

Semi-annual Financial Report 2008



Hamburger Sparkasse AG, or Haspa, for short, is the leading bank for retail, individual and midsize corporate customers in the Hamburg metropolitan area. Haspa is also Germany's largest Sparkasse (savings bank), with a balance sheet total of € 35.8 billion and some 5,350 employees. Haspa offers a wide range of financial services for retail and commercial customers in the Hamburg business region and its more than three million inhabitants. For more than 50 percent of Hamburg's residents, Haspa is their main bank.

HASPA Finanzholding is Haspa's parent company and a legal entity formed under old Hamburg law. It holds 100 percent. of the shares in Hamburger Sparkasse AG. This makes Haspa one of the few independent savings banks in Germany Haspa is a member of both the Hamburg based Hanseatischer Sparkassen- und Giroverband (HSGV), (Hanseatic Savings Banks and Giro Association) and the Bremen-based Verband der Deutschen Freien Öffentlichen Sparkassen e.V. (Registered Association of Independent Public Savings Banks). Through the HSGV, Haspa is affiliated with the Deutscher Sparkassen- und Giroverband e.V. (German Savings Banks and Giro Association) in Berlin and Bonn and therefore included in the comprehensive security system of all German savings banks.

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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,

Sparkasse savings banks are a safe haven in these turbulent times endured by the financial markets. Trust built over generations and a solid business model – banking services for all retail, individual and midsize corporate customers in the Hamburg metropolitan region – are real competitive pluses for Haspa. They are complemented by the high degree of competence and significant commitment of our employees. While other credit institutions are reducing their staff numbers, we are investing in additional personnel to take care of our customers.

Nonetheless, the turbulence experienced on the financial markets has caused a slowdown in the overall economy and has brought uncertainty to many bank customers. This has also become apparent for us in e.g. the securities business. Haspa cannot entirely separate itself from overall market trends. And yet, in spite of this difficult environment the Bank has recorded quite satisfactory results in the first half of 2008, even if interest rate trends have continued to take their toll.

Our risk conscious investment and liquidity policy has proven its worth. Our outstanding liquidity position enables us to take the offensive when issuing loans to our private and business customers. Thus, in the first half of 2008 Haspa has granted a significantly higher number of credits than in the same period last year. Altogether, in the first six months of this year we made loans amounting to more than € 3 billion. We are thus well set on our intended course to grant around € 6 billion in loans in 2008 – € 1 billion more than in the previous year. We will also continue to finance growth and climate protection initiatives in Hamburg in the future.

Whether in financing, investment strategies or pension product design, Haspa provides competent advice and individual customer care in all realms of financial life. Personal consulting in our branches and customer centres continues to be a priority. Expanded opening hours and new branch offices further contribute to increased closeness to our customers. Furthering this endeavour, in mid-April Haspa opened the first branch among all retail networks in Hamburg's new HafenCity district. The City of Hamburg keeps on growing, and Haspa will continue to grow alongside it.

Hamburg, August 19, 2008

The Board of Management

Interim Situation Report

as of June 30, 2008

Business Trends

Further strengthening the retail business

Competent and comprehensive support of our retail, individual and mid-sized corporate customers in Greater Hamburg has continued to form the core of the corporate activities of the Hamburger Sparkasse AG, or Haspa, for short, during the first half of 2008.

Haspa is present in and around Hamburg at some 250 locations, with its network of 180 branch offices, 41 individual customer centres, 7 corporate customer centres and 27 self-service branches. Haspa is also the first retail network institution to open a branch in Hamburg's new Hafencity district. At our head office, highly qualified teams of specialists are available to service start-ups, larger corporate customers, real estate businesses and private banking clients. Our concentrated network of branches and centres is held in high regard and appreciated by our customers as an important quality feature.

The number of giro accounts continues to grow on a constant basis and is now of more than 1.07 million. At the same time, the number of giro account holders who decided to open a "HaspaJoker – Hamburg's Advantage Account" has also grown. As compared to the semi-annual report for the first half of 2007, there has been an encouraging increase of more than 8,000 Joker packages.

Distinctly larger balance sheet

The balance sheet amount increased to € 35.8 billion in the first six months of 2008, in particular as a result of our growing customer business. This corresponds to an increase of € 1.2 billion or 3.5 percent as compared to the end of the previous year. Haspa thus continues to be the largest Sparkasse savings bank in Germany also on a comparative balance sheet basis.

