

For Immediate Release

27th July 2007

DBS BANK (HONG KONG) LIMITED

Financial Highlights of 2007 Interim Results and Key Ratios

- Profit attributable to shareholders down by 6% (HK\$101 million) from first half of 2006 to HK\$1,572 million. Excluding net gain of HK\$267 million from the sale of Queen's Road Central office premises in May 2006, profit attributable to shareholders would increase by 12%
- Profit before impairment allowances increased by 11%^{Note} from first half of 2006 to HK\$2,077 million
- Net interest margin down 26 basis points from first half of 2006 to 2.50%
- Net interest income down 1% (HK\$18 million) from first half of 2006 to HK\$2,558 million
- Non-interest income up 47%^{Note} from first half of 2006 to HK\$1,050 million
- Total expenses up 8% (HK\$115 million) from first half of 2006 to HK\$1,531 million
- Impairment allowances up 2% (HK\$4 million) from first half of 2006 to HK\$182 million
- Cost-to-income ratio decreased from 43.0%^{Note} in the first half of 2006 to 42.4%
- Return on average total assets up from 1.4%^{Note} in the first half of 2006 to 1.5%
- Return on average shareholders' funds up from 15.1%^{Note} in the first half of 2006 to 19.1%
- Gross advances to customers increased 4% (HK\$4 billion) from end of 2006 to HK\$123 billion
- Deposits from customers (including financial liabilities designated at fair value through profit or loss) decreased 1% (HK\$1 billion) from the end of 2006 to HK\$166 billion
- Loan-to-deposit ratio up from 70.1% at end of 2006 to 73.2%
- Ratio of impaired advances to gross advances to customers down from 1.5% at end of 2006 to 1.4%
- Capital adequacy ratio down from 15.9% at end of 2006 to 15.4%

Note: The year-on-year growth rate and comparative ratio for the first half of 2006 exclude the net gain from the sale of Queen's Road Central office premises.

DBS BANK (HONG KONG) LIMITED

***DBS Bank (Hong Kong) Limited
reported attributable profit of HK\$1,572 million
for the first half of 2007***

HONG KONG, 27th July 2007 - DBS Bank (Hong Kong) Limited (the 'Bank') today announced its 2007 interim results. The Bank recorded a consolidated profit attributable to shareholders of HK\$1,572 million, a decrease of 6% compared with the first half of 2006. Excluding a net gain of HK\$267 million from the sale of its office premises at 139 Queen's Road Central in May 2006, profit attributable to shareholders would increase by 12%.

The growth in the Bank's profit was mainly attributable to strong income growth momentum. Return on average total assets of 1.5% and return on average shareholders' funds of 19.1% were recorded.

REVIEW OF ACTIVITIES

Hong Kong's economy continued to demonstrate broad-based expansion in the first half of 2007. GDP grew solidly by 5.6% year-on-year in real terms during the first quarter. Externally, merchandise exports recorded notable growth of 8.2% in real terms in the first quarter, with trade volume boosted by vibrant trade flows with Mainland China and intra-regional trade. Domestically, private consumption expenditure continued to display strength, and recorded a 5.6% growth in the first quarter. During the quarter ended May 2007, the seasonally-adjusted unemployment rate fell to 4.3%, from 4.9% during the corresponding period in 2006, the lowest level since 2001. The improving job market, generally buoyant stock market activity and continued strong inbound tourism

have boosted consumer spending and retail sales. Overall investment spending grew further by 3.9% in the first quarter, after several quarters of notable growth. Business sentiment still held up well.

On 26th May 2007, the Bank transferred its two Mainland China branches, Shenzhen Branch and Suzhou Branch, to its intermediate holding company, DBS Bank Ltd. Corporate and Investment Banking Division continues to perform well, supported by moderate loan growth in the SME business and strong sales of treasury related products. On the Consumer and Private Banking side, the Bank achieved strong sales in wealth management products. Credit quality continues to be benign.

KEY FINANCIAL PERFORMANCE

During the period, the Bank achieved its goal of growing both total income and profit. Profit before impairment allowances was HK\$2,077 million, down 3% from the first half of 2006, or up 11% excluding net gain from sale of Queen's Road Central office premises in May 2006.

Total income increased by 1% to HK\$3,608 million. Net interest income decreased by 1% to HK\$2,558 million, while non-interest income increased by 7% to HK\$1,050 million. Excluding net gain from the sale of Queen's Road Central office premises, total income would increase by 10% and non-interest income would increase by 47%, of which net fee and commission income increased by 18% to HK\$752 million.

Total expenses rose by 8% to HK\$1,531 million, with staff costs increased by 5% mainly due to upward wage pressure, while non-staff costs rose by 12%. The cost-to-income ratio increased to 42.4% from 39.8% in the first half of 2006. Excluding net gain from the sale of Queen's Road Central office premises, the cost-to-income ratio in the first half of 2006 would be 43.0%.

