



DBS Group Holdings Ltd
Incorporated in the Republic of Singapore
Company Registration Number: 199901152M

To: Shareholders

The DBS Group Holdings Ltd ("DBSH" or "the Company") Board of Directors report unaudited financial results for the second quarter ended June 30, 2005.

For the second quarter of 2005, the Directors have declared, for each DBSH non-voting convertible preference share ("CPS"), each DBSH non-voting redeemable CPS, and for each DBSH ordinary share, an interim gross dividend of 15 cents (first quarter 2005 : 11 cents ; first half 2004 : 18 cents).

The second quarter 2005 dividends will be paid less 20% Singapore income tax.

The second quarter 2005 dividends will be payable on August 26, 2005. Notice is hereby given that the Share Transfer Books and Register of Members of the Company will be closed on August 16, 2005 to August 17, 2005, both dates inclusive. Duly completed transfers received by the Company's Registrar, Barbinder & Co Pte Ltd of 8 Cross Street #11-00 PWC Building, Singapore 048424 up to 5.00 p.m. on August 15, 2005 will be registered to determine shareholders' entitlement to the second quarter 2005 dividends. In respect of ordinary shares in the securities accounts with The Central Depository (Pte) Limited ("CDP"), the second quarter 2005 dividends will be paid by DBSH to CDP, which will in turn distribute the dividend entitlements to shareholders.

By order of the Board

Heng Lee Cheng (Ms)
Group Secretary

July 29, 2005
Singapore

More information on the above announcement is available at www.dbs.com/investor



Performance Summary

Unaudited Financial Results
for the Second Quarter ended
June 30, 2005

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Financial Highlights

DBS Group Holdings Ltd (“DBSH”) prepares its consolidated DBSH Group (“Group”) financial statements in accordance with Singapore Financial Reporting Standards (“FRS”).

In \$ millions	2nd Qtr 2005	2nd Qtr 2004	+/(-) %	1st Qtr 2005	1st Half 2005	1st Half 2004	+/(-) %
For the period							
Operating income	1,092	1,566	(30)	1,078	2,170	2,842	(24)
Operating profit before provisions and goodwill amortisation	592	1,072	(45)	567	1,159	1,832	(37)
Net profit attributable to equity holders of the parent (before goodwill amortisation)	441	951	(54)	412	853	1,543	(45)
Net profit attributable to equity holders of the parent	441	841	(48)	412	853	1,323	(36)
At period-end							
Equity attributable to equity holders of the parent	17,040	15,964	7	16,848	17,040	15,964	7
Customer loans ^{1/}	78,712	65,048	21	71,055	78,712	65,048	21
Customer deposits	115,933	108,179	7	115,931	115,933	108,179	7
Total assets	183,674	168,070	9	182,239	183,674	168,070	9
Per share (in \$)							
Basic earnings excluding goodwill amortisation ^{2/}	1.17	1.54	(24)	1.09	1.13	1.73	(35)
Basic earnings ^{2/}	1.17	1.24	(6)	1.09	1.13	1.44	(22)
Diluted earnings ^{2/}	1.12	1.20	(7)	1.06	1.09	1.38	(21)
Net asset value at period-end ^{3/}							
(i) based on existing ordinary share capital	11.11	10.41	7	10.99	11.11	10.41	7
(ii) assuming non-voting convertible preference shares (“CPS”) and non-voting redeemable CPS are converted to ordinary shares	10.92	10.25	7	10.80	10.92	10.25	7
Performance ratios							
(%)	2nd Qtr 2005	2nd Qtr 2004		1st Qtr 2005	1st Half 2005	1st Half 2004	
On a GAAP basis							
Return on assets ^{2/}	0.96	1.07		0.92	0.95	1.30	
Return on equity ^{2/ 3/}	10.42	11.97		9.91	10.20	13.97	
Excluding goodwill amortisation							
Return on assets ^{2/}	0.96	1.33		0.92	0.95	1.56	
Return on equity ^{2/ 3/}	10.42	14.78		9.91	10.20	16.83	
Efficiency and revenue mix ratios							
Cost-to-income ratio (excluding goodwill amortisation)	45.8	31.5		47.4	46.6	35.5	
As a percentage of total operating income:							
- net interest income	63.6	42.1		62.2	62.9	45.7	
- non-interest income	36.4	57.9		37.8	37.1	54.3	
Capital adequacy ratios (at period-end)							
- Tier 1 capital	10.6	11.6		10.9	10.6	11.6	
- Total capital	14.7	15.6		15.3	14.7	15.6	

Notes:

1/ After deducting cumulative provisions.

