
5a. Trading portfolio	132,363	138,733
6. Long-term equity investments	106,142	106,142
7. Shares in affiliated companies	12,512	12,512
8. Fiduciary assets	84,556	2
9. Intangible fixed assets		
a) Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets	3,667	5,272
b) Prepayments	16	46
	3,683	5,319
10. Tangible fixed assets	44,916	41,557
11. Other assets	21,913	27,707
12. Prepaid expenses	8,537	6,429
Total assets	52,948,394	46,580,550

Equity and liabilities in € '000	30.06.2020	31.12.2019
1. Liabilities to banks		
a) Payable on demand	403,372	286,020
b) With agreed maturity or notice period	8,843,403	3,861,623
	9,246,775	**4,147,643**
2. Liabilities to customers		
a) Savings deposits		
aa) With agreed notice period of three months	9,303,458	9,096,832
ab) With agreed notice period of more than three months	—	—
	9,303,458	**9,096,832**
b) Other liabilities		
ba) Payable on demand	21,158,415	20,181,500
bb) With agreed maturity or notice period	5,052,525	5,352,489
	26,210,940	**25,533,989**
	35,514,397	**34,630,820**
3. Securitised liabilities		
a) Debentures issued	3,176,156	2,910,589
	3,176,156	**2,910,589**
3a. Trading portfolio	**23,708**	**23,520**
4. Fiduciary liabilities	**84,556**	**2**
5. Other liabilities	**35,335**	**85,368**
6. Deferred income	**37,583**	**29,993**
7. Provisions		
a) Provisions for pensions and similar obligations	1,079,914	1,035,846
b) Provisions for taxes	46,389	36,375
c) Other provisions	158,580	177,393
	1,284,883	**1,249,614**
8. Fund for general banking risks	**702,000**	**702,000**
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	**52,948,394**	**46,580,550**
1. Contingent liabilities		
b) Contingent liabilities from guarantees and indemnity agreements	574,124	569,956
	574,124	**569,956**
2. Other obligations		
c) Irrevocable loan commitments	3,214,127	3,408,052
	3,214,127	**3,408,052**

Income statement

of Hamburger Sparkasse AG for the period from 1 January to 30 June 2020

All figures stated in € '000	01.01. bis 30.06.2020	01.01. bis 30.06.2019
1. Interest income from		
a) Lending and money market transactions	373,354	400,331
b) Fixed interest securities and registered government debt	3,647	3,240
	377,001	403,572
2. Interest expense	–92,286	–108,229
	284,716	295,342
3. Current income from		
a) Equities and other non-fixed interest securities	7,500	31,308
b) Long-term equity investments	1,475	2,388
c) Shares in affiliated companies	—	—
	8,975	33,696
4. Income from profit pooling, profit transfer, or partial profit transfer agreements	3	514
5. Commission income	174,468	177,278
6. Commission expenses	–12,977	–12,400
	161,491	164,877
7. Net trading income or expense	–175	–1,001
8. Other operating income	11,227	12,608
	466,236	506,037
9. General and administrative expenses		
a) Personnel expenses		
aa) Wages and salaries	–136,867	–146,894
ab) Social security, post-employment and other employee benefit costs	–35,979	–35,360
	–172,846	–182,254
b) Other administrative expenses	–171,800	–182,198
	–344,647	–364,453
10. Depreciation, amortisation and write-downs of tangible and intangible fixed assets	–4,386	–6,925
11. Other operating expenses	–56,613	–60,820
12. Write-downs of and valuation allowances on receivables and certain securities, and additions to loan loss provisions	–46,999	–38,650
13. Income from reversals of write-downs of receivables and certain securities and from the reversal of loan loss provisions	—	—
	–46,999	–38,650
14. Write-downs of and valuation allowances on other equity investments, shares in affiliated companies and securities classified as fixed assets	–382	—
15. Income from reversals of write-downs of other equity investments, shares in affiliated companies and securities classified as fixed assets	—	—
	–382	—
16. Cost of loss absorption	–248	–189
17. Additions to / withdrawals from the fund for general banking risks	—	—
18. Result from ordinary activities	12,963	35,000
19. Extraordinary income	—	—
20. Extraordinary expenses	—	—
21. Extraordinary result	—	—

All figures stated in € '000	01.01. bis 30.06.2020	01.01. bis 30.06.2019
22. Taxes on income	–12,963	—
23. Other taxes not included in item 11	—	—
	–12,963	—
24. Income from loss absorption	—	—
25. Profit transferred on the basis of profit pooling, profit transfer, or partial profit transfer agreements	—	–35,000
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) to 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

Accounting standard and other disclosures

The half-yearly report (half-yearly financial report) of Hamburger Sparkasse AG as at 30 June 2020 was prepared in accordance with the requirements of the German Commercial Code (Handelsgesetzbuch) and the requirements of the German Ordinance on Accounting for Banks and Financial Services Institutions (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute), taking into account the requirements of the German Stock Corporation Act (Aktiengesetz).

All accounting policies that were applied to the annual financial statements for the year ended 31 December 2019 of Hamburger Sparkasse AG were retained.

The half-yearly financial statements and the interim management report as at 30 June 2020 have not been reviewed by an auditor or audited pursuant to section 317 German Commercial Code.

The income taxes were determined on the basis of the taxable income as at 30 June 2020. The taxable income makes allowance for the differences between the calculation of profits for the financial statements and for the tax base known up until the end of the first half-year.

Hamburg, 25 August 2020

The Board of Management

Dr. Harald Vogelsang

Frank Brockmann

Axel Kodlin

Jürgen Marquardt

Dr. Olaf Oesterhelweg

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for half-yearly reporting (half-yearly financial reporting), the 2020 half-yearly financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Hamburger Sparkasse AG, and the interim management report includes a fair review of the development and performance of the business and the position of Hamburger Sparkasse AG, together with a description of the material opportunities and risks associated with the expected development of Hamburger Sparkasse AG for the remaining months of the financial year.

Hamburg, 25 August 2020

The Board of Management

Dr. Harald Vogelsang

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