

星展銀行（香港）有限公司
DBS BANK (HONG KONG) LIMITED
(Incorporated in Hong Kong with limited liability)

**GROUP INTERIM FINANCIAL INFORMATION
DISCLOSURE STATEMENTS
FOR THE SIX MONTHS ENDED
30 JUNE 2005**

DBS BANK (HONG KONG) LIMITED

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DBS BANK (HONG KONG) LIMITED

The Directors of DBS Bank (Hong Kong) Limited (the “Bank”) are pleased to announce the unaudited consolidated interim results of the Bank and its subsidiaries (the “Group”) for the six months ended 30 June 2005 as follows:

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<i>Note</i>	For the six months ended		Change %
		30 June 2005 <i>HK\$'000</i>	As restated 30 June 2004 <i>HK\$'000</i>	
Interest income		3,136,439	2,645,258	18.6
Interest expense		(1,195,105)	(617,183)	93.6
Net interest income		1,941,334	2,028,075	-4.3
Other operating income	2	671,067	936,092	-28.3
Operating income		2,612,401	2,964,167	-11.9
Operating expenses	3	(1,263,585)	(1,160,549)	8.9
Operating profit before impairment allowances		1,348,816	1,803,618	-25.2
Impairment allowances		(141,138)	(261,876)	-46.1
Operating profit		1,207,678	1,541,742	-21.7
Net gain on disposal of fixed assets		25,227	18,511	36.3
Impairment of fixed assets		(2,529)	–	
Revaluation surplus on investment properties		6,885	–	
Net gain on disposal of available-for-sale securities / non-trading securities		53,440	3,108	1,619.4
Profit before taxation		1,290,701	1,563,361	-17.4
Taxation	4	(207,665)	(214,852)	-3.3
Profit attributable to shareholders		1,083,036	1,348,509	-19.7
Dividends		1,029,600	–	

DBS BANK (HONG KONG) LIMITED

UNAUDITED CONSOLIDATED BALANCE SHEET

		As at 30 June 2005 HK\$'000	As restated 31 December 2004 HK\$'000	Change %
	Note			
Assets				
Cash and short-term funds		18,944,120	25,614,013	-26.0
Placements with banks maturing after one month	5	7,611,372	6,523,808	16.7
Trade bills less impairment allowances	6	1,841,146	1,621,669	13.5
Certificates of deposit held		1,511,423	972,405	55.4
Financial assets at fair value through profit or loss / Trading securities	7	2,405,817	1,494,940	60.9
Advances to customers less impairment allowances	8	105,823,963	102,383,901	3.4
Available-for-sale securities / Non-trading securities		36,316,021	7,487,919	} 6.0
Held-to-maturity securities		-	26,780,812	
Deferred tax assets		67,940	114,743	-40.8
Fixed assets		1,090,477	1,128,605	-3.4
Lease premium for land		2,355,212	2,387,456	-1.4
Other assets	9	5,742,727	4,626,145	24.1
		<u>183,710,218</u>	<u>181,136,416</u>	
Total assets		<u>183,710,218</u>	<u>181,136,416</u>	1.4
Liabilities				
Deposits and balances of banks		3,034,766	4,569,568	-33.6
Deposits from customers	10	133,638,298	130,572,495	2.3
Certificates of deposit issued		8,881,742	9,773,801	-9.1
Other liabilities		17,667,399	15,936,720	10.9
Amount due to a jointly controlled entity		684,413	618,054	10.7
7.75% fixed rate subordinated notes		2,033,245	2,033,860	-
		<u>165,939,863</u>	<u>163,504,498</u>	
Total liabilities		<u>165,939,863</u>	<u>163,504,498</u>	1.5
Equity				
Share capital		5,200,000	5,200,000	-
Reserves		12,570,355	12,431,918	1.1
		<u>17,770,355</u>	<u>17,631,918</u>	
Total Equity		<u>17,770,355</u>	<u>17,631,918</u>	0.8
		<u>183,710,218</u>	<u>181,136,416</u>	
Total liabilities and equity		<u>183,710,218</u>	<u>181,136,416</u>	1.4