Loan approvals expanded in spite of the financial markets crisis

While other institutions have had to restrict their credit portfolios, Haspa's comfortable liquidity situation has rendered it solid as a rock in the turbulent waters of the financial markets crisis, so that this year the Bank is making additional loan resources of one billion euro available to borrowers. In this way, Haspa is helping maintain the supply of credit in Hamburg even in these difficult times. This is also reflected in Haspa's credit portfolio, now expanded by € 560 million to € 21.9 billion. Altogether, this has already resulted in more than € 3 billion in loans approved this year, which represents a distinct increase as compared to the same period last year. In addition to the due from customers line item, our securities held portfolio has also increased. As compared to prior year end figures, the size of this portfolio has increased essentially as a result of Pfandbrief securities additions of € 600 million to just on € 6.2 billion.

On the liabilities side, in the first six months of the year Haspa recorded a distinct rise in customer deposits by € 850 million or 3.7 percent to almost € 23.7 billion. In times of crisis, this is one more proof of the trust our customers place in the Haspa.

Haspa-DIREKT CashKonto accounts almost doubled

We offer direct banking services to our customers through Haspa DIREKT Servicegesellschaft für Direktvertrieb mbH. The leading product in this segment continues to be the CashKonto account. The number of accounts has almost doubled since the end of the first half of 2007 to now approximately 90,000 accounts; deposits have increased most satisfactorily by around 30 percent to € 1.7 billion.

Earnings

Interest rate surplus continues to be the most significant earnings component

At a good € 273 million or 67 percent, net interest income continues to account for the predominant share of the bank's gross earnings as the sum of interest rate and commission surpluses. As compared to the pertinent prior year period, however, we recorded a decline of € 31 million due in particular to generally low early maturity compensation amounts. In this context, the prior year's interest rate surplus had still benefited from early maturity payments in respect to large, partially also group internal special settlements that took place in early 2007.

Commission business almost unchanged

In the first half year of 2008 the commission surplus was of € 134 million. Therefore, and in spite of the turbulence experienced on the money and capital markets, it is only € 7 million below the equivalent value for the previous year. The decline in commissions from the securities business could not however be fully compensated by means of higher insurance business commissions. Although placements of the government subsidised Riester pensions had distinctly risen in the first half of the prior year, in the first six months of this year it was primarily pension insurance products that saw a marked increase. In this first half, this segment provided just on 30 percent, or more than 1,000 additional contracts as compared to the same period in the previous year.

Administrative expenditure slightly below the previous year's level

Administrative expenses for the first six months amounted to € 298 million and therefore fell by just on € 3 million as compared to the corresponding period of last year. Overall, at € 117 million the operating result before revaluation was € 29 million below the corresponding amount for the prior year. This trend was led in particular by changes in the interest rate surplus.

Revaluation results slightly unfavourable

The global financial markets crisis has led to sometimes marked declines in stock exchange prices. Because of its focus on its core business and its risk conscious investment and liquidity policy, Haspa has been distinctly less affected by the events than other institutions. Nonetheless, on a net basis the revaluation of the securities portfolio for the first six months of the year has led to write-offs that could not be fully compensated by the positive trend recorded in risk reserves in the credit business. Overall, the revaluation result for the first half is, at a net negative € 43 million, € 9 million worse than in the equivalent period for the prior year.

Earnings within expectations

For the first half of the year, the annual surplus is of more than € 50 million, i.e. considerably below the high value of the previous year, which had however been affected by significant special items in the first months of 2007.

Risk Report

Unchanged low levels of risk

Comprehensive bank controlling continues to centre around Haspa's retail strategy, which focuses on three primary clientele sectors: retail, individual and midsize corporate customers. Successes and risks emerging from trade, investment, maturity transformation and the operation sector complete the general picture. In general, Haspa's risk situation has not substantially changed on a net basis as compared to that represented in the Annual Financial Statements for 2007, as higher spread risks are counterbalanced by lower stock and counterparty risks. The increased spread risk results on the one hand from the addition of European Corporates with good credit ratings – where increased spreads were used as an entry strategy – and on the other hand in particular from widening spreads in ABS. As compared to this, stock risks diminished in the first six months as a result of stock sales. The cash value risk from maturity transformations continues to be low.

Solid economic and regulatory risk acceptance capability guarantees risks incurred

The bank's risk acceptance capability on a cash basis is monitored by means of a comparison with the available asset coverage. The risk coverage potential is almost unchanged as compared to the prior year and thus continues to be clearly sufficient.