As at 30th June 2007, the level of impaired loans decreased to HK\$1.7 billion, or 1.4% of total gross loans, compared to HK\$1.8 billion or 1.5% in December 2006.

Total gross advances to customers increased 4% from December 2006 to HK\$123 billion mainly due to growth in trade finance, SME loans and property-related loans. Customer deposits decreased 1% to HK\$166 billion. The loan-to-deposit ratio increased to 73.2% from 70.1% in December 2006.

The Bank's financial position remains good. Capital adequacy ratio, which has incorporated the Basel II requirements in Hong Kong effective 1st January 2007, stood at a comfortable level of 15.4% as at 30th June 2007. Average liquidity ratio was 39.1% for the first half of 2007, compared to 42.0% for the first half of 2006.

- End -

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 DISCLOSURE STATEMENTS
FOR THE SIX MONTHS ENDED
30TH JUNE 2007**

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 30th June 2007 as follows:

UNAUDITED CONSOLIDATED INCOME STATEMENT

		For the six months ended	
	<i>Note</i>	30th June 2007	30th June 2006
		HK\$'000	HK\$'000
Interest income	2	5,918,095	5,298,666
Interest expense	3	(3,359,992)	(2,722,811)
Net interest income		2,558,103	2,575,855
Fee and commission income	4	926,760	792,537
Fee and commission expense	4	(174,389)	(154,847)
Net fee and commission income		752,371	637,690
Net trading income	5	249,078	(6,124)
Net gain on disposal of available-for-sale financial investments		20,667	52,783
Net gain on disposal of fixed assets and lease premium for land		10,088	280,363
Other income	6	17,583	16,518
Total income		3,607,890	3,557,085
Total expenses	7	(1,531,280)	(1,415,831)
Profit before impairment allowances		2,076,610	2,141,254
Impairment allowances on advances to customers	8	(182,408)	(177,989)
Profit before income tax		1,894,202	1,963,265
Income tax expense	9	(321,787)	(289,762)
Profit attributable to shareholders		1,572,415	1,673,503
Dividends		–	2,800,000

DBS BANK (HONG KONG) LIMITED

UNAUDITED CONSOLIDATED BALANCE SHEET

		As at 30th June 2007 HK\$'000	As at 31st December 2006 HK\$'000
Assets			
Cash and balances with banks	10	17,614,881	17,896,241
Placements with banks maturing after one month	11	17,320,082	18,133,327
Trading securities		5,678,730	6,625,849
Positive replacement values		1,392,427	1,463,111
Advances to customers less impairment allowances	12	121,392,449	117,109,840
Available-for-sale financial investments		41,412,754	45,403,836
Other assets		2,949,343	2,224,659
Deferred income tax assets		92,855	82,942
Fixed assets	13	1,066,531	1,072,253
Lease premium for land		2,062,654	2,086,721
		<u>210,982,706</u>	<u>212,098,779</u>
Total assets		<u>210,982,706</u>	<u>212,098,779</u>
Liabilities			
Deposits and balances from banks		5,174,962	2,936,632
Negative replacement values		1,928,610	2,082,175
Trading liabilities		5,629,636	6,655,669
Financial liabilities designated at fair value			
through profit or loss	14	8,307,551	12,899,635
Deposits from customers	14	157,611,718	154,264,360
Certificates of deposit issued	15	2,592,837	3,260,239
Other liabilities		7,067,073	6,989,669
Current income tax liabilities		505,335	306,413
Amount due to a jointly controlled entity		686,065	673,830
Subordinated liabilities	16	4,220,937	6,233,157
		<u>193,724,724</u>	<u>196,301,779</u>
Total liabilities		<u>193,724,724</u>	<u>196,301,779</u>
Equity			
Share capital		5,200,000	5,200,000
Reserves		12,057,982	10,597,000
		<u>17,257,982</u>	<u>15,797,000</u>
Total equity		<u>17,257,982</u>	<u>15,797,000</u>
Total liabilities and equity		<u>210,982,706</u>	<u>212,098,779</u>

DBS BANK (HONG KONG) LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital HK\$'000	Share Premium HK\$'000	Capital Reserve HK\$'000	Investments Revaluation Reserve HK\$'000	General Reserve HK\$'000	Retained Earnings HK\$'000	Total Equity HK\$'000
Balance as at 1st January 2006	5,200,000	595,503	11,636	(267,927)	2,398,792	10,670,807	18,608,811
Change in fair value of available-for-sale financial investments	-	-	-	181,410	-	-	181,410
Exchange differences arising from translation of net investments in overseas branches and subsidiaries	-	-	-	-	-	(311)	(311)
Profit attributable to shareholders	-	-	-	-	-	3,120,724	3,120,724
Reserve transferred to income statement upon disposal of available-for-sale financial investments	-	-	-	(68,777)	-	-	(68,777)
Deferred income tax	-	-	-	22,143	-	-	22,143
Dividends	-	-	-	-	-	(6,067,000)	(6,067,000)
Balance as at 31st December 2006	5,200,000	595,503	11,636	(133,151)	2,398,792	7,724,220	15,797,000
Change in fair value of available-for-sale financial investments	-	-	-	(116,269)	-	-	(116,269)
Exchange differences arising from translation of net investments in overseas branches and subsidiaries	-	-	-	-	-	1,089	1,089
Profit attributable to shareholders	-	-	-	-	-	1,572,415	1,572,415
Reserve transferred to income statement upon disposal of available-for-sale financial investments	-	-	-	(19,388)	-	-	(19,388)
Deferred income tax	-	-	-	23,135	-	-	23,135
Balance as at 30th June 2007	5,200,000	595,503	11,636	(245,673)	2,398,792	9,297,724	17,257,982

