Half-yearly Report 2021

Haspa
Hamburger Sparkasse

Contents

unaudited

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.

Organised under private law, Haspa is one of the few independent savings banks in Germany and a member of the Verband der Freien Sparkassen (Association of Independent Savings Banks), Frankfurt am Main. At the same time, Haspa is part of the public banking sector. Through its membership in the Hanseatischer Sparkassen und Giroverband (Hanseatic Savings Banks Association, 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,
The coronavirus pandemic continued to dominate the agenda in our city in the first half of 2021, as the third wave of infections brought with it further significant restrictions to public and economic life. While measures such as social distancing, curfew, and closures and restrictions affecting businesses, daycare centres, schools and universities as well as cultural, sport and leisure facilities prevented the healthcare system from being overwhelmed, they also placed a great strain on all of us.

Haspa once again proved to be a reliable partner for people and businesses across the Hamburg Metropolitan Region during this difficult time. We kept all of our branches open, and were also there for our customers via telephone, email and video chat. This enabled people to continue accessing cash and financial services and kept the flow of money and the economic cycle running. We also supported the fast-growing trend towards cashless and contactless payment during the pandemic through our online banking and mobile services.

We made coronavirus support available to help our private and corporate customers. In addition, we continued to suspend the loan instalments and repayments of many customers affected by the crisis, while our customer relationship managers developed tailor-made solutions in order to bridge financial bottlenecks.

As the third wave of infections subsided and the vaccination programme gathered pace in the spring, it was possible to begin gradually easing these restrictions, which made everyday life significantly easier and triggered a marked economic upturn.

On 8 June 2021, our company's medical service began vaccinating our employees at Haspa to ensure that we could protect them – and thus our customers – as effectively as possible. We also continued to play our part in tackling the coronavirus pandemic by continuing with hygiene measures and social distancing regulations as well as organisational changes such as dividing up teams and enabling mobile working.

We thank our customers and business partners for the trust they have placed in us in difficult times. We would also like to express our sincere thanks to our employees for maintaining their exceptional commitment during the coronavirus pandemic. We would also like to thank the Supervisory Board and the Works Council for their constructive cooperation in what remains a challenging environment.

Stay safe and positive!

Hamburg, 31 August 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

Interim management report

of Hamburger Sparkasse AG for the period ended 30 June 2021

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. Our actions are inseparably intertwined with the interests of Hamburg and the welfare of all its residents, especially in times of crisis such as the ongoing coronavirus pandemic.

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, environmental and climate protection, the arts, music and sport.

We are rounding off our range of services with specialist expertise. For high net worth customers, for example, we offer Haspa Private Banking. 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.

By implementing our forward-looking "Haspa Spring – Sparkasse richtig neu gedacht" project, we are preparing for the future and aim to generate higher revenues and cost savings. In doing so, we plan to further reduce the number of employees. 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. In this process, we have significantly strengthened the role of our branch managers and their local decision-making authority.

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. At the same time, we are expanding our digital services 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.

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.

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

2. Report on economic position

2.1. Macroeconomic and sector-specific environment

In the past calendar year, the German economy entered a serious recession triggered by the coronavirus pandemic, with Germany's real gross domestic product falling by 4.6 percent in 2020 according to Federal Statistical Office calculations. The government measures introduced to tackle the pandemic in light of the third wave of infections also restricted economic activity at the start of 2021. As a result, economic output for the first quarter of 2021 fell by 3.2 percent compared to the same quarter last year, part of which was adversely affected by the start of the pandemic. As the third wave of infections subsided and the vaccination programme gathered pace in the spring, however, it was possible to begin easing restrictions, causing the German economy to grow by 9.2 percent in the second quarter of 2021 compared to a prior-year quarter completely dominated by the pandemic. This marked the start of a powerful economic upturn. Real gross domestic product rose by 2.7 percent year-on-year in the first half as a whole.

As an export and logistics centre, a major aviation hub, and a metropolis for shopping, events and tourism, Hamburg was particularly badly impacted by the coronavirus pandemic over the past year due to its local industry structure. This is reflected in the 5.8 percent decline in real terms in Hamburg's gross domestic product in 2020 – a much sharper contraction in economic output than the national average. However, the findings of the Hamburg Chamber of Commerce's business barometer suggest a significant economic upturn in the Hanseatic City in the first half of 2021, with business sentiment within the Hamburg economy jumping from 97.3 index points in the spring to 113.0 points in the summer of 2021. This strong increase in the space of three months is due to companies' significantly more positive assessments of both their current situation and future expectations for their businesses.

