



Semi-annual Report 2007

Haspa⁵
Hamburger Sparkasse

Hamburger Sparkasse AG

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From left to right: Dr. Harald Vogelsang (Spokesman), Dr. Friedhelm Steinberg (Deputy Spokesman), Dr. Wolfgang Botschatzke, Jörg Wohlers, Reinhard Klein

Ladies and gentlemen,

We were able to achieve satisfactory results in the first half of 2007 in an environment characterized by an economic upturn, rising interest rates and intensive competition. Haspa continues to experience a course of growth.

The volume of customer deposits has increased. The number of giro accounts exceeded the one million mark in January 2007. Our excellent conditions for overnight money helped contribute to the acquisition of new customers. New commitments in the lending business with retail and mid-sized corporate customers also experienced growth.

In times of rising interest rates that noticeably dampen interest income, the rise in income from commissions substantially contributed to the satisfactory half-year results for 2007. Successes in sales from anniversary products that we offered in celebration of our 180 years of existence provided an additional boost.

However, the successes in customer business will not be able to compensate for declining net interest income due to the rising interest rates in the money and capital markets. All in all, we anticipate a satisfactory overall performance for 2007 as a whole.

For us, the central goal is for Haspa to remain a reliable and competent partner for all of our customers. We are relying on long-term relationships with our customers based on our approach of "banking with a human face", just as we have done over the last 100 years.

Haspa will continue to win the trust of its customers with its enthusiastic employees, attractive service and consultation quality and high-performance products. The award of "Best bank in Hamburg" in the "Focus Money Bank Test" is a highly satisfactory confirmation of our business strategy.

Hamburg, August 2007

The Board of Management

Interim Management Report

of June 30, 2007

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BUSINESS TREND

Concentrating on retail business

Competent and comprehensive support of our retail, individual and mid-sized corporate customers in Greater Hamburg also formed the core of all corporate activities of the Hamburger Sparkasse AG (Haspa) during the first half of 2007.

Haspa is present in and around Hamburg at around 250 locations, with its network of 180 branch offices, 40 individual customer centres, 7 corporate customer centres and 26 self-service branches. This number is augmented by highly-qualified special teams at our head office for persons starting up new businesses, larger corporate customers and real estate business, as well as private banking. The dense network of branches and centres is regarded and appreciated by our customers as an important quality feature.

Haspa now boasts of more than one million giro accounts. 493,000 giro account owners – 7,000 more than at the end of last year – have chosen the “HaspaJoker – Hamburg’s winning account.”

Slightly elevated balance sheet total

The growth in customer business in the first half of 2007 helped influence the slight rise in the balance sheet total to nearly € 34.6 billion. This corresponds to a growth of € 0.6 billion, or 1.8 percent in comparison to the end of last year. Haspa remains the largest savings bank in Germany in a comparison of financial statements.

Receivables due from customers decreased by € 0.5 billion in comparison to the end of last year. This decline arose in particular due to substantial individual unscheduled repayments at the beginning of the year. Overall, Haspa was again successful in a highly competitive market. For example, loan approvals in business with private and mid-sized corporate customers rose by 4 percent in comparison to the corresponding period of the previous year. Our securities portfolio rose € 0.4 billion in comparison to the end of the previous year. Receivables due from banks increased by just under € 0.6 billion.

On the liabilities side, Haspa recorded a mild rise in customer deposits in the first half year by € 0.2 billion or 0.9 percent to € 22.7 billion. Whereas savings deposits decreased slightly, demand deposits experienced substantial growth. This success is primarily due to the Haspa-DIREKT-CashKonto (cash account).

Haspa-DIREKT-CashKonto (cash account) structured even more attractively

We offer direct banking services to our customers through Haspa-DIREKT Servicegesellschaft für Direktvertrieb mbH, a direct marketing company. Our CashKonto (a money market account) clearly continues to hold the lead, for which we offer very attractive rates of interest for demand deposits. Furthermore, last year we introduced a consistently high rate of interest from the first euro. The number of cash accounts doubled to more than 40,000 over the first six months, and deposits grew nearly 40 percent to just under € 1.3 billion.