As at 30th June 2007, HK\$408,761,000 (31st December 2006: HK\$328,485,000) was earmarked as the regulatory reserve from the retained earnings. The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purposes. Movements in the reserve are made directly through retained earnings and in consultation with the Hong Kong Monetary Authority.

DBS BANK (HONG KONG) LIMITED

REVIEW OF ACTIVITIES

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DBS BANK (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Scope of consolidation

The consolidated financial statements incorporate the financial statements of DBS Bank (Hong Kong) Limited (the 'Bank') and all of its subsidiaries (the 'Group').

For regulatory reporting purpose, the Bank is required to compute its capital adequacy ratio on a combined basis that is including the Bank and its overseas branches. The investments in the subsidiaries are deducted from the Bank's core capital and supplementary capital as determined in accordance with Part 3 of the Banking (Capital) Rules.

2. Interest income

Included in interest income is HK\$7,946,000 (first half of 2006: HK\$12,341,000) with respect to the time value of the impaired loans released from the impairment allowances and HK\$138,892,000 (first half of 2006: HK\$139,378,000) with respect to interest income recognised on trading securities.

3. Interest expense

Interest expense recognised on trading liabilities amounted to HK\$137,929,000 (first half of 2006: HK\$141,776,000).

4. Net fee and commission income

	For the six months ended	
	30th June 2007	30th June 2006
	HK\$'000	HK\$'000
Fee and commission income	926,760	792,537
Fee and commission expense	(174,389)	(154,847)
Net fee and commission income	<u>752,371</u>	<u>637,690</u>
Of which:		
Fee and commission income arising from:		
– Financial assets or financial liabilities not at fair value through profit or loss	344,663	343,535
– Trust or other fiduciary activities	15,798	11,931
Fee and commission expense arising from:		
– Financial assets or financial liabilities not at fair value through profit or loss	160,533	144,531

DBS BANK (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Net trading income

	For the six months ended	
	30th June 2007	30th June 2006
	HK\$'000	HK\$'000
Net trading income		
– Foreign exchange	389,665	317,034
– Interest rates and equities	325,057	181,713
Net income from financial instruments designated at fair value		
– Financial liabilities designated at fair value	(465,644)	(504,871)
	<u>249,078</u>	<u>(6,124)</u>

6. Other income

	For the six months ended	
	30th June 2007	30th June 2006
	HK\$'000	HK\$'000
Fair value adjustment on investment properties	–	3,383
Dividend income from listed investments	1,741	2,538
Dividend income from unlisted investments	8,640	4,140
Others	7,202	6,457
	<u>17,583</u>	<u>16,518</u>

DBS BANK (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Total expenses

	For the six months ended	
	30th June 2007	30th June 2006
	HK\$'000	HK\$'000
Employee compensation		
– Salaries and other short term employee compensation	802,333	767,689
– Pensions	41,682	37,681
– Share based payments	11,153	7,091
Premises and equipment expenses excluding depreciation		
– Amortisation of lease premium for land	23,824	24,146
– Rental of premises	72,927	42,768
– Others	97,808	96,490
Depreciation	73,412	67,639
Auditors' remuneration	5,435	4,581
Other expenses	402,706	367,746
	<u>1,531,280</u>	<u>1,415,831</u>

8. Impairment allowances on advances to customers

	For the six months ended	
	30th June 2007	30th June 2006
	HK\$'000	HK\$'000
Impairment allowances on advances to customers		
– Individual impairment allowances	126,418	128,523
– Collective impairment allowances	55,990	49,466
	<u>182,408</u>	<u>177,989</u>
Individual impairment allowances		
Of which:		
– New allowances	211,736	214,840
– Releases	(71,353)	(78,025)
– Recoveries	(13,965)	(8,292)
	<u>126,418</u>	<u>128,523</u>
Collective impairment allowances		
Of which:		
– New allowances	108,815	102,951
– Releases	(31,817)	(32,942)
– Recoveries	(21,008)	(20,543)
	<u>55,990</u>	<u>49,466</u>

DBS BANK (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Income tax expense

Income tax expense in the consolidated income statement represents:

	For the six months ended	
	30th June 2007	30th June 2006
	HK\$'000	HK\$'000
Hong Kong profits tax	293,759	282,560
Overseas tax	14,807	7,085
	<hr/>	<hr/>
Current income tax	308,566	289,645
Deferred income tax	13,221	117
	<hr/>	<hr/>
	321,787	289,762
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong profits tax has been provided at 17.5% (first half of 2006: 17.5%) on the estimated assessable profits for the period. Taxation for overseas subsidiaries and branches are charged at the appropriate current rates of taxation ruling in the countries in which they operate.