With its extremely expansive monetary policy, the European Central Bank (ECB) has played its part in enabling the economy to overcome the consequences of the coronavirus pandemic by ensuring that financing conditions remain favourable. In addition to its targeted longer-term refinancing operations (TLTROs) and its existing Asset Purchase Programme (APP), 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 provide ample liquidity. At the same time, the central bank 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 –0.50 percent. Although extremely low interest rates create momentum for the economy and help to bring down the high levels of sovereign debt in the euro zone member states, they also 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.

Developments on the capital markets in the first half of 2021 were primarily influenced by the consequences of tackling the pandemic, the economic recovery, rising inflation rates and the continuation of extremely expansive monetary policy. Against this backdrop, Germany's DAX share index reached new highs, exceeding the 15,000-point mark for the first time in March 2021. In June 2021 it reached its annual high so far and a new historic record of around 15,800 points. Germany's leading share index ended the first half of 2021 at 15,531 points, gaining more than 13 percent since the start of the year. The yield on ten-year Bunds rose from –0.57 percent at the end of 2020 to –0.44 percent at the end of the first half of 2021.

2.2. Course of business

As a retail bank, Haspa focuses on competent and comprehensive services for private customers as well as small and mid-size corporate customers (SMEs) in the Hamburg Metropolitan Region.

Our receivables from customers and our customers' deposits once again increased sharply in overall terms in the first six months of the year. This means that our balance sheet structure continued to be dominated clearly by the customer business amid a challenging competitive and market environment. As in 2020, we also participated in the ECB's 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.

The total number of giro accounts was almost 1.4 million as at the end of June 2021. The number of giro account holders who have opted for the "Haspa-Joker" 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. The number of "Mäusekonten" – accounts aimed at children and adolescents – remained at the level of the end of 2020 with a good 143,000. 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 and adolescents 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 continued to pose extreme challenges for us and our customers, we are generally satisfied with our business performance to date. The persistent low and negative interest rate environment had 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 had a negative impact overall. As a result of the ruling handed down by the Federal Court of Justice (BGH) in April 2021, according to which certain fee increases were declared invalid, we currently do not expect any charges requiring additional provisions.

Overall, we posted a result of € 10 million 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	30.06.21	31.12.20	abs.	rel.
Cash reserve	10,855	9,443	+ 1,413	+ 15%
Receivables from banks	4,141	2,646	+1,494	+56%
Receivables from customers	36,461	35,797	+ 663	+ 2 %
Securities	8,015	6,772	+ 1,243	+ 18%
Trading portfolio	134	161	– 27	– 17%
Other assets	397	338	+ 59	+ 17%
Total assets	60,002	55,157	+ 4,845	+ 9%

Equity and liabilities in € million	30.06.21	31.12.20	abs.	rel.
Liabilities to banks	13,679	10,244	+ 3,435	+ 34%
Liabilities to customers	37,038	36,741	+ 297	+ 1%
Securitised liabilities	4,028	3,041	+ 987	+ 32%
Trading portfolio	18	23	– 4	– 18%
Provisions	1,408	1,345	+ 63	+ 5%
Equity and fund for general banking risks	3,554	3,545	+ 9	+ 0%
Other equity and liabilities	277	219	+ 58	+ 26%
Total equity and liabilities	60,002	55,157	+ 4,845	+ 9%

Total assets increased

Total assets rose significantly by € 4.8 billion or 9 percent compared with 31 December 2020 to € 60.0 billion. This increase is due in particular to our expanded participation in the ECB's open market operations as part of the GLRG III programme in March 2021.

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

Pfandbrief issues in March. 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 and receivables from banks 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 € 0.3 billion or 1 percent to € 37.0 billion. This increase is attributable to our savings deposits, which again rose significantly by € 0.6 billion to € 9.9 billion. By contrast, other liabilities business decreased slightly. In the context of the funding and investment structure, Haspa's liquidity situation is comfortable on account of the high level of liabilities. 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 € 0.7 billion or 2 percent to € 36.5 billion. This encouraging development was largely attributable to longer-term loans. New loan approvals also increased considerably compared to the prior-year period.