EARNINGS

Net interest income represents the largest component of earnings

At just below € 305 billion or 68 percent, net commission income continues to account for the predominant share of the bank's gross earnings.

Satisfactory trend in commissions dominated by the securities business

The net commission income in the first half of 2007 was € 141 million. The satisfactory results were influenced by securities business which represented to the main part of net commission income. This success results from our successful growth strategy in asset management and in the business field of individual customers.

Furthermore, insurance business profited in particular from the sales of state-subsidize Riesterpensions – the pension product of the future. Nearly 7,600 contracts were concluded in the first half-year.

In the first half of 2007, administrative expenditures were € 309 million which yielded in net terms an operating result before evaluation totalling € 146 million.

Valuation result marked by positive capital market trend

The valuation of our € 5.4 billion securities portfolio did not require any net write-downs. We continue to balance this item in compliance with the strict principle of the lower of cost or market and in consideration of the requirement to reinstate original value. Overall, negative developments on the bond markets were considerably overcompensated by positive developments on the stock markets. With the ongoing economic recovery in Germany, the number of insolvencies continued to decrease. This positive trend was also manifested in the risk provisions for our loan business.

Results in view of expectations

In the first half of 2007, the annual net profit was just under € 77 million which lay within the bounds of expectations.

RISK REPORT

Continued focus on core business by reducing capital market risks

Comprehensive bank controlling is oriented toward the retail strategy of the Haspa and focuses on the three customer sectors of retail customers, individual customers and mid-sized corporate customers. Successes and risks emerging from trade, investment, maturity transformation and the operation sector complete the general picture. The first half-year was characterized by measures undertaken to focus on core business. Capital market risks were reduced to improve Haspa's overall exposure to risk in comparison to the end of the previous year.

Solid risk quantifying review secures risk acceptance

Haspa assesses its ability to accept risk on the basis of a value-oriented view. For this, all existing risks of the cover assets are compared with the resulting derived total limit, within the context of a present value view. In order to calculate the required cover assets for the agreed total limit, diversification effects and positive tax effects are taken into account with the securitization of the total limit. The remaining amount is to be securitized by the available cover assets. Through the defined total limit, the balance sheet equity capital is not exposed with the defined confidence level of 99 percent.

The constant monitoring of material risks takes place through the early warning systems, which identify the relevant changes in a timely manner and trigger control measures which may be necessary.

OUTLOOK STATEMENT

Customer business on a continued course of growth

Haspa will continue its current strategy in the Hamburg metropolitan region. All activities remain focused on private, individual and mid-sized corporate customers.

Retail customers are and remain the basis of our corporate activity. We shall continue to grow in our region by comprehensively supporting this segment of customers. Against the background of a continuing positive economy, commission-related operations and the volume of customer deposits are expected to continue rising. Haspa will be employing additional qualified personnel for customer support in the fields of individual and mid-sized customer business and its private banking which has received multiple awards. We particularly perceive considerable growth potential in these customer segments.

The rise in interest rates in the money and capital markets suppresses net interest income over the short term

Net interest income will decrease markedly due to strongly elevated short-term interest rates. Net interest income will be suppressed due to the effects of longer-term loan business and general short-term customer deposits combined with rising money and capital market interest rates.

Promotion of 180 years of existence lays the foundation for future marketing success

In regard to commissions business, we are anticipating substantial marketing successes from our anniversary products over the remainder of the year. With 18 attractive offers, we are demonstrating to our customers the wide variety of our products and services on the occasion of our 180th anniversary. This includes funds, certificates and insurance products.

Overall annual result provisionally somewhat higher than expectations at the beginning of the year

In summary, we anticipate a significant decrease in operating result before valuation this year resulting almost exclusively from a reduced net interest income. This will especially be manifested in the second half of the year. Underlying this trend are the repercussions from the rise in money and capital market interest rates. This will not be compensated by the positive development in our core business which is especially manifested in a marked increase in net commission income. During the remainder of the year, we are expecting a slightly lower requirement for bad debt provisions in our loan business against the backdrop of a continued positive economy. We again anticipate a positive valuation result for securities. In net terms, the extrapolation of half-year results to the overall year overstates our actual expectations for 2007. The annual result will decline to the extent anticipated at the beginning of the year due to the particular consequences of the trend in interest rates.