DBS BANK (HONG KONG) LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital HK\$'000	Share Premium HK\$'000	Capital Reserve HK\$'000	Premises Revaluation Reserve HK\$'000	Investment Properties Revaluation Reserve HK\$'000	Investments Revaluation Reserve HK\$'000	General Reserve HK\$'000	Retained Earnings HK\$'000	Total Equity HK\$'000
Balance as at 31 December 2004									
– as previously reported	5,200,000	595,503	11,636	940,675	81,500	94,341	2,398,792	9,123,370	18,445,817
– adjustments due to change in accounting policies including HKAS17 and HKFRS2	-	-	-	(940,675)	-	-	-	126,776	(813,899)
– as restated	5,200,000	595,503	11,636	-	81,500	94,341	2,398,792	9,250,146	17,631,918
On adoption of HKAS39	-	-	-	-	-	52,495	-	259,103	311,598
On adoption of HKAS40	-	-	-	-	(81,500)	-	-	78,953	(2,547)
As restated at 1 January 2005	5,200,000	595,503	11,636	-	-	146,836	2,398,792	9,588,202	17,940,969
Change in fair value of available- for-sale securities	-	-	-	-	-	(213,312)	-	-	(213,312)
Exchange differences arising on translation of net investments in overseas branches and subsidiary companies	-	-	-	-	-	-	-	39	39
Profit attributable to shareholders	-	-	-	-	-	-	-	1,083,036	1,083,036
Reserve transferred to profit and loss account upon disposal of available-for-sale securities	-	-	-	-	-	(35,105)	-	-	(35,105)
Release from deferred taxation	-	-	-	-	-	24,328	-	-	24,328
Dividends	-	-	-	-	-	-	-	(1,029,600)	(1,029,600)
Balance as at 30 June 2005	<u>5,200,000</u>	<u>595,503</u>	<u>11,636</u>	<u>-</u>	<u>-</u>	<u>(77,253)</u>	<u>2,398,792</u>	<u>9,641,677</u>	<u>17,770,355</u>

Note: In accordance with the guidance note from the Hong Kong Monetary Authority, an authorised institution is required to hold a regulatory reserve in excess of impairment allowances. As a result, retained earnings of HK\$308,000,000 was earmarked.

DBS BANK (HONG KONG) LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Share Capital <i>HK\$'000</i>	Share Premium <i>HK\$'000</i>	Capital Reserve <i>HK\$'000</i>	Premises Revaluation Reserve <i>HK\$'000</i>	Investment Properties Revaluation Reserve <i>HK\$'000</i>	Investments Revaluation Reserve <i>HK\$'000</i>	General Reserve <i>HK\$'000</i>	Retained Earnings <i>HK\$'000</i>	Total Equity <i>HK\$'000</i>
Balance as at 1 January 2004									
– as previously reported	5,200,000	595,503	11,636	979,509	81,500	48,817	2,398,792	6,540,459	15,856,216
– adjustments due to change in accounting policies including HKAS17 and HKFRS2	–	–	–	(979,509)	–	–	–	145,586	(833,923)
As restated at 1 January 2004	5,200,000	595,503	11,636	–	81,500	48,817	2,398,792	6,686,045	15,022,293
Change in fair value of non-trading securities	–	–	–	–	–	(29,710)	–	–	(29,710)
Exchange differences arising on translation of net investments in overseas branches and subsidiary companies	–	–	–	–	–	–	–	(114)	(114)
Profit attributable to shareholders	–	–	–	–	–	–	–	1,348,509	1,348,509
Reserve transferred to profit and loss account upon disposal of non-trading securities	–	–	–	–	–	(3,108)	–	–	(3,108)
Release from deferred taxation	–	–	–	–	–	6,941	–	–	6,941
Balance as at 30 June 2004	<u>5,200,000</u>	<u>595,503</u>	<u>11,636</u>	<u>–</u>	<u>81,500</u>	<u>22,940</u>	<u>2,398,792</u>	<u>8,034,440</u>	<u>16,344,811</u>
	Share Capital <i>HK\$'000</i>	Share Premium <i>HK\$'000</i>	Capital Reserve <i>HK\$'000</i>	Premises Revaluation Reserve <i>HK\$'000</i>	Investment Properties Revaluation Reserve <i>HK\$'000</i>	Investments Revaluation Reserve <i>HK\$'000</i>	General Reserve <i>HK\$'000</i>	Retained Earnings <i>HK\$'000</i>	Total Equity <i>HK\$'000</i>
Balance as at 1 July 2004									
– as previously reported	5,200,000	595,503	11,636	957,996	81,500	22,940	2,398,792	7,898,822	17,167,189
– adjustments due to change in accounting policies including HKAS17 and HKFRS2	–	–	–	(957,996)	–	–	–	135,618	(822,378)
As restated at 1 July 2004	5,200,000	595,503	11,636	–	81,500	22,940	2,398,792	8,034,440	16,344,811
Change in fair value of non-trading securities	–	–	–	–	–	80,637	–	–	80,637
Exchange differences arising on translation of net investments in overseas branches and subsidiary companies	–	–	–	–	–	–	–	(461)	(461)
Profit attributable to shareholders	–	–	–	–	–	–	–	1,216,167	1,216,167
Reserve transferred to profit and loss account upon disposal of non-trading securities	–	–	–	–	–	(4,592)	–	–	(4,592)
Release to deferred taxation	–	–	–	–	–	(4,644)	–	–	(4,644)
Balance as at 31 December 2004	<u>5,200,000</u>	<u>595,503</u>	<u>11,636</u>	<u>–</u>	<u>81,500</u>	<u>94,341</u>	<u>2,398,792</u>	<u>9,250,146</u>	<u>17,631,918</u>