2.3.2. Results of operations

Income statement in € million	1–6 2021	1–6 2020	abs.	rel.
Net interest income	339	294	+45	+15%
Net commission income	175	161	+14	+8%
Net income from financing activities	2	–0	+3	n/a
Administrative expenses	–358	–349	–9	+3%
Other operating result	–59	–45	–14	+31%
Net revaluation gain/loss	–37	–48	+11	–23%
Result from ordinary activities	62	13	+49	+376%
Extraordinary result	0	0	+0	n/a
Tax expense	–52	–13	–39	+299%
Result	10	0	+10	n/a

Result for the first half above previous year's figure despite persistently challenging environment impacted by the coronavirus pandemic

At € 10 million, the half-year result for the first six months of 2021 was higher than that of the prior-year period. With expenses increasing slightly, this result was due to higher income after the decline recorded in the previous year. In addition, there has not been any more significant pressure on the net revaluation gain/loss to date. The tax expense to be borne increased, as this item benefited from positive one-off tax effects associated with the strategic realignment of the capital investment segment in the prior-year period. 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.

Higher net interest income

At € 339 million, net interest income for the first half of the year was up € 45 million on the same period last year. In addition to higher contributions from the customer lending business, this increase was due in particular to our participation in ECB's aforementioned open market operations. Once again, the persistently low interest rates caused by continuing extremely expansive monetary policy generally had an adverse impact on various elements of net interest income. The customer business, and the customer lending business in particular, made by far the biggest contribution to net interest income once again. However, it was adversely impacted by margins under pressure in the deposit business, particularly given the high levels of deposits payable on demand, which meant it was below the level of the prior-year period. By contrast, the contributions from maturity transformation and capital investment were slightly higher.

Net commission income up year-on-year

At € 175 million, net commission income after the first half of 2021 was € 14 million higher than the previous year's figure. This increase was primarily due to higher contributions from the securities business. In addition, contributions from the insurance and lending business rose, while those from clearing were lower, which to some extent was due to reduced travel activity during the coronavirus crisis.

Higher administrative expenses

Administrative expenses rose by a total of € 9 million year-on-year. This was primarily attributable to other administrative expenses, where a significant increase in expenses for European guarantee schemes had an adverse impact, part of which could not be claimed against tax. We also recorded higher 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 operating result down

At € –59 million, the other operating result was down € 14 million year-on-year. The other operating result 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 more negative impact compared with the prior-year period.

Net revaluation loss down year-on-year

The risk provisions for the lending business decreased year-on-year and remained at a low level – especially given the coronavirus crisis. Conversely, the net revaluation loss on our proprietary securities investments was higher than in the previous year, which was attributable to factors such as the expansion of our own investment portfolio. The net revaluation loss also includes a provision for potential risks in subsequent years.

Development of the most important key performance indicator

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 € 144 million, following the definition by the DSGV, the result from ordinary activities came to € 62 million after deduction of € 82 million in total. This deduction is composed of the net revaluation loss of € 37 million and the non-operating result of € 46 million. 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 above 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 Risk Management and Compliance 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 generally 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 2021 was over € 4.1 billion – a slight increase compared with year-end 2020. At around € 1.8 billion, the present value risks are roughly at the level seen at the end of 2020. Overall, the economic capital analysis of Pillar II (ICAAP) shows that free risk coverage potential still significantly exceeds the thresholds at € 2.3 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 2021, 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. The HASPA Group continues to have comfortable capital resources, with a total capital ratio of 16.9 percent and a Common Equity Tier 1 capital ratio of 16.0 percent. These capital ratios are therefore at the same level as at the end of 2020.

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 7.2 percent and thus remained substantially higher than the minimum requirement of 3 percent that has been mandatory since June 2021. At HASPA Group level, the leverage ratio is 9.0 percent.

In the first half of 2021, the HASPA Group participated in the European stress test carried out jointly by the EBA and ECB. With a discount to the Common Equity Tier 1 capital ratio of around 3 percentage points in an adverse scenario, the HASPA Group achieved a good result compared to other participants, thus highlighting its conservative risk profile and solid capital base.

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 2021. 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 2021.

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.

Based on its expected portfolio development, Haspa develops 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) – compliance with which now has become mandatory – are clearly being met. As at 30 June 2021, the LCR was 201 percent and the NSFR was 128 percent.

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

Strong economic upturn in Germany and Hamburg

The German economy has returned to a growth trajectory. As the third wave of infections subsided and the vaccination programme gathered pace in the spring, the measures introduced to tackle the coronavirus pandemic could be eased significantly. We also believe that financial assistance programmes introduced by the federal and state governments, together with extremely low interest rates, should continue to ensure that the economy rebounds strongly in 2021. Admittedly, this does depend on the further course of the pandemic and the vaccination campaign and is therefore subject to considerable uncertainty. According to our estimate, the German economy will grow by around 3 percent in the full year 2021, provided that a fourth wave of infections does not trigger a return to more stringent restrictions on public and economic life.