Semi-annual Balance Sheet

of Hamburger Sparkasse AG at June 30, 2007

Assets

All figures stated in € '000	30.6.2007	31.12.2006
1 Cash reserve		
a) Cash in hand	155,236	180,911
b) Balance with Deutsche Bundesbank	190,151	52,363
	345,387	233,274
2 Debt instruments issued by public authorities and bills approved for refinancing through Deutsche Bundesbank		
a) Treasury bills and non-interest bearing treasury notes and similar debt instruments issued by public authorities	-	-
b) Bills	-	-
	-	-
3 Due from banks		
a) Payable on demand	1,193,350	822,638
b) Other amounts due	6,000,264	5,814,441
	7,193,614	6,637,079
4 Due from customers	21,463,760	21,938,910
5 Debentures and other fixed-interest securities		
a) Money market paper		
aa) of public issuers	-	-
ab) of other issuers	-	-
	-	-
b) Bonds and debentures		
ba) of public issuers	384,960	392,037
bb) of other issuers	1,107,947	1,182,010
	1,492,907	1,574,047
c) Own debentures	94,543	139,659
	1,587,450	1,713,706
6 Shares and other non-fixed interest securities	3,846,862	3,284,871
7 Investments	35,043	33,879
8 Shares in associated companies	10,575	6,862
9 Trust assets	1,696	2,010
10 Equalization amounts from public authorities including debentures from exchanges thereof	-	-
11 Intangible assets	4,842	6,065
12 Tangible assets	58,058	61,348
13 Other assets	19,358	29,346
14 Prepaid expenses and deferred charges	16,991	13,709
Total assets	34,583,636	33,961,059

Liabilities

All figures stated in € '000	30.6.2007	31.12.2006
1 Liabilities to Banks		
a) Payable on demand	339,353	108,934
b) With agreed term or period of notice	4,838,364	4,790,807
	5,177,717	4,899,741
2 Liabilities to customers		
a) Savings deposits		
aa) with agreed period of notice of three months	6,647,932	6,816,764
ab) with agreed period of notice of more than three months	29,077	32,655
	6,677,009	6,849,419
b) Other liabilities		
ba) Payable on demand	7,376,378	6,197,925
bb) With agreed term or period of notice	8,685,259	9,487,036
	16,061,637	15,684,961
	22,738,646	22,534,380
3 Securitized liabilities		
a) Debentures issued	3,994,803	3,895,982
b) Other securitized liabilities	-	-
	3,994,803	3,895,982
4 Trust liabilities	1,696	2,010
5 Other liabilities	74,603	40,910
6 Deferred income	56,633	57,327
7 Provisions		
a) Provisions for pensions and other commitments	440,651	437,001
b) Tax provisions	28,118	24,193
c) Other provisions	99,073	119,515
	567,842	580,709
8 Special reserve item	-	-
9 Subordinate liabilities	370,000	370,000
10 Profit-sharing rights outstanding	-	-
11 Equity		
a) Subscribed capital	1,000,000	1,000,000
b) Capital reserve	380,000	380,000
c) Retained income		
ca) Legal reserve	-	-
cb) Reserve for own shares	-	-
cc) Statutory reserves	-	-
cd) Other reserves	145,000	85,000
	145,000	85,000
d) Group profit	76,696	115,000
	1,601,696	1,580,000
Total liabilities	34,583,636	33,961,059
1 Contingent liabilities		
a) Contingent liabilities on bills rediscounted and settled	-	-
b) Liabilities from guarantees and warranty agreements	460,337	430,191
c) Commitments due to the lodging of collateral for third party liabilities	-	-
	460,337	430,191
2 Other commitments		
a) Commitments to repurchase assets	-	-
b) Placement and underwriting commitments	-	-
c) Irrevocable loan commitments	1,338,253	1,078,953
	1,338,253	1,078,953