DBS BANK (HONG KONG) LIMITED

REVIEW OF ACTIVITIES

The Hong Kong economy continued on its path of sustained recovery during the first half of 2005. In early June the unemployment rate declined to 5.7%, the lowest since late 2001. The personal bankruptcy rate also continued its improving trend since its peak in 2003.

Despite the favourable macro economic developments in Hong Kong, the Bank faced a very challenging operating environment in the first half of 2005 compared to the corresponding period last year. Interest income declined due to narrowing of the Prime-Hibor spread and tighter lending margins. Loan demand has slowed down given the recent rises in interest rates. On a positive note, asset quality continues to improve alongside the robust economic recovery.

The economies of the Mainland and Hong Kong are becoming progressively interdependent. The Bank continued its strategy to further expand its PRC business with an application to establish a branch in Suzhou and a representative office in Hangzhou. Enterprise Banking Division continued to achieve good loan growth especially in the SME business in the Pearl River Delta area. In June Enterprise Banking Division was repositioned by merging into the Corporate and Investment Banking Division to further improve client coverage and build a stronger platform for future growth. Subsequent to the safe deposit box incident last year, the Bank had adopted a series of measures to strengthen internal control and improve business quality. The Bank has made good progress in this regard.

There are uncertainties in the international economic environment as protectionist pressures have increased in the US and Europe against textile exports from the Mainland, and a slowdown in Mainland exports would have repercussions on the Hong Kong economy. Nevertheless, a positive economic sentiment is expected to prevail in Hong Kong during the second half of 2005 boosted by the opening of Hong Kong Disneyland and improvement in personal income and spending, as well as the continuing healthy growth of the Mainland economy.

DBS BANK (HONG KONG) LIMITED

NOTES TO THE ACCOUNTS

1. Adoption of new and revised accounting standards

The Hong Kong Institute of Certified Public Accountants has issued a number of new Hong Kong Financial Reporting Standards (“HKFRSs”) and Hong Kong Accounting Standards (“HKASs”), which are generally effective for accounting periods beginning on or after 1 January 2005.

The Group has adopted all new HKASs and HKFRSs pertinent to its operations and effective for the accounting period beginning on 1 January 2005. The key changes include the following:

(a) HKAS17: Leases

HKAS17 is applied retrospectively and the comparative figures for 2004 were restated.

Leasehold premises held for own use should be split into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in the land element and the building element of the lease at the inception of the lease. Leasehold land premiums that are up-front payments to acquire long-term interests in leasehold land are stated at cost and amortised over the period of the lease. The leasehold building is stated at cost, less accumulated impairment losses and depreciation.

On 1 January 2004, the leasehold land premiums have been reclassified from “fixed assets” to “lease premium for land” and are amortised over the remaining lease term. The revaluation reserve on the leasehold land was de-recognised and the related deferred taxation was reversed accordingly.

(b) HKAS31: Investments in Joint Ventures

HKAS31 is applied retrospectively and the comparative figures for 2004 were restated.