10. Cash and balances with banks

	As at	As at
	30th June	31st December
	2007	2006
	HK\$'000	HK\$'000
Cash in hand	334,948	271,239
Balances with central banks	137,522	485,557
Balances with banks	15,666,420	15,927,210
Trade bills	1,475,991	1,212,235
	<hr/>	<hr/>
	17,614,881	17,896,241
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DBS BANK (HONG KONG) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****11. Placements with banks maturing after one month**

	As at 30th June 2007 HK\$'000	As at 31st December 2006 HK\$'000
Remaining maturity:		
– One year or less but over one month	16,840,586	18,133,327
– Over one year	479,496	–
	<u>17,320,082</u>	<u>18,133,327</u>

12. Advances to customers less impairment allowances

	As at 30th June 2007 HK\$'000	As at 31st December 2006 HK\$'000
Advances to customers		
– Corporate	73,120,231	71,213,188
– Individuals	49,903,126	47,551,866
	123,023,357	118,765,054
Impairment allowances		
– Collectively assessed	(878,736)	(913,124)
– Individually assessed	(752,172)	(742,090)
	<u>121,392,449</u>	<u>117,109,840</u>

DBS BANK (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Advances to customers less impairment allowances (continued)

(a) Impaired advances

	As at 30th June 2007 HK\$'000	% of gross advances to customers	As at 31st December 2006 HK\$'000	% of gross advances to customers
Gross impaired advances subject to individual impairment allowances assessment	1,699,971	1.38	1,777,225	1.50
Individual impairment allowances	<u>(752,172)</u>		<u>(742,090)</u>	
	<u>947,799</u>		<u>1,035,135</u>	
Current market value of collateral held against the covered portion of impaired advances	<u>1,452,177</u>		<u>1,596,180</u>	
Covered portion of impaired advances	<u>916,045</u>		<u>977,299</u>	
Uncovered portion of impaired advances	<u>783,926</u>		<u>799,926</u>	

DBS BANK (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Fixed assets

	Freehold properties HK\$'000	Leasehold buildings HK\$'000	Investment properties HK\$'000	Furniture, fixtures and equipment HK\$'000	Total HK\$'000
Cost or valuation					
As at 1st January 2007	23,374	768,513	110,934	1,199,142	2,101,963
Additions	-	4,827	-	117,831	122,658
Disposals	-	(52,691)	-	(176,465)	(229,156)
Exchange adjustments	-	-	-	26	26
As at 30th June 2007	<u>23,374</u>	<u>720,649</u>	<u>110,934</u>	<u>1,140,534</u>	<u>1,995,491</u>
Accumulated depreciation and impairment					
As at 1st January 2007	16,942	314,360	-	698,408	1,029,710
Charge for the year	53	16,978	-	56,381	73,412
Disposals	-	(46,465)	-	(127,701)	(174,166)
Exchange adjustments	-	-	-	4	4
As at 30th June 2007	<u>16,995</u>	<u>284,873</u>	<u>-</u>	<u>627,092</u>	<u>928,960</u>
Net book value					
As at 30th June 2007	<u><u>6,379</u></u>	<u><u>435,776</u></u>	<u><u>110,934</u></u>	<u><u>513,442</u></u>	<u><u>1,066,531</u></u>

The analysis of cost or valuation of the above assets as at 30th June 2007 is as follows:

At cost	23,374	720,649	-	1,140,534	1,884,557
At valuation	<u>-</u>	<u>-</u>	<u>110,934</u>	<u>-</u>	<u>110,934</u>
	<u><u>23,374</u></u>	<u><u>720,649</u></u>	<u><u>110,934</u></u>	<u><u>1,140,534</u></u>	<u><u>1,995,491</u></u>

DBS BANK (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Fixed assets (continued)