The Hamburg economy will also recover from the consequences of the coronavirus pandemic with a similarly strong economic upturn. In the second quarter of 2021, the Hamburg Chamber of Commerce's business barometer showed net positive sentiment among the companies surveyed by the Chamber of Commerce with regard to their current and future business situation, staff and investment planning and the export outlook. More than half of the companies surveyed are anticipating at least a "roughly unchanged business situation". Around 28 percent of companies expect a "slightly more favourable business situation", while just 15 percent of respondents foresee a "slightly less favourable business situation".

The European Central Bank (ECB) will continue its extremely expansive monetary policy in order to help overcome the economic consequences of the coronavirus pandemic by maintaining favourable financing conditions. The Pandemic Emergency Purchase Programme (PEPP) announced in addition to the existing Asset Purchase Programme (APP) has a volume of € 1,850 billion and runs until March 2022. The ECB will also keep the rate for main refinancing operations at 0.00 percent and the interest rate on deposits by banks imposed by the ECB at –0.50 percent. Low interest rates are likely to persist for a long time yet, as the ECB has softened its inflation target. Previously, the monetary policy target for any increase in consumer prices was "below but close to 2 percent". In future, it will be pursuing a symmetrical medium-term inflation target of 2 percent. According to its own announcement, this means that the ECB will leave interest rates unchanged even when the increase in prices is "moderately above the target".

On the one hand, developments on the capital markets will be influenced by the economic upturn, expectations of increasing corporate profits, and the continuing extensive supply of liquidity by central banks. On the other hand, the potential for a fourth wave of infections as the coronavirus pandemic continues to unfold as well as the possibility that the ECB could start to reduce its bond purchases are creating uncertainty. In light of this, we are expecting the DAX to move within a corridor of 14,000 to 16,500 points during the remainder of the year. The yield on ten-year Bunds is likely to rise to around –0.20 percent by the end of 2021.

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.

As the implementation of our forward-looking "Haspa Spring – Sparkasse richtig neu gedacht" project progresses, we aim to become more digital, leaner and more agile for the benefit of our customers. Our goal is to transform Haspa into a digital bank with the best branches, true to our vision for the future.

Course of business in line with expectations

We are expecting net interest income to significantly exceed the previous year's figure. However, this will primarily be due to our participation in the ECB's aforementioned open market operations, while the level of interest rates will continue to have an adverse impact on the customer business in particular. We are also anticipating a sharp rise in net commission income as well as a slight increase in administrative expenses in the 2021 financial year. 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 continue to anticipate a moderate adverse impact from the net revaluation gain/loss from securities. We expect the operating result before loan loss provisions as defined by the DSGV to be considerably higher than 2020.

Balance sheet

of Hamburger Sparkasse AG for the period ended 30 June 2021

Assets in € '000	30.06.2021	31.12.2020
1. Cash reserve		
a) Cash on hand	586,883	665,850
b) Balance with Deutsche Bundesbank	10,268,517	8,776,769
	10,855,399	9,442,619
2. Receivables from banks		
a) Payable on demand	2,578,147	769,872
b) Other receivables	1,562,484	1,876,573
	4,140,631	2,646,446
3. Receivables from customers	36,460,504	35,797,171
4. Debentures and other fixed-interest securities		
a) Money market instruments		
aa) by public sector issuers	—	—
ab) by other issuers	1,100,000	—
	1,100,000	—
b) Bonds and debentures		
ba) by public-sector issuers	4,531,972	4,552,950
bb) by other issuers	1,435,704	1,278,271
	5,967,676	5,831,221
	7,067,676	5,831,221
5. Equities and other non-fixed interest securities	946,947	940,376
5a. Trading portfolio	133,783	160,613
6. Long-term equity investments	105,724	104,645
7. Shares in affiliated companies	12,512	12,512
8. Fiduciary assets	176,467	132,165
9. Intangible fixed assets		
a) Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets	1,562	2,198
b) Prepayments	125	295
	1,687	2,493
10. Tangible fixed assets	46,660	46,935
11. Other assets	44,623	33,974
12. Prepaid expenses	9,424	5,421
Total assets	60,002,038	55,156,591