Investment in a jointly controlled entity is accounted for by proportionate consolidation. The Group combines its share of the jointly controlled entity’s income and expenses, assets and liabilities on a line-by-line basis with similar items in the Group’s financial statements.

On 1 January 2004, the Group’s share of gross assets and liabilities of a jointly controlled entity was consolidated. There was no impact on retained earnings.

(c) HKAS39: Financial Instruments: Recognition and Measurement

HKAS39 is applied on 1 January 2005 and the effect of adopting the new accounting policies was adjusted to the opening retained earnings and investments revaluation reserve in accordance with the transitional provisions prescribed in the Standard. As a result, the comparative figures for 2004 were not restated.

DBS BANK (HONG KONG) LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

1. Adoption of new and revised accounting standards (continued)

(c) HKAS39: Financial Instruments: Recognition and Measurement (continued)

(i) Classification of financial assets and liabilities

All financial assets are classified in the following categories: held-to-maturity; loans and receivables; financial assets at fair value through profit or loss; and available-for-sale. All financial liabilities are classified as either non-trading liabilities or financial liabilities at fair value through profit or loss. The classification depends on the purpose for which the financial assets and liabilities were held.

On 1 January 2005, the Group has reclassified all of its held-to-maturity debt securities as available-for-sale securities. Certain non-trading liabilities were classified as financial liabilities at fair value through profit or loss. The resulting revaluation gains or losses were adjusted to investments revaluation reserve and retained earnings accordingly.

(ii) Derivatives and hedge accounting

All derivatives are recognised as assets or liabilities in the balance sheet at fair value and the change in fair value is recognised as follows:

- for a derivative designated as a fair value hedge, in the profit and loss account together with the associated gain or loss on the hedged items that are attributable to the hedged risk; and
- for other derivatives (including trading derivatives and non qualifying hedges), in the profit and loss account.

On 1 January 2005, the unrealised gains or losses from measurement of certain financial assets and liabilities including derivatives at fair value were adjusted to retained earnings.

(iii) Impairment allowances for advances

Individual impairment allowances are assessed by a discounted cash flow method for advances that are individually significant and have objective evidence of impairment. Collective impairment allowances for individually insignificant advances or advances where no impairment has been identified individually are assessed on the basis of the contractual cash flows and historical loss experience adjusted for current conditions.

On 1 January 2005, impairment allowances for advances were reduced. The differences between total HKAS39 impairment allowances and total provisions previously made were adjusted to retained earnings.

DBS BANK (HONG KONG) LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

1. Adoption of new and revised accounting standards (continued)

(d) HKAS40: Investment Property

HKAS Interpretation 21: Income Taxes – Recovery of Revalued Non-Depreciable Assets

HKAS40 and HKAS Interpretation 21 are applied retrospectively and the effect of adopting the new accounting policies was adjusted to the opening investment properties revaluation reserve and retained earnings in accordance with the transitional provisions prescribed in the Standard. As a result, the comparative figures for 2004 were not restated.

Investment properties are carried at fair value with the changes in fair value recognised in the profit and loss account. The deferred tax assets or liabilities are recognised for the change in fair value of investment properties and charged to the profit and loss account.

On 1 January 2005, investment properties were stated at fair value and the differences between carrying amount and fair value, together with the deferred tax on revaluation surplus, were adjusted to retained earnings. The balance of investment properties revaluation reserve was transferred to retained earnings.

(e) HKFRS2: Share-based Payments

HKFRS2 is applied retrospectively for all equity instruments granted to staff and directors after 7 November 2002 and not vested at 1 January 2005, and the comparative figures for 2004 were restated.

An expense for all share based payments is recognised in the profit and loss account based on their fair value at the date of grant. This expense is amortised over the vesting period of each award within each share-based incentive plan.

The Share Option Plan and Performance Share Plan are long-term incentive plans of DBS Group Holdings Ltd., the ultimate holding company of the Bank. The fair value of the share options granted under the Share Option Plan and performance shares awarded under the Performance Share Plan to directors and employees of the Group is amortised as staff cost in the profit and loss account. On 1 January 2004, this resulted in a reduction in retained earnings.