	Freehold properties HK\$'000	Leasehold buildings HK\$'000	Investment properties HK\$'000	Furniture, fixtures and equipment HK\$'000	Total HK\$'000
Cost or valuation					
As at 1st January 2006	23,372	1,167,841	103,870	1,073,246	2,368,329
Additions	–	21,598	–	360,546	382,144
Disposals	–	(420,926)	–	(234,653)	(655,579)
Fair value adjustment	–	–	7,064	–	7,064
Exchange adjustments	2	–	–	3	5
	<u>23,374</u>	<u>768,513</u>	<u>110,934</u>	<u>1,199,142</u>	<u>2,101,963</u>
As at 31st December 2006					
Accumulated depreciation and impairment					
As at 1st January 2006	16,829	434,917	–	712,981	1,164,727
Charge for the year	112	49,179	–	90,924	140,215
Disposals	–	(169,736)	–	(105,502)	(275,238)
Exchange adjustments	1	–	–	5	6
	<u>16,942</u>	<u>314,360</u>	<u>–</u>	<u>698,408</u>	<u>1,029,710</u>
As at 31st December 2006					
Net book value					
As at 31st December 2006	<u>6,432</u>	<u>454,153</u>	<u>110,934</u>	<u>500,734</u>	<u>1,072,253</u>

The analysis of cost or valuation of the above assets as at 31st December 2006 is as follows:

At cost	23,374	768,513	–	1,199,142	1,991,029
At valuation	<u>–</u>	<u>–</u>	<u>110,934</u>	<u>–</u>	<u>110,934</u>
	<u>23,374</u>	<u>768,513</u>	<u>110,934</u>	<u>1,199,142</u>	<u>2,101,963</u>

DBS BANK (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Deposits from customers

	As at 30th June 2007 HK\$'000	As at 31st December 2006 HK\$'000
Deposits from customers		
– Reported in the balance sheet	157,611,718	154,264,360
– Structured investment deposits reported as financial liabilities designated at fair value through profit or loss	<u>8,307,551</u>	<u>12,899,635</u>
	<u>165,919,269</u>	<u>167,163,995</u>
Analysed by:		
– Demand deposits and current accounts	9,404,513	10,432,384
– Savings deposits	32,915,450	33,337,333
– Time, call and notice deposits	<u>123,599,306</u>	<u>123,394,278</u>
	<u>165,919,269</u>	<u>167,163,995</u>

15. Certificates of deposit issued

	As at 30th June 2007 HK\$'000	As at 31st December 2006 HK\$'000
Certificates of deposit issued		
– At amortised cost	236,422	448,880
– At fair value under fair value hedge	1,816,777	2,064,741
– Designated at fair value through profit or loss	<u>539,638</u>	<u>746,618</u>
	<u>2,592,837</u>	<u>3,260,239</u>

DBS BANK (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Subordinated liabilities

	As at 30th June 2007 HK\$'000	As at 31st December 2006 HK\$'000
7.75% fixed rate subordinated notes, at amortised cost	–	2,034,279
Floating rate subordinated loan, at amortised cost	<u>4,220,937</u>	<u>4,198,878</u>
	<u><u>4,220,937</u></u>	<u><u>6,233,157</u></u>

The 7.75% fixed rate subordinated notes were redeemed by the Bank on its maturity date of 24th January 2007.

The subordinated loan ('Loan') with principal amount of US\$540,000,000 was obtained by the Bank from its intermediate holding company, DBS Bank Ltd., on 12th December 2006. The Loan will mature on 12th December 2016 with an optional repayment date on 13th December 2011. Interest is payable quarterly and is charged at LIBOR plus 0.35% per annum before the optional repayment date and subsequently at LIBOR plus 0.85%.

DBS BANK (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Derivative financial instruments

The following is a summary of the contract / notional amounts of each significant type of derivative financial instrument:

	As at 30th June 2007			As at 31st December 2006		
	Trading HK\$'000	Hedging HK\$'000	Total HK\$'000	Trading HK\$'000	Hedging HK\$'000	Total HK\$'000
Exchange rate contracts						
– Forwards	113,049,396	–	113,049,396	93,283,171	–	93,283,171
– Swaps	84,579,320	–	84,579,320	55,620,748	–	55,620,748
– Options purchased	147,018,666	–	147,018,666	92,196,921	–	92,196,921
– Options written	146,932,371	–	146,932,371	91,331,150	–	91,331,150
	<u>491,579,753</u>	<u>–</u>	<u>491,579,753</u>	<u>332,431,990</u>	<u>–</u>	<u>332,431,990</u>
Interest rate contracts						
– Futures	15,347,798	–	15,347,798	13,889,315	–	13,889,315
– Swaps	87,343,559	2,169,586	89,513,145	92,690,324	2,415,720	95,106,044
– Options purchased	5,252,842	–	5,252,842	7,473,562	–	7,473,562
– Options written	5,252,842	–	5,252,842	7,473,562	–	7,473,562
	<u>113,197,041</u>	<u>2,169,586</u>	<u>115,366,627</u>	<u>121,526,763</u>	<u>2,415,720</u>	<u>123,942,483</u>
Equity contracts						
– Swaps	1,045,487	–	1,045,487	2,140,044	–	2,140,044
– Options purchased	5,170,012	–	5,170,012	4,539,409	–	4,539,409
– Options written	5,170,012	–	5,170,012	4,539,409	–	4,539,409
	<u>11,385,511</u>	<u>–</u>	<u>11,385,511</u>	<u>11,218,862</u>	<u>–</u>	<u>11,218,862</u>
Total	<u>616,162,305</u>	<u>2,169,586</u>	<u>618,331,891</u>	<u>465,177,615</u>	<u>2,415,720</u>	<u>467,593,335</u>

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

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.