The regulatory requirements for the availability of capital resources within credit institutions (Principle I) always require an adequate equity base. Starting in 2008 the overall ratio is calculated with the new liquidity requirements. As of the closing date, this ratio is of 11.1 percent and therefore, as expected, a little higher than that calculated according to the reporting procedure used to date (Principle I). With this value, Haspa distinctly continues to exceed the statutorily required minimum standard of 8.0 percent.

Comfortable liquidity situation

Liquidity risks arise when payment obligations are not or cannot be met on time or adequately or when liquidity can only be obtained at higher market prices.

Beyond the short-term liquidity outlook, based on the plans of the different business areas Haspa also develops a strategic liquidity outlook that gives an early indication of potential liquidity needs. This places us in a position to evaluate our liquidity for future maturities and to take the appropriate cash management measures. Overall, due to distinct liquidity overhangs Haspa is in a comfortable liquidity situation. Thus, on a net basis, on the banking market Haspa acts as a funding provider.

As of June 30, 2008, the Banking Supervisory Authority's liquidity principle was 1.6 times the minimum requirement.

Risk evaluation

No risks that jeopardise portfolios or that can exercise a material influence on the bank's asset, financial or earnings position have been detected for the current year, even against the background of the current tight liquidity situation in the banking sector.

Outlook Statement

Retail business at the centre of entrepreneurial action

Haspa will continue its current strategy in the Hamburg metropolitan region. All of our activities shall remain oriented toward retail, individual and midsize 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. While other institutions have had to restrict their new loan volume as a result of the turbulences experienced by the financial markets, this year Haspa will make additional resources available in the amount of € 1 billion. We will thus be increasing our loan approvals from € 5 billion in 2007 to an expected € 6 billion in 2008. In doing so we are materially contributing to the maintenance of credit supply in Hamburg and thus continue actively to support the goals of our growing city.

On the liabilities side, in the second half of 2008 customer deposits will likely continue to trend at the same satisfactory levels as in the first half of last year.

Annual earnings within expectations

Overall, annual earnings are expected to be at last year's level, thus trending within expectations. On the other hand, operating earnings before revaluation are expected to be slightly below last year's, as in particular personnel costs will increase in the second half of the year, among other things as a result of this year's collective labour agreement negotiations. In the commissions business, in this year, among other things as a result of the introduction of the final withholding tax as of January 1, 2009, we are still expecting noticeably positive effects, so that the commissions surplus in the reporting year will most likely almost reach the highly satisfactory levels of the previous year. As far as risk reserves in the credit business are concerned, after a moderate first six months we expect a slightly lower requirement than in the previous year. The securities revaluation result is expected to be sensibly better in the second half of the year than in the first six months.

The strategic liquidity forecast points to a relaxed cash situation also for the future. Mid-range planning continues to be based on a comfortable equity position.

Semi-annual Balance Sheet

of Hamburger Sparkasse AG at June 30, 2008

Assets in € '000	30.6.2008	31.12.2007
1 Cash reserve		
a) Cash in hand	147,732	223,791
b) Balance with Deutsche Bundesbank	253,150	295,491
	400,882	519,282
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 Receivables due from banks		
a) Payable on demand	1,049,506	432,027
b) Other amounts due	6,124,336	6,588,063
	7,173,842	7,020,090
4 Due from customers	21,915,950	21,355,645
5 Debentures and other fixed-interest securities		
a) Money market paper		
aa) of public issuers	–	–
ab) of other issuers	18	931
	18	931
b) Bonds and debentures		
ba) of public issuers	357,529	317,852
bb) of other issuers	1,689,991	1,205,686
	2,047,520	1,523,538
c) Own debentures	151,976	105,988
	2,199,514	1,630,457
6 Shares and other non-fixed interest securities	3,980,457	3,914,650
7 Investments	38,229	37,271
8 Shares in associated companies	11,702	11,702
9 Trust assets	1,344	1,554
10 Equalization amounts from public authorities including debentures from exchanges thereof	–	–
11 Intangible assets	3,950	5,063
12 Fixed assets	50,554	54,544
13 Other assets	9,868	18,974
14 Accruals and deferrals	15,017	12,205
Total assets	35,801,309	34,581,437