Equity and liabilities in € ’000	30.06.2021	31.12.2020
1. Liabilities to banks		
a) Payable on demand	595,230	333,007
b) With agreed maturity or notice period	13,083,570	9,910,865
	13,678,800	**10,243,872**
2. Liabilities to customers		
a) Savings deposits		
aa) With agreed notice period of three months	9,904,810	9,343,185
ab) With agreed notice period of more than three months	—	—
	9,904,810	**9,343,185**
b) Other liabilities		
ba) Payable on demand	22,608,892	22,693,250
bb) With agreed maturity or notice period	4,524,440	4,704,534
	27,133,332	**27,397,784**
	37,038,142	**36,740,969**
3. Securitised liabilities		
a) Debentures issued	4,027,881	3,040,530
	4,027,881	**3,040,530**
3a. Trading portfolio	**18,383**	**22,514**
4. Fiduciary liabilities	**176,452**	**132,358**
5. Other liabilities	**67,716**	**57,312**
6. Deferred income	**32,704**	**29,258**
7. Provisions		
a) Provisions for pensions and similar obligations	1,181,122	1,128,226
b) Provisions for taxes	82,539	58,759
c) Other provisions	144,299	157,794
	1,407,960	**1,344,779**
8. Fund for general banking risks	**702,000**	**702,000**
9. Equity		
a) Subscribed capital	1,000,000	1,000,000
b) Capital reserves	1,635,000	1,626,000
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	—	—
	2,852,000	**2,843,000**
Total equity and liabilities	**60,002,038**	**55,156,591**
1. Contingent liabilities		
b) Contingent liabilities from guarantees and indemnity agreements	610,128	631,225
	610,128	**631,225**
2. Other obligations		
c) Irrevocable loan commitments	3,711,852	3,487,195
	3,711,852	**3,487,195**

Income statement

of Hamburger Sparkasse AG for the period from 1 January to 30 June 2021

All figures stated in € '000	01.01. to 30.06.2021	01.01. to 30.06.2020
1. Interest income from		
a) Lending and money market transactions	349,576	373,354
b) Fixed interest securities and registered government debt	4,997	3,647
	354,573	377,001
2. Interest expense	–26,546	–92,286
	328,027	284,716
3. Current income from		
a) Equities and other non-fixed interest securities	7,500	7,500
b) Long-term equity investments	2,439	1,475
c) Shares in affiliated companies	—	—
	9,939	8,975
4. Income from profit pooling, profit transfer, or partial profit transfer agreements	687	3
5. Commission income	188,445	174,468
6. Commission expenses	–13,322	–12,977
	175,123	161,491
7. Net trading income or expense	2,391	–175
8. Other operating income	10,268	11,227
	526,436	466,236
9. General and administrative expenses		
a) Personnel expenses		
aa) Wages and salaries	–137,877	–136,867
ab) Social security, post-employment and other employee benefit costs	–35,290	–35,979
	–173,167	–172,846
b) Other administrative expenses	–181,215	–171,800
	–354,381	–344,647
10. Depreciation, amortisation and write-downs of tangible and intangible fixed assets	–3,895	–4,386
11. Other operating expenses	–69,680	–56,613
12. Write-downs of and valuation allowances on receivables and certain securities, and additions to loan loss provisions	–28,846	–46,999
13. Income from reversals of write-downs of receivables and certain securities and from the reversal of loan loss provisions	—	—
	–28,846	–46,999
14. Write-downs of and valuation allowances on other equity investments, shares in affiliated companies and securities classified as fixed assets	–7,781	–382
15. Income from reversals of write-downs of other equity investments, shares in affiliated companies and securities classified as fixed assets	—	—
	–7,781	–382
16. Cost of loss absorption	–165	–248
17. Additions to / withdrawals from the fund for general banking risks	—	—
18. Result from ordinary activities	61,689	12,963
19. Extraordinary income	—	—
20. Extraordinary expenses	—	—
21. Extraordinary result	—	—
22. Taxes on income	–51,689	–12,963

All figures stated in € '000	01.01. to 30.06.2021	01.01. to 30.06.2020
23. Other taxes not included in item 11	—	—
	–51,689	–12,963
24. Income from loss absorption	—	—
25. Profit transferred on the basis of profit pooling, profit transfer, or partial profit transfer agreements	–10,000	—
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	—	—

Condensed notes to the financial statements

Accounting standard and other disclosures

The half-yearly report of Hamburger Sparkasse AG as at 30 June 2021 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 2020 of Hamburger Sparkasse AG were retained.

The half-yearly financial statements and the interim management report as at 30 June 2021 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 2021. 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, 31 August 2021

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 2021 half-yearly financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Hamburger Sparkasse AG in accordance with German accepted accounting principles, 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, 31 August 2021

The Board of Management

Dr. Harald Vogelsang

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