DBS BANK (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Derivative financial instruments (continued)

The credit risk weighted amounts of the derivative financial instruments, which do not take into account the effects of bilateral netting arrangements are as follows:

	As at 30th June 2007 HK\$'000	As at 31st December 2006 HK\$'000
Exchange rate contracts	2,921,472	1,425,812
Interest rate contracts	133,537	158,517
Equity contracts	112,557	100,856
	<u>3,167,566</u>	<u>1,685,185</u>

As at 30th June 2007, the credit risk weighted amount is the amount which has been calculated in accordance with the Banking (Capital) Rules, which came into operation on 1st January 2007, and the guidelines issued by the Hong Kong Monetary Authority. As at 31st December 2006, the credit risk weighted amount was calculated in accordance with the Third Schedule of the Hong Kong Banking Ordinance and guidelines issued by the Hong Kong Monetary Authority. The amount calculated is dependent upon the status of the counterparty and the maturity characteristics of each type of contract.

The following table summarises all of the unrealised gains or losses of each class of the derivative financial instrument:

	As at 30th June 2007			As at 31st December 2006		
	Trading HK\$'000	Hedging HK\$'000	Total HK\$'000	Trading HK\$'000	Hedging HK\$'000	Total HK\$'000
Fair value assets						
Exchange rate contracts	886,610	-	886,610	1,066,122	-	1,066,122
Interest rate contracts	1,306,645	31,513	1,338,158	1,213,490	15,622	1,229,112
Equity contracts	64,891	-	64,891	73,589	-	73,589
	<u>2,258,146</u>	<u>31,513</u>	<u>2,289,659</u>	<u>2,353,201</u>	<u>15,622</u>	<u>2,368,823</u>
Fair value liabilities						
Exchange rate contracts	882,845	-	882,845	1,071,545	-	1,071,545
Interest rate contracts	1,093,789	10,226	1,104,015	1,039,658	25,516	1,065,174
Equity contracts	64,783	-	64,783	73,514	-	73,514
	<u>2,041,417</u>	<u>10,226</u>	<u>2,051,643</u>	<u>2,184,717</u>	<u>25,516</u>	<u>2,210,233</u>

DBS BANK (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. Contingent liabilities and commitments

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

	As at 30th June 2007 HK\$'000	As restated 31st December 2006 HK\$'000
Direct credit substitutes	1,008,437	1,080,015
Transaction-related contingencies	656,877	323,871
Trade-related contingencies	6,120,497	5,851,039
Forward forward deposits placed	7,960,219	13,428,634
Other commitments with an original maturity of not more than one year	1,649,306	1,674,025
Other commitments with an original maturity of more than one year	91,939	1,519,686
Other commitments which are unconditionally cancellable	<u>82,603,057</u>	<u>77,663,723</u>
	<u>100,090,332</u>	<u>101,540,993</u>
Credit risk weighted amount	<u>4,056,132</u>	<u>5,667,238</u>

19. Capital adequacy ratio and core capital ratio

	As at 30th June 2007	As at 31st December 2006
Capital adequacy ratio	<u>15.4%</u>	<u>15.9%</u>
Core capital ratio	<u>11.8%</u>	<u>11.6%</u>

As at 30th June 2007, the capital adequacy ratio and core capital ratio represent the combined ratios of the Bank as required by the Hong Kong Monetary Authority for its regulatory purposes, and are computed in accordance with the Banking (Capital) Rules. As at 31st December 2006, the two ratios were computed in accordance with the Third Schedule of the Hong Kong Banking Ordinance.

DBS BANK (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Components of total capital base after deductions

The capital base after deductions used in the calculation of the capital adequacy ratios as at 30th June 2007 and 31st December 2006 and reported to the Hong Kong Monetary Authority is analysed as follows:

	As at 30th June 2007 HK\$'000	As at 31st December 2006 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)	9,408,413	6,401,005
Profit and loss account	1,560,199	3,086,560
Total deductions from core capital	<u>(94,196)</u>	<u>–</u>
	<u>16,669,919</u>	<u>15,283,068</u>
Eligible supplementary capital		
Reserve on revaluation of land and interests in land	50,623	64,967
Reserve on revaluation of holding of securities not held for trading purposes	(312,311)	(147,437)
Collective impairment allowances and regulatory reserve	1,262,064	1,215,202
Term subordinated liabilities	<u>4,220,937</u>	<u>4,605,734</u>
	<u>5,221,313</u>	<u>5,738,466</u>
Total deductions from core capital and supplementary capital	<u>(222,173)</u>	<u>(240,244)</u>
Total capital base after deductions	<u>21,669,059</u>	<u>20,781,290</u>
Total core capital after deductions	16,558,832	15,162,946
Total supplementary capital after deductions	<u>5,110,227</u>	<u>5,618,344</u>
	<u>21,669,059</u>	<u>20,781,290</u>