2/ Earnings per share, return on assets and return on equity for the periods are computed on an annualised basis.

3/ Minority interests are not included as equity in the computation of net asset value and return on equity.

Change in Accounting Policies

DBSH Group changed its accounting policy for investments in joint venture companies during the quarter. The accounting policy change was applied retrospectively, and the comparable financial results were restated to conform to the new policy. The change relates to the presentation of DBSH Group's share of joint venture companies' results in the Group results, and does not impact after tax profits and retained earnings. Please see Appendix VI, note 4 for details.

Financial Review

DBSH Group's net profit attributable to shareholders ("net profit") was \$441 million for second quarter 2005, up 28% excluding one-time gains recognised in second quarter 2004 of \$497 million from DBS Thai Danu Bank Public Company Limited ("DTDB") merger and the divestment of the Group's stake in Wing Lung Bank. Including such gains, net profit declined 48%.

Compared to first quarter 2005, net profit for second quarter 2005 improved 7% as operating income grew and operating expenses fell, offset by an increase in provisions.

- Operating income of \$1.092 billion was 2% higher than second quarter 2004 (excluding one-time gains) due to a 5% increase in net interest income, offset by lower non-interest income. Compared to first quarter 2005, operating income improved marginally by 1% as the 4% increase in net interest income was offset by a 3% drop in non-interest income. Improved asset mix as well as an expanded loan base contributed primarily to the higher net interest income. Net interest margins improved 2 basis points from first quarter 2005 to 1.80%. Non-interest income fell in second quarter 2005 due to lower net gains from treasury-related activities, cushioned by the strong growth in fee and commission income. Fee income rose 18% from a year ago and 15% from the previous quarter.
- Operating expenses remained largely unchanged from both comparative quarters. The marginally higher expenses compared to the same quarter last year was due to wage cost increases offset by lower non-staff expenses. Compared to operating expenses incurred in the previous quarter, the 2% decline in second quarter 2005 was due to lower staff expenses.
- Cost-to-income ratio improved to 45.8% for second quarter 2005, compared to 46.2% for second quarter 2004 (excluding one-time gains from operating income) and 47.4% for first quarter 2005.
- Provision charge of \$81 million for second quarter 2005 was higher than the \$14 million in the corresponding period last year, which included a partial release of special general provision following the DTDB merger in second quarter 2004. Specific provisions were also higher due to lower loan recoveries in second quarter 2005. Compared to first quarter 2005, the higher provision charge in second quarter 2005 was due to provisions for specific loans and net loan growth.

DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

Profit and Loss Account ^{1/}

In \$ millions	2nd Qtr 2005	2nd Qtr 2004	+/(-) %	1st Qtr 2005	1st Half 2005	1st Half 2004	+/(-) %
Net interest income	695	659	5	670	1,365	1,299	5
Non-interest income	397	907	(56)	408	805	1,543	(48)
Operating income	1,092	1,566	(30)	1,078	2,170	2,842	(24)
Operating expenses	(500)	(494)	1	(511)	(1,011)	(1,010)	0
Operating profit before provisions ^{2/}	592	1,072	(45)	567	1,159	1,832	(37)
Provisions	(81)	(14)	>100	(63)	(144)	(65)	>100
Operating profit ^{2/}	511	1,058	(52)	504	1,015	1,767	(43)
Share of profits less losses of associated companies	22	19	16	12	34	34	-
Net profit before taxation ^{2/}	533	1,077	(51)	516	1,049	1,801	(42)
Taxation	(79)	(113)	(30)	(91)	(170)	(232)	(27)
Net profit after taxation ^{2/}	454	964	(53)	425	879	1,569	(44)
Minority interests	(13)	(13)	-	(13)	(26)	(26)	-
Net profit attributable to equity holders of the parent (before goodwill amortisation)	441	951	(54)	412	853	1,543	(45)
Goodwill amortisation	-	(110)	NM	-	-	(220)	NM
Net profit attributable to equity holders of the parent	441	841	(48)	412	853	1,323	(36)

NM: Not meaningful

Notes:

1/ Figures for prior periods have been restated to reflect the change in accounting policies (Appendix VI, note 4)