DBS BANK (HONG KONG) LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

2. Other operating income

	For the six months ended		Change %
	30 June 2005 <i>HK\$'000</i>	As restated 30 June 2004 <i>HK\$'000</i>	
Fees and commission income	645,953	662,171	-2.4
Less: fees and commission expenses	(110,972)	(108,938)	1.9
Net fees and commission income	534,981	553,233	-3.3
Net income from foreign exchange operations (<i>Note</i>)	252,216	125,084	101.6
Net (loss)/profit from treasury related activities (<i>Note</i>)	(129,600)	239,425	NM
Dividend income from listed investments	6,560	6,450	1.7
Dividend income from unlisted investments	4,140	7,840	-47.2
Others	2,770	4,060	-31.8
	<u>671,067</u>	<u>936,092</u>	-28.3

Note: Net income from foreign exchange operations and net (loss)/profit from treasury related activities include gains from sales of treasury and treasury investment products as well as the effect upon adoption of HKAS39.

NM: Not meaningful

3. Operating expenses

	For the six months ended		Change %
	30 June 2005 <i>HK\$'000</i>	As restated 30 June 2004 <i>HK\$'000</i>	
Staff costs			
– Salaries and other costs	655,250	582,819	12.4
– Pension costs	34,066	33,352	2.1
Premises and equipment expenses excluding depreciation			
– Amortisation of lease premium for land	23,893	24,185	-1.2
– Rental of premises	29,745	29,599	0.5
– Others	85,257	94,361	-9.6
Depreciation	72,378	78,967	-8.3
Auditors' remuneration	3,859	3,697	4.4
Other operating expenses	359,137	313,569	14.5
	<u>1,263,585</u>	<u>1,160,549</u>	8.9

DBS BANK (HONG KONG) LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

4. Taxation

(a) Taxation in the consolidated profit and loss account represents:

	For the six months ended		Change %
	30 June 2005 <i>HK\$'000</i>	As restated 30 June 2004 <i>HK\$'000</i>	
Hong Kong profits taxation	208,222	230,252	-9.6
Overseas taxation	539	1,504	-64.2
	<hr/>	<hr/>	
Current taxation	208,761	231,756	-9.9
Deferred taxation	(1,096)	(16,904)	-93.5
	<hr/>	<hr/>	
	<u>207,665</u>	<u>214,852</u>	-3.3

Hong Kong profits tax has been provided at 17.5% (2004: 17.5%) on the estimated assessable profits for the period. Taxation for overseas subsidiaries and branches is charged at the appropriate current rates of taxation ruling in the countries in which they operate.

(b) The deferred taxation charge/ (credit) in the consolidated profit and loss account comprises the following temporary differences:

	For the six months ended		Change %
	30 June 2005 <i>HK\$'000</i>	As restated 30 June 2004 <i>HK\$'000</i>	
Accelerated depreciation allowances	(5,255)	(2,995)	75.5
Impairment allowances	3,408	(13,909)	NM
Revaluation of investment properties	751	-	
	<hr/>	<hr/>	
	<u>(1,096)</u>	<u>(16,904)</u>	-93.5

NM: Not meaningful

DBS BANK (HONG KONG) LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

5. Placements with banks maturing after one month

	As at 30 June 2005 HK\$'000	As at 31 December 2004 HK\$'000	Change %
Remaining maturity:			
– one year or less but over one month	7,326,032	6,238,304	17.4
– over one year	285,340	285,504	-0.1
	<u>7,611,372</u>	<u>6,523,808</u>	16.7

6. Trade bills less impairment allowances

	As at 30 June 2005 HK\$'000	As at 31 December 2004 HK\$'000	Change %
Trade bills	1,870,083	1,651,992	13.2
Impairment allowances			
– Collective impairment allowances	(11,972)	(10,568)	13.3
– Individual impairment allowances	(16,965)	(19,755)	-14.1
	<u>1,841,146</u>	<u>1,621,669</u>	13.5

7. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are all held for trading purpose.