DBS BANK (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. Cross-border claims

Analysis of cross-border claims by location and type of counterparty is as follows:

HK\$' million	Banks and other financial institutions	Public sector entities	Others	Total
As at 30th June 2007				
Asia Pacific excluding Hong Kong	39,651	497	4,391	44,539
North and South America	2,032	23	1,736	3,791
Europe	18,878	4	619	19,501
Others	12	–	1,018	1,030
	<u>60,573</u>	<u>524</u>	<u>7,764</u>	<u>68,861</u>
As at 31st December 2006				
Asia Pacific excluding Hong Kong	30,372	748	6,409	37,529
North and South America	3,619	155	857	4,631
Europe	30,488	6	724	31,218
Others	9	–	1,104	1,113
	<u>64,488</u>	<u>909</u>	<u>9,094</u>	<u>74,491</u>

The above analysis by geographical area is based on the location of the counterparty after taking into account the transfer of risk. In general, transfer of risk applies if the claims are guaranteed by a party in a country which is different from that of the counterparty.

DBS BANK (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. Gross advances to customers

The Group employs a range of policies and practices to mitigate credit risk, one of which is the taking of collateral and other securities. The principal collateral types include mortgages over premises, charges over financial instruments such as deposits, equities and debt securities. Balances of advances analysed by loan usage and the corresponding balances covered by collateral are as follows:

(a) By loan usage

	As at 30th June 2007		As at 31st December 2006	
	Outstanding balance HK\$'000	Balance covered by collateral HK\$'000	Outstanding balance HK\$'000	Balance covered by collateral HK\$'000
Loans for use in Hong Kong				
Industrial, commercial and financial				
– Property development	257,898	212,937	197,691	191,218
– Property investment	17,221,333	16,537,524	16,173,180	15,457,497
– Financial concerns	599,310	364,508	565,549	335,702
– Stockbrokers	2,396,792	229,212	21,871	9,038
– Wholesale and retail trade	2,882,018	2,189,218	2,745,477	2,100,296
– Manufacturing	7,408,583	4,250,657	6,643,591	4,311,146
– Transport and transport equipment	10,666,010	10,423,605	10,433,389	10,197,832
– Recreational activities	124	–	4,904	1,877
– Information technology	110,225	21,390	78,715	45,229
– Others	6,672,847	3,496,638	5,053,413	3,585,440
Individuals				
– Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme or their respective successor schemes	2,060,027	2,054,672	2,208,130	2,202,380
– Loans for the purchase of other residential properties	34,746,266	34,527,979	33,844,221	33,540,166
– Credit card advances	5,110,513	–	5,496,428	–
– Others	6,247,157	3,481,089	5,760,894	3,484,298
	96,379,103	77,789,429	89,227,453	75,462,119
Trade finance	21,776,783	13,486,641	20,125,508	12,839,253
Loans for use outside Hong Kong	4,867,471	2,759,105	9,412,093	4,572,057
	123,023,357	94,035,175	118,765,054	92,873,429

DBS BANK (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. Gross advances to customers (continued)

(a) By loan usage (continued)

Analysis of impaired advances for the individual loan usage category which accounted for 10% or more of the gross advances to customers:

	As at 30th June 2007		As at 31st December 2006	
	Impaired advances HK\$'000	Individual impairment allowances HK\$'000	Impaired advances HK\$'000	Individual impairment allowances HK\$'000
– Property investment	132,949	11,009	184,909	13,427
– Loans for the purchase of other residential properties	223,450	16,688	279,610	25,582
– Trade finance	260,320	133,163	286,865	127,829

(b) By geographical area

Over 90% of the gross advances to customers and the related impaired advances and overdue advances were located in Hong Kong after taking into account the transfer of risk. In general, transfer of risk 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. Overdue and rescheduled advances

(a) Overdue advances to customers

The overdue advances are analysed as follows:

	As at 30th June 2007 HK\$'000	% of gross advances to customers	As at 31st December 2006 HK\$'000	% of gross advances to customers
Six months or less but over three months	262,686	0.21	378,061	0.32
One year or less but over six months	253,823	0.21	318,390	0.27
Over one year	660,860	0.54	583,282	0.49
	<u>1,177,369</u>	<u>0.96</u>	<u>1,279,733</u>	<u>1.08</u>
Individual impairment allowances made in respect of the above overdue advances	<u>695,787</u>		<u>649,220</u>	
Current market value of collateral held against the covered portion of the above overdue advances	<u>531,816</u>		<u>607,264</u>	
Covered portion of the above overdue advances	<u>289,420</u>		<u>361,243</u>	
Uncovered portion of the above overdue advances	<u>887,949</u>		<u>918,490</u>	

DBS BANK (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. 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 30th June 2007 HK\$'000	% of gross advances to customers	As at 31st December 2006 HK\$'000	% of gross advances to customers
Rescheduled advances	<u>206,732</u>	0.17	<u>206,581</u>	0.17

(c) Repossessed assets

As at 30th June 2007, the repossessed assets held by the Group amounted to HK\$111,868,000 (31st December 2006: HK\$130,101,000).