2/ Goodwill amortisation in 2004 are excluded from these profit numbers to allow better comparability with second quarter 2005 and first half 2005

3/ Excluding one-time gains of \$497 million, the following profit and loss items would have been:

In \$ millions	2nd Qtr 2005	2nd Qtr 2004	+/(-) %	1st Qtr 2005	1st Half 2005	1st Half 2004	+/(-) %
Non-interest income	397	410	(3)	408	805	1,046	(23)
Operating income	1,092	1,069	2	1,078	2,170	2,345	(7)
Net profit attributable to equity shareholders of the parent (before goodwill amortisation)	441	454	(3)	412	853	1,046	(18)
Goodwill amortisation	-	(110)	NM	-	-	(220)	NM
Net profit attributable to equity shareholders of the parent	441	344	28	412	853	826	3

For Hong Kong Country Results, please refer to Appendix VII.

Net Interest Income and Net Interest Margin

 Table 1
Group Net Interest Income and Net Interest Margin ^{1/}

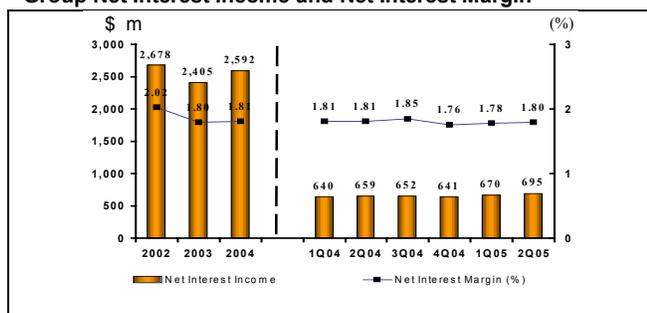
In \$ millions	2nd Qtr 2005			2nd Qtr 2004			1st Qtr 2005		
	Average balance	Interest	Average rate (%)	Average balance	Interest	Average rate (%)	Average balance	Interest	Average rate (%)
Customer loans and advances	74,336	724	3.91	67,107	576	3.45	70,876	616	3.52
Interbank items	30,806	169	2.20	32,906	100	1.22	35,554	181	2.06
Securities ^{2/}	49,483	425	3.45	46,292	330	2.87	46,602	380	3.31
Total interest bearing assets	154,625	1,318	3.42	146,305	1,006	2.77	153,032	1,177	3.12
Deposits	116,310	335	1.16	111,529	172	0.62	114,953	264	0.93
Others	33,312	288	3.47	30,787	175	2.29	33,273	243	2.96
Total interest bearing liabilities	149,622	623	1.67	142,316	347	0.98	148,226	507	1.39
Net interest income/margin		695	1.80		659	1.81		670	1.78

In \$ millions	1st Half 2005			1st Half 2004		
	Average balance	Interest	Average rate (%)	Average balance	Interest	Average rate (%)
Customer loans and advances	72,828	1,340	3.71	66,513	1,145	3.46
Interbank items	32,829	350	2.15	32,936	189	1.16
Securities ^{3/}	48,066	805	3.38	44,329	632	2.87
Total interest bearing assets	153,723	2,495	3.27	143,778	1,966	2.75
Deposits	115,589	599	1.05	111,146	338	0.61
Others	33,209	531	3.22	28,997	329	2.28
Total interest bearing liabilities	148,798	1,130	1.53	140,143	667	0.96
Net interest income/margin		1,365	1.79		1,299	1.81

Notes:

1/ Net interest margin is net interest income expressed as a percentage of average interest-earning assets. It is computed on an annualised basis.

2/ Refers to Singapore Government securities and treasury bills, trading and investment debt securities.

 Exhibit 1
Group Net Interest Income and Net Interest Margin


Net interest income grew 5% over second quarter 2004 to \$695 million in second quarter 2005, or 10% higher if net interest income of DTDB was excluded from second quarter 2004. Compared to first quarter 2005, net interest income increased 4%.

- The increase in net interest income was largely due to growth in volume of interest bearing assets, as end-period customer loans grew 21% year-on-year and 11% over end March 2005.
- Net interest margin for second quarter 2005 was 1.80%, slightly lower than 1.81% for second quarter 2004 which had included higher net interest contribution from DTDB. Compared to first quarter 2005, net interest margin improved 2 basis points with more surplus funds deployed to higher yielding customer loans and debt securities.