8. Advances to customers less impairment allowances

	As at 30 June 2005 HK\$'000	As restated 31 December 2004 HK\$'000	Change %
Advances to customers	107,304,940	104,166,429	3.0
Impairment allowances			
– Collective impairment allowances	(844,329)	(1,032,455)	-18.2
– Individual impairment allowances	(636,648)	(750,073)	-15.1
	<u>105,823,963</u>	<u>102,383,901</u>	3.4

DBS BANK (HONG KONG) LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

9. Other assets

	As at 30 June 2005 <i>HK\$'000</i>	As restated 31 December 2004 <i>HK\$'000</i>	Change %
Accrued interest	512,817	445,476	15.1
Other accounts	5,229,910	4,180,669	25.1
	<u>5,742,727</u>	<u>4,626,145</u>	24.1

10. Deposits from customers

	As at 30 June 2005 <i>HK\$'000</i>	As at 31 December 2004 <i>HK\$'000</i>	Change %
Demand deposits and current accounts	9,666,839	10,267,275	-5.8
Savings deposits	27,732,589	38,707,637	-28.4
Time, call and notice deposits	96,238,870	81,597,583	17.9
	<u>133,638,298</u>	<u>130,572,495</u>	2.3

11. Contingent liabilities and commitments

The following is a summary of the contractual amounts of each significant class of contingent liability and commitment:

	As at 30 June 2005 <i>HK\$'000</i>	As restated 31 December 2004 <i>HK\$'000</i>	Change %
Direct credit substitutes	1,003,577	890,713	12.7
Transaction-related contingencies	256,993	375,989	-31.6
Trade-related contingencies	5,519,125	5,134,251	7.5
Other commitments with an original maturity of under one year or which are unconditionally cancellable	58,514,682	54,353,604	7.7
Other commitments with an original maturity of one year and over	62,643	49,958	25.4
	<u>65,357,020</u>	<u>60,804,515</u>	7.5
Aggregate credit risk weighted amounts	<u>2,052,026</u>	<u>1,909,538</u>	7.5

DBS BANK (HONG KONG) LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

12. Derivatives

The notional amounts, aggregate credit risk weighted amounts and aggregate replacement costs of derivative financial instruments are disclosed as follows:

	As at 30 June 2005 HK\$'000	As at 31 December 2004 HK\$'000	Change %
Equity contracts	46,296,262	39,009,520	18.7
Exchange rate contracts	161,326,270	116,387,164	38.6
Interest rate contracts	146,586,264	135,475,502	8.2
	<u>354,208,796</u>	<u>290,872,186</u>	21.8
Aggregate credit risk weighted amounts	<u>996,766</u>	<u>891,519</u>	11.8
Aggregate replacement costs	<u>1,903,117</u>	<u>1,983,403</u>	-4.0

The above amounts are shown on a gross basis without taking into account the effect of bilateral netting arrangements.

The contract amounts of these instruments indicate the volume of transactions outstanding as at the balance sheet date; they do not represent amounts at risk.

The credit risk-weighted amounts are the amounts which have been calculated in accordance with the Third Schedule of the Banking Ordinance and guidelines issued by the Hong Kong Monetary Authority. The amounts calculated are dependent upon the status of the counterparty and the maturity characteristics of each type of contract.

Replacement cost is the cost of replacing all contracts which have a positive value when marked-to-market (should the counterparty default on its obligations) and is obtained by marking-to-market contracts with a positive value. Replacement cost is a close approximation of the credit risk for these contracts at the balance sheet date.

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UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1. Capital adequacy and liquidity ratios

	As at 30 June 2005	As at 31 December 2004
Capital adequacy ratio	<u>17.80%</u>	<u>19.40%</u>
Adjusted capital adequacy ratio	<u>17.52%</u>	<u>19.04%</u>
	For the six months ended 30 June 2005	30 June 2004
Average liquidity ratio for the period	<u>48.7%</u>	<u>45.8%</u>

The capital adequacy ratio represents the combined ratio of the Bank as required by the Hong Kong Monetary Authority for its regulatory purposes, and is computed in accordance with the Third Schedule of the Banking Ordinance.

The adjusted capital adequacy ratio represents the capital adequacy ratio adjusted to take into account market risk as at the balance sheet date computed in accordance with the guideline "Maintenance of Adequate Capital against Market Risks" issued by the Hong Kong Monetary Authority.

The average liquidity ratio is the simple average of each calendar month's average liquidity ratio for the relevant period calculated for the Hong Kong offices of the Bank, and is in accordance with the Fourth Schedule of the Banking Ordinance.