24. Non-bank Mainland exposures

As at 30th June 2007	On-balance sheet exposures HK\$'000	Off-balance sheet exposures HK\$'000	Total HK\$'000	Individual impairment allowances HK\$'000
Mainland entities	126,899	64,912	191,811	8,316
Companies and individuals outside Mainland where the credit is granted for use in Mainland	5,079,488	1,410,409	6,489,897	113,183
Other counterparties where the exposures are considered to be non-bank Mainland exposures	<u>50,478</u>	<u>29,811</u>	<u>80,289</u>	<u>1,920</u>
	<u>5,256,865</u>	<u>1,505,132</u>	<u>6,761,997</u>	<u>123,419</u>

DBS BANK (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. Non-bank Mainland exposures (continued)

As at 31st December 2006	On-balance sheet exposures HK\$'000	Off-balance sheet exposures HK\$'000	Total HK\$'000	Individual impairment allowances HK\$'000
Mainland entities	3,874,380	459,606	4,333,986	27,596
Companies and individuals outside Mainland where the credit is granted for use in Mainland	6,235,613	1,324,466	7,560,079	116,571
Other counterparties where the exposures are considered to be non-bank Mainland exposures	80,397	26,748	107,145	29,605
	<u>10,190,390</u>	<u>1,810,820</u>	<u>12,001,210</u>	<u>173,772</u>

25. Currency concentrations

HK\$ million	EUR	CHF	AUD	CNY	JPY	USD	Others	Total
As at 30th June 2007								
Hong Kong dollar equivalents								
Spot assets	2,990	434	5,089	620	986	53,552	4,398	68,069
Spot liabilities	(2,036)	(56)	(3,858)	(627)	(1,061)	(50,536)	(5,408)	(63,582)
Forward purchases	1,895	1,045	372	1,782	2,631	98,788	3,678	110,191
Forward sales	(2,808)	(1,426)	(1,504)	(1,566)	(2,543)	(103,164)	(2,677)	(115,688)
Net options position	67	(96)	(24)	19	(112)	512	(16)	350
Net long/(short) non-structural position	<u>108</u>	<u>(99)</u>	<u>75</u>	<u>228</u>	<u>(99)</u>	<u>(848)</u>	<u>(25)</u>	<u>(660)</u>
Net structural position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>68</u>	<u>68</u>

DBS BANK (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. Currency concentrations (continued)

HK\$ million	EUR	CHF	AUD	CNY	JPY	USD	Others	Total
As at 31st December 2006								
Hong Kong dollar equivalents								
Spot assets	1,965	397	5,364	3,228	994	58,260	4,527	74,735
Spot liabilities	(1,898)	(34)	(4,300)	(3,204)	(1,219)	(53,587)	(5,435)	(69,677)
Forward purchases	1,476	756	158	5,929	1,016	72,316	2,265	83,916
Forward sales	(1,639)	(1,098)	(1,013)	(5,929)	(700)	(77,029)	(1,340)	(88,748)
Net options position	35	–	(181)	–	(84)	579	(55)	294
Net long/(short) non-structural position	<u>(61)</u>	<u>21</u>	<u>28</u>	<u>24</u>	<u>7</u>	<u>539</u>	<u>(38)</u>	<u>520</u>
Net structural position	<u>–</u>	<u>–</u>	<u>–</u>	<u>257</u>	<u>–</u>	<u>–</u>	<u>31</u>	<u>288</u>

The net structural position as at 30th June 2007 represented the Group's Macau Pataca (MOP) investment of HK\$68,000,000 equivalent (31st December 2006: HK\$31,000,000) in Macau. As at 31st December 2006, the Group had Renminbi investments of HK\$257,000,000 equivalent in its Mainland China branches, which were derecognised on 26th May 2007, when the Bank transferred them to its intermediate holding company.

The net options position is calculated based on the worst-case approach set out in the prudential return 'Foreign Currency Position' issued by the Hong Kong Monetary Authority.

26. Liquidity ratio

	For the six months ended	
	30th June 2007	30th June 2006
Average liquidity ratio for the period	<u>39.1%</u>	<u>42.0%</u>

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 Hong Kong Banking Ordinance.

27. Event after the balance sheet date

On 11th July 2007, the Group declared an interim dividend of HK\$0.25 per share totalling HK\$1,300,000,000, which was paid on 20th July 2007.

Hong Kong, 20th July 2007