Non-Interest Income

 Table 2
Group Non-Interest Income

In \$ millions	2nd Qtr 2005	2nd Qtr 2004	+/(-) %	1st Qtr 2005	1st Half 2005	1st Half 2004	+/(-) %
Fee and commission income							
Stockbroking	36	44	(18)	47	83	113	(27)
Investment banking	37	22	68	23	60	48	25
Trade and remittances	46	42	10	39	85	79	8
Loan related	55	40	38	45	100	85	18
Guarantees	6	7	(14)	7	13	14	(7)
Deposit related	19	21	(10)	19	38	42	(10)
Credit card	25	21	19	18	43	43	-
Fund management	19	13	46	10	29	24	21
Wealth management	37	24	54	37	74	58	28
Others	10	11	(9)	8	18	19	(5)
Total	<u>290</u>	<u>245</u>	18	<u>253</u>	<u>543</u>	<u>525</u>	3
Dividend and rental income	36	44	(18)	13	49	58	(16)
Other income							
Net gain on treasury related activities	27	101	(73)	112	139	353	(61)
Net gain on investment securities	40	512	(92)	25	65	598	(89)
Net gain on fixed assets	1	3	(67)	3	4	5	(20)
Others	3	2	50	2	5	4	25
Total	<u>71</u>	<u>618</u>	(89)	<u>142</u>	<u>213</u>	<u>960</u>	(78)
Total non-interest income	<u>397</u>	<u>907</u>	(56)	<u>408</u>	<u>805</u>	<u>1,543</u>	(48)
Non-interest income as a percentage of operating income (%)	36.4	57.9		37.8	37.1	54.3	

Non-interest income in second quarter 2005 declined 3% to \$397 million compared to both the second quarter 2004 (excluding the \$497 million one-time gains) and first quarter 2005.

- Fee and commission income in the second quarter 2005 registered strong growth of 18% to \$290 million compared to the same quarter last year, principally due to higher fees earned from loan related activities, wealth management and investment banking services. Compared to first quarter 2005, fee and commission income grew 15% despite lower stockbroking fees, and the increases came from investment banking, credit card, fund management and loan related fees.
- Dividend and rental income increased to \$36 million for second quarter 2005.
- Other income declined to \$71 million in second quarter 2005. This was a decline of 41% (excluding one-time gains) compared to second quarter 2004, and 50% decline from the previous quarter. Net gain on treasury activities was significantly lower in second quarter 2005 as market conditions remained difficult.

Operating Expenses

Table 3

Group Operating Expenses

In \$ millions	2nd Qtr 2005	2nd Qtr 2004	+/(-) %	1st Qtr 2005	1st Half 2005	1st Half 2004	+/(-) %
Staff costs	253	232	9	265	518	488	6
Occupancy expenses	43	46	(7)	43	86	92	(7)
Computerisation expenses	71	79	(10)	74	145	156	(7)
Revenue-related expenses	44	48	(8)	47	91	103	(12)
Others	89	89	-	82	171	171	-
Total operating expenses	500	494	1	511	1,011	1,010	-
Cost-to-income ratio (%)	45.8	31.5 ^{1/}		47.4	46.6	35.5 ^{1/}	
Staff headcount number (at period-end)	12,090	10,838		11,649	12,090	10,838	

Note:

1/ Income includes one-time gains of \$497 million.

Operating expenses remained largely unchanged from both comparative quarters.

- Operating expenses for second quarter 2005 increased marginally by 1% to \$500 million over second quarter 2004. Staff costs rose 9% arising from salary increments and increased headcount, offset by lower computerisation and revenue-related expenses. Revenue-related expenses were lower as commission expenses paid declined in tandem with business volume.
- Compared to first quarter 2005, operating expenses fell 2%.
- Staff headcount at end June 2005 was 12,090, a 4% increase over end March 2005.

Provision Charge

Table 4

Group Provision Charge

In \$ millions	2nd Qtr 2005	2nd Qtr 2004	+/(-) %	1st Qtr 2005	1st Half 2005	1st Half 2004	+/(-) %
Specific provision ("SP")							
Loans							
Singapore	26	13	100	22	48	30	60
Hong Kong	10	24	(58)	12	22	42	(48)
Other countries	15	(10)	NM	10	25	(15)	NM
Sub-Total	51	27	89	44	95	57	67
Securities, properties and other assets	9	14	(36)	4	13	15	(13)
Total Specific provision	60	41	46	48	108	72	50
General provision	21	(27)	NM	15	36	(7)	NM
Total provision charge	81	14	>100	63	144	65	>100
SP (loans) / Average loan (basis point)	27	16		25	25	17	

NM: Not meaningful

Total provision charge for second quarter 2005 was \$81 million, compared to \$14 million for second quarter 2004 and \$63 million for first quarter 2005.