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UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

2. Components of total capital base after deductions

The total capital base after deductions used in the calculation of the above capital adequacy ratios as at 30 June 2005 and 31 December 2004 and reported to the Hong Kong Monetary Authority is analysed as follows:

	As at 30 June 2005 HK\$'000	As at 31 December 2004 HK\$'000
Core capital		
Paid up ordinary share capital	5,200,000	5,200,000
Share premium	595,503	595,503
Reserves (eligible for inclusion in core capital)	11,473,639	11,331,074
	17,269,142	17,126,577
Eligible supplementary capital		
Reserve on revaluation of land and interests in land	59,561	715,522
Reserve on revaluation of holding of securities not held for trading purposes	(77,253)	66,039
Collective impairment allowances and regulatory reserve/general provision	1,132,321	1,051,665
Term subordinated debt	813,298	1,220,316
Eligible supplementary capital	1,927,927	3,053,542
Total capital base before deductions	19,197,069	20,180,119
Deductions from total capital base	(341,795)	(497,633)
Total capital base after deductions	18,855,274	19,682,486

The capital base represents the capital base of the Bank as at period end computed in accordance with the Third Schedule of the Banking Ordinance.

DBS BANK (HONG KONG) LIMITED

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

3. Currency concentrations

<i>HK\$'million</i>	GBP	CNY	CAD	EUR	AUD	NZD	Others	Total
As at 30 June 2005								
Hong Kong dollar equivalents								
Spot assets	2,262	1,616	1,731	1,879	5,577	1,475	45,492	60,032
Spot liabilities	(2,243)	(1,602)	(1,669)	(1,809)	(5,607)	(1,561)	(45,275)	(59,766)
Forward purchases	633	26	68	1,296	193	129	32,968	35,313
Forward sales	(726)	(23)	(78)	(1,416)	(211)	(125)	(33,126)	(35,705)
Net option position	(11)	-	41	(3)	(1)	4	(51)	(21)
Net (short)/long non-structural position	(85)	17	93	(53)	(49)	(78)	8	(147)
Net structural position	-	94	-	-	-	-	-	94
<i>HK\$'million</i>	GBP	CNY	CAD	EUR	AUD	NZD	Others	Total
As at 31 December 2004								
Hong Kong dollar equivalents								
Spot assets	1,534	1,028	1,874	1,470	6,333	1,328	44,697	58,264
Spot liabilities	(1,640)	(1,025)	(1,865)	(1,505)	(6,305)	(1,407)	(44,725)	(58,472)
Forward purchases	371	60	118	897	367	89	32,057	33,959
Forward sales	(294)	(60)	(97)	(813)	(316)	(83)	(31,179)	(32,842)
Net option position	16	-	(33)	(15)	2	(6)	4	(32)
Net (short)/long non-structural position	(13)	3	(3)	34	81	(79)	854	877
Net structural position	-	94	-	-	-	-	142	236

DBS BANK (HONG KONG) LIMITED

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

4. Total advances to customers* – by industry sectors

	As at 30 June 2005 <i>HK\$'000</i>	As at 31 December 2004 <i>HK\$'000</i>	Change %
Loans for use in Hong Kong			
Industrial, commercial and financial			
Property development	184,673	146,883	25.7
Property investment	13,411,356	11,957,859	12.2
Financial concerns	541,391	594,975	-9.0
Stockbrokers	124,982	74,374	68.0
Wholesale and retail trade	3,017,605	2,893,873	4.3
Manufacturing	9,036,979	7,855,387	15.0
Transport and transport equipment	9,607,327	10,203,854	-5.8
Others	4,472,570	4,157,714	7.6
Individuals			
Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme			
	2,703,337	2,920,838	-7.4
Loans for the purchase of other residential properties			
	35,626,042	36,278,336	-1.8
Credit card advances	5,080,991	5,605,390	-9.4
Others	4,320,136	4,372,241	-1.2
	88,127,389	87,061,724	1.2
Trade finance	17,304,307	15,575,862	11.1
Loans for use outside Hong Kong	2,900,964	2,585,654	12.2
	<u>108,332,660</u>	<u>105,223,240</u>	3.0

* Total advances to customers include trade bills receivable from customers and advances to customers.

5. Gross advances to customers – by geographical areas

Over 90% of the gross advances to customers and the related overdue advances were located in Hong Kong after taking into account the transfer of risks. In general, transfer of risks applies when an advance is guaranteed by a party in a country which is different from that of the counterparty.