Income Statement

of Hamburger Sparkasse AG for the period from January 1 to June 30, 2007

All figures stated in € '000	1.1. to 30.6.2007
1 Interest income from	
a) Lending and money market transactions	742,139
b) Fixed-interest securities and debt register claims	32,230
	774,369
2 Interest expenditure	-537,953
	236,416
3 Current income from	
a) Stocks and other non fixed-interest securities	67,606
b) Investments	544
c) Shares in affiliated companies	29
	68,179
4 Income from profit pools, profit transfer agreements or other partial profit transfer agreements	151
5 Commission income	149,487
6 Commission expenditures	-8,368
	141,119
7 Net income or net expenditure from financial transactions	3,123
8 Other operating income	11,597
9 Income from the release of special reserve items	-
	460,585
10 General administrative expenditure	
a) Human resources expenditure	
aa) Salaries and wages	-118,856
ab) Social security contributions and expenses for pensions and other employee benefits	-41,916
	-160,772
b) Other administrative expenses	-139,797
	-300,569
11 Depreciation and value adjustments on intangible and tangible assets	-8,570
12 Other operating expenses	-5,214
13 Depreciation and value adjustments on amounts due and certain securities as well as allocations to provisions for loan business	-33,280
14 Income from additions to amounts due and certain securities as well as the release of provisions for possible loan losses	-
	-33,280
15 Depreciation and value adjustments on investments, shares in affiliated companies and securities treated as fixed assets	-
16 Income from additions to investments, shares in affiliated companies and securities treated as fixed assets	-
	-
17 Expenditure resulting from the acceptance of losses	-
18 Allocations to special reserve items	-
19 Profit (loss) on ordinary activities	112,952
20 Extraordinary income	-
21 Extraordinary expenditures	-
22 Extraordinary profit (loss)	-
23 Tax on income and earnings	-36,249

All figures stated in € '000	1.1. to 30.6.2007
24 Other taxes not reported under item 12	-7
	-36,256
25 Net income for the year	76,696
26 Prior period non-appropriated profit/loss	-
	76,696
27 Transfer from profit reserves	
a) from the legal reserve	-
b) from the reserve for own shares	-
c) from statutory reserves	-
d) from other profit reserves	-
	-
	76,696
28 Transfer to profit reserves	
a) to the legal reserve	-
b) to the reserve for own shares	-
c) to statutory reserves	-
d) to other profit reserves	-
	-
29 Net income for the year	76,696

Notes to the Accounts

PREPARATION STANDARD AND OTHER INFORMATION

The semi-annual financial statements of Hamburger Sparkasse AG for the year ended June 30, 2007 were prepared in accordance with the regulations of the German Commercial Code (HGB) and the provisions of the Bank Accounting Directive ("RechKredV") under consideration of regulations governing stock corporations.

These same accounting and valuation principles were used as in the annual financial statements of December 31, 2006 for Hamburger Sparkasse AG.

The interim financial statements of June 30, 2007 as well as the interim management report of June 30, 2007 were not reviewed by an auditor or audited according to § 317 German Commercial Code (HGB).

The income taxes were calculated based on the existing estimation of the weighted average annual income tax rate anticipated for the fiscal year. This tax rate was applied to the pretax profits of the interim financial statements.

STATEMENT OF THE LEGAL REPRESENTATIVE

To the best of our knowledge, we affirm that the 2007 semi-annual financial statements of Hamburger Sparkasse AG yield an accurate picture of the assets, finances and profits of Hamburger Sparkasse AG in accordance with the applicable accounting guidelines for interim accounting. The interim report accurately depicts the development of business including the business performance and position of Hamburger Sparkasse AG, and the essential opportunities and risks are depicted of the provisional development of Hamburger Sparkasse AG over the remaining business year.

Hamburg, August 14, 2007

The Board of Management

Dr. Vogelsang

Dr. Steinberg

Dr. Botschatzke

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Wohlers



Hamburger Sparkasse AG

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