- Specific provision charge for loans in second quarter 2005 increased 89% to \$51 million compared to the same quarter last year. This was mainly due to lower charge in second quarter 2004 arising from loan recoveries. Compared to first quarter 2005, specific provision charge for loans increased 16%. For the above comparative periods, the increase in specific provisions came from loans in Singapore and overseas branches.
- General provision charge for second quarter 2005 was \$21 million, compared to a \$27 million write-back in second quarter 2004 when special general provisions was released following the DTDB merger.

Balance Sheet

Table 5
Group Key Balance Sheet Items

In \$ millions	Jun 30 2005	Mar 31 2005	Dec 31 2004	Jun 30 2004
Total assets	183,674	182,239	175,438	168,070
Customer loans ^{1/}	78,712	71,055	69,659	65,048
Customer deposits	115,933	115,931	113,206	108,179
Loan-to-deposit ratio (%)	67.9	61.3	61.5	60.1
Loan and non-trading debt securities-to-deposit ratio (%)	88.7	81.4	82.0	81.0

Note:

1/ After deducting cumulative provisions.

At June 30, 2005, total assets were \$183.7 billion.

- Compared to end March 2005, customer loans grew 11% to \$78.7 billion, with increases registered across all sectors. Customer deposits remained stable at \$115.9 billion.
- The Group's loan-to-deposit ratio improved to 67.9% at end June 2005. Including non-trading debt securities, the ratio of loan and non-trading debt securities to deposits was 88.7%.

Asset Quality

Exhibit 2
Group Non-Performing Loans

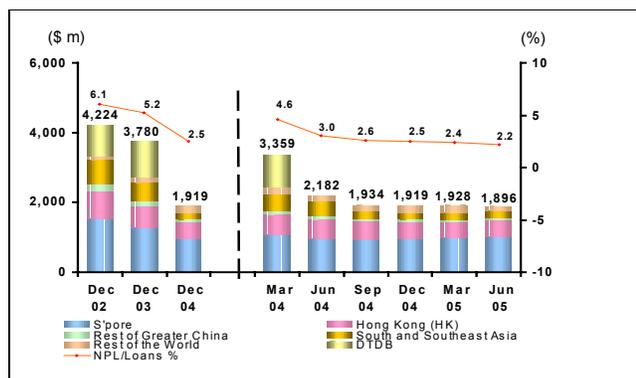


Table 6
Group Geographical NPL Rate
(Based on MAS standard)

(%)	Jun 30 2005	Mar 31 2005	Dec 31 2004	Jun 30 2004
Singapore	2.1	2.3	2.2	2.4
Hong Kong	1.8	1.8	2.0	2.3
South and Southeast Asia	4.6	5.5	6.3	14.6
Rest of Greater China	2.8	3.6	5.0	9.1
Rest of the World	2.7	4.3	4.6	4.7

Note:

1/ NPL rate is computed based on total non-bank customer NPLs (excluding non-performing debt securities and contingent items) divided by total gross non-bank customer loans.

- Non-performing loans ("NPLs") continued to trend downwards to \$1.9 billion at end June 2005. Out of the \$1.9 billion NPLs, \$0.6 billion or 30% were restructured NPLs.
- Singapore NPLs were \$1 billion and accounted for 53% of the Group's NPLs, while Hong Kong NPLs of \$0.5 billion accounted for 25%.
- The ratio of NPLs to the total non-bank loans ("NPL rate") further improved from 2.4% at end March 2005 to 2.2% at end June 2005. NPL rates across countries were either stable or improved.

Loan Grading

Of the total \$1.9 billion NPLs at end June 2005, 71% were classified as substandard, 11% as doubtful and the remaining 18% in the loss category. 53% of the NPLs were secured by collateral.

Cumulative Specific and General Provisions

Total cumulative specific and general provisions at end June 2005 were 201.4% of unsecured NPLs, and 94.1% of total NPLs.