DBS BANK (HONG KONG) LIMITED

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

6. Cross-border claims

Cross-border claims which include financial claims on balances due from banks and other financial institutions, advances to customers, trade bills, certificates of deposit held and investments in securities by location and type of counterparties are as follows:

<i>HK\$'million</i>	Banks and other financial institutions	Public sector entities	Others	Total
As at 30 June 2005				
Asia Pacific excluding Hong Kong	18,177	510	3,090	21,777
North and South America	2,989	273	360	3,622
Europe	27,554	6	697	28,257
Others	15	–	424	439
	<u>48,735</u>	<u>789</u>	<u>4,571</u>	<u>54,095</u>
As at 31 December 2004				
Asia Pacific excluding Hong Kong	15,613	389	3,054	19,056
North and South America	5,214	281	411	5,906
Europe	29,210	8	834	30,052
Others	306	–	492	798
	<u>50,343</u>	<u>678</u>	<u>4,791</u>	<u>55,812</u>

The above analysis by geographical areas is based on the location of the counterparty after taking into account the transfer of risks. In general, transfer of risks applies when an advance is guaranteed by a party in a country which is different from that of the counterparty.

7. Impaired advances / non-performing advances

Upon adoption of HKAS39, the concept of suspended interest and non-performing advances are no longer relevant as interest is recognised on the recoverable element of impaired advances. Impaired advances are incurred if there is objective evidence of impairment resulting from loss event and the loss event has an impact on the estimated future cash flows of the advances that can be reliably estimated.

(a) Impaired advances

	As at 30 June 2005 <i>HK\$'000</i>	% of gross advances to customers
Gross impaired advances	1,155,601	1.07
Individual impairment allowances	<u>(653,613)</u>	
	<u>501,988</u>	

The individual impairment allowances were made after taking into account the value of collateral in respect of such advances.

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UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

7. Impaired advances / non-performing advances (continued)

(b) Non-performing advances

The gross amount of non-performing advances, net of suspended interest, which represented advances on which interest was being placed in suspense or on which interest accrual had ceased, and specific provisions attributable to such advances were as follows:

	As at 31 December 2004 <i>HK\$'000</i>	% of gross advances to customers
Gross non-performing advances	1,773,587	1.69
Specific provision	<u>(739,996)</u>	
	<u><u>1,033,591</u></u>	
Suspended interest	<u><u>268,088</u></u>	

The specific provisions were made after taking into account the value of collateral in respect of such advances.

8. Overdue and rescheduled advances

(a) Overdue advances to customers and trade bills receivable from customers

The overdue advances are analysed as follows:

	As at 30 June 2005 <i>HK\$'000</i>	% of gross advances to customers	As at 31 December 2004 <i>HK\$'000</i>	% of gross advances to customers
Gross advances overdue for				
Six months or less but over				
three months	206,768	0.19	314,703	0.30
One year or less but over six months	291,380	0.27	238,525	0.23
Over one year	<u>435,236</u>	0.40	<u>512,145</u>	0.48
	<u><u>933,384</u></u>	0.86	<u><u>1,065,373</u></u>	1.01

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UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

8. Overdue and rescheduled advances (continued)

(b) Rescheduled advances

The rescheduled advances (net of those which have been overdue for over three months and reported in item (a) above) are analysed as follows:

	As at 30 June 2005 <i>HK\$'000</i>	% of gross advances to customers	As at 31 December 2004 <i>HK\$'000</i>	% of gross advances to customers
Rescheduled advances to customers	<u>237,606</u>	0.22	<u>243,911</u>	0.23

(c) Repossessed assets

Assets acquired by repossession of collateral for realisation continue to be reported as advances. Allowance is made on the shortfall between the expected sales proceeds from realisation of the repossessed assets and the outstanding advances. At 30 June 2005, the repossessed assets of the Group amounted to HK\$41,645,000 (31 December 2004: HK\$93,903,000).

STATEMENT OF COMPLIANCE

In preparing the interim financial information disclosure statements for the first half of 2005, the Bank has fully complied with the disclosure standards set out in the "Interim Financial Disclosure by Locally Incorporated Authorized Institutions" issued by the Hong Kong Monetary Authority.

Hong Kong, 22 July 2005