Liabilities in € '000	30.6.2008	31.12.2007
1 Liabilities to banks/credit institutions		
a) Payable on demand	91,601	164,103
b) With agreed term or period of notice	5,845,584	5,408,526
	5,937,185	5,572,629
2 Liabilities to customers		
a) Savings deposits		
aa) with agreed period of notice of three months	6,644,243	6,625,701
ab) with agreed period of notice of more than three months	22,929	26,064
	6,667,172	6,651,765
b) Other liabilities		
ba) Payable on demand	7,107,901	7,511,965
bb) With agreed term or period of notice	9,877,388	8,641,464
	16,985,289	16,153,429
	23,652,461	22,805,194
3 Certificated liabilities		
a) Debentures issued	3,508,038	3,492,861
b) Other certificated liabilities	–	–
	3,508,038	3,492,861
4 Trust liabilities	1,344	1,554
5 Other liabilities	87,138	62,126
6 Accruals and deferrals	53,653	50,233
7 Provisions		
a) Provisions for pensions and other commitments	438,470	441,015
b) Tax provisions	30,711	32,615
c) Other provisions	109,807	126,210
	578,988	599,840
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	182,000	162,000
	182,000	162,000
d) Group profit	50,502	85,000
	1,612,502	1,627,000
Total liabilities	35,801,309	34,581,437
1 Contingent liabilities		
a) Contingent liabilities on bills rediscounted and settled	–	–
b) Liabilities from guarantees and warranty agreements	987,690	442,850
c) Commitments based on providing collateral for third party liabilities	–	–
	987,690	442,850
2 Other commitments		
a) Repurchase commitments from non-genuine repo transactions	–	–
b) Placement and underwriting commitments	–	–
c) Irrevocable loan commitments	1,348,413	1,230,527
	1,348,413	1,230,527

Income Statement

of Hamburger Sparkasse AG at June 30, 2008

All figures in € '000	1.1. to 30.6.2008	1.1. to 30.6.2007
1 Interest income from		
a) Lending and money market transactions	732,450	742,139
b) Fixed-interest securities and debt register claims	38,590	32,230
	771,040	774,369
2 Interest expenditure	-580,441	-537,953
	190,599	236,416
3 Current income from		
a) Shares and other non-fixed interest securities	81,787	67,606
b) Investments	330	544
c) Shares in associated companies	755	29
	82,872	68,179
4 Income from profit pools, profit transfer agreements or other partial profit transfer agreements	-	151
5 Commission income	145,003	149,487
6 Commission expenditures	-10,625	-8,368
	134,378	141,119
7 Net income or net expenditure from financial transactions	3,775	3,123
8 Other operating income	15,380	11,597
9 Income from the release of special reserve items	-	-
	427,004	460,585
10 General administrative expenditure		
a) Human resources costs		
aa) Salaries and wages	-120,715	-118,856
ab) Social security contributions and expenses for pensions and other employee benefits	-35,800	-41,916
	-156,515	-160,772
b) Other administrative expenses	-141,549	-139,797
	-298,064	-300,569
11 Depreciation and value adjustments on intangible and tangible assets	-8,134	-8,570
12 Other operating expenses	-3,901	-5,214
13 Depreciation and value adjustments on amounts due and certain securities and allocations to provisions for loan business	-42,646	-33,280
14 Income from additions to amounts due and certain securities and the release of provisions for possible loan losses	-	-
	-42,646	-33,280

All figures in € '000	1.1. to 30.6.2008	1.1. to 30.6.2007
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	74,259	112,952
20 Extraordinary income	–	–
21 Extraordinary expenditures	–	–
22 Extraordinary profit (loss)	–	–
23 Taxes on income and earnings	–23,757	–36,249
24 Other taxes not reported under item 12	–	–7
	–23,757	–36,256
25 Net income for the year	50,502	76,696
26 Prior period non-appropriated profit/loss	–	–
	50,502	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	–	–
	–	–
	50,502	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	50,502	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, 2008 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, 2007 for Hamburger Sparkasse AG.

The Interim Financial Statements of June 30, 2008 as well as the Interim Management Report of June 30, 2008 were not reviewed by an auditor or audited according to § 317 German Commercial Code (HGB).

Notwithstanding the calculations of the previous year, taxes on income have been determined based on the taxable results as of June 30, 2008.

Hamburg, August 19, 2008

The Board of Management

Dr. Vogelsang

Dr. Steinberg

Dr. Botschatzke

Klein

Wohlers

Statement of the Legal Representative

To the best of our knowledge, we affirm that the 2008 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 19, 2008

The Board of Management

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