Exhibit 3
Group Non-Performing Loans – by Loan Grading

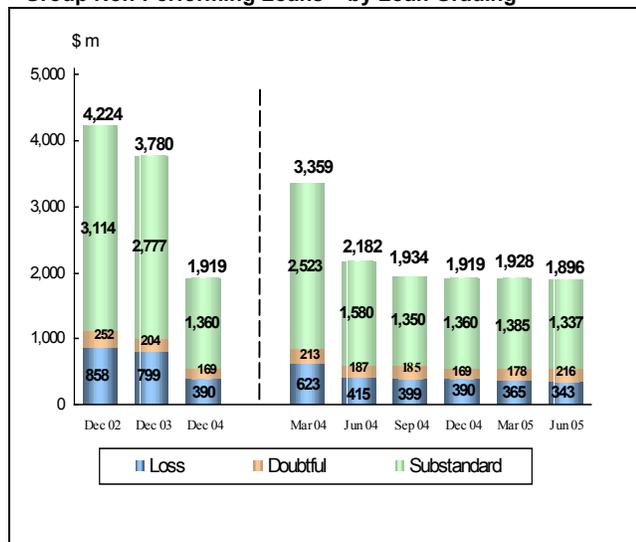
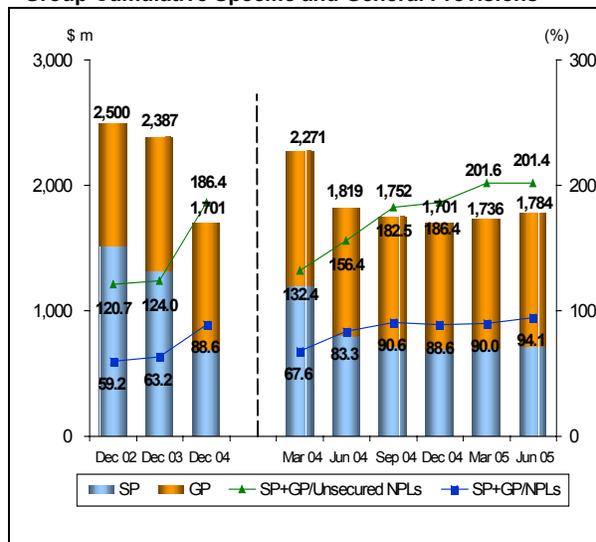


Exhibit 4
Group Cumulative Specific and General Provisions



Restructured Loans

Table 7
Loans that were restructured and classified

In \$ millions	Jun 30, 2005		Mar 31, 2005		Dec 31, 2004		Jun 30, 2004	
	NPLs	Specific provisions						
Substandard	503	96	531	106	351	34	416	41
Doubtful	19	19	11	11	10	10	19	17
Loss	45	45	45	44	58	58	77	76
Total	567	160	587	161	419	102	512	134

DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

Table 8
Group Customer Loans

In \$ millions	Jun 30 2005	Mar 31 2005	Dec 31 2004	Jun 30 2004
Gross	80,172	72,453	71,021	66,588
Less:				
Specific provisions	576	573	557	655
General provisions	884	825	805	885
Net total	78,712	71,055	69,659	65,048

Analysed by Industry

Manufacturing	8,275	7,697	7,268	6,262
Building & Construction	9,009	8,725	6,902	7,847
Housing Loans	25,291	24,412	24,091	23,089
General Commerce	8,383	7,486	7,297	6,547
Transportation, Storage & Communications	6,636	5,203	5,259	5,122
Financial Institutions, Investment & Holding Companies	9,226	6,212	7,467	5,038
Professionals & Private Individuals (except Housing Loans)	7,090	7,047	7,038	7,240
Others	6,262	5,671	5,699	5,443
Total (Gross)	80,172	72,453	71,021	66,588

Analysed by Currency and Fixed / Variable Rates

Fixed rate^{1/}

Singapore dollar	9,804	10,235	10,046	9,424
Hong Kong dollar	464	498	458	245
US dollar	109	218	82	1
Others	240	241	342	187
Sub-total	10,617	11,192	10,928	9,857

Variable rate^{2/}

Singapore dollar	26,177	24,184	23,899	21,577
Hong Kong dollar	23,639	22,557	21,432	21,434
US dollar	14,890	10,612	10,464	10,028
Others	4,849	3,908	4,298	3,692
Sub-total	69,555	61,261	60,093	56,731
Total (Gross)	80,172	72,453	71,021	66,588

Notes:

- 1/ Fixed rate loans refer to long-term loans where the interest rates are fixed for the initial 1 to 3 years for certain mortgage loans, and over the entire loan period for other loans.
- 2/ Variable rate loans refer to loans that are pegged to prime, short-term cost of funds or inter-bank rates.

DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

Table 9
Total Group Deposits

In \$ millions	Jun 30 2005	Mar 31 2005	Dec 31 2004	Jun 30 2004
Deposits of non-bank customers	115,933	115,931	113,206	108,179
Deposits and balances of banks	12,053	13,708	10,939	10,286
Total	127,986	129,639	124,145	118,465

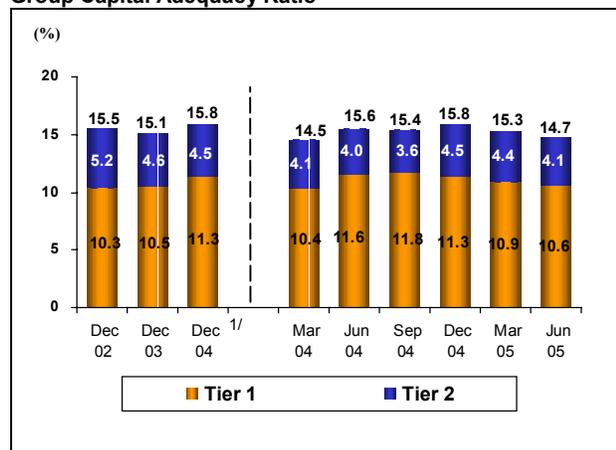
Table 10
Group Customer Deposits

In \$ millions	Jun 30 2005	Mar 31 2005	Dec 31 2004	Jun 30 2004
<i>Analysed by Currency</i>				
Singapore dollar	62,916	65,046	62,052	59,654
US dollar	23,527	24,071	23,709	22,490
Hong Kong dollar	18,540	18,180	17,900	16,828
Others	10,950	8,634	9,545	9,207
Total	115,933	115,931	113,206	108,179
<i>Analysed by Product</i>				
Savings accounts (include S\$ autosave)	46,817	48,823	49,697	48,659
Current accounts	12,470	13,077	11,694	11,506
Fixed deposits	50,640	48,839	45,767	42,264
Other deposits	6,006	5,192	6,048	5,750
Total	115,933	115,931	113,206	108,179

Capital Adequacy Ratio

Exhibit 5

Group Capital Adequacy Ratio



At June 30, 2005, the total Capital Adequacy Ratio (“CAR”) for DBSH Group was 14.7% based on MAS capital framework (MAS Notice 637). Tier 1 CAR was 10.6%.

Table 11

Group Capital

In \$ millions	Jun 30 2005	Mar 31 2005	Dec 31 2004	Jun 30 2004
Tier 1 Capital				
Paid ordinary/preference shares	1,561	1,561	1,559	1,557
Disclosed reserves/others	17,563	17,197	17,146	16,806
Goodwill	(6,931)	(6,931)	(6,931)	(7,152)
	12,193	11,827	11,774	11,211
Tier 2 Capital				
Cumulative general provisions	1,002	971	971	914
Subordinated debts	4,343	4,416	4,371	3,571
Others	(624)	(613)	(674)	(657)
	4,721	4,774	4,668	3,828
Total Capital	16,914	16,601	16,442	15,039
Risk Weighted Assets	114,845	108,847	103,987	96,641

Note:

1/ With effect from 2004, ratios were computed based on MAS Notice 637. Comparatives for 2003 and before were not restated and were computed using the Bank for International Settlements (“BIS”) guidelines.

Unrealised Valuation Surpluses

Table 12

Group Unrealised Valuation Surpluses

In \$ millions	Jun 30 2005	Mar 31 2005	Dec 31 2004	Jun 30 2004
Properties	751	734	653	538
Quoted investments	40	60 ^{1/}	531	182
Total	791	794	1,184	720

Note:

1/ The decline in unrealised valuation surpluses of quoted investments from end December 2004 was mainly due to the recognition of fair value changes in available-for-sale investments in balance sheet reserves with the adoption of FRS 39 from January 1, 2005.

Unrealised valuation surpluses in properties and quoted investment securities not recognised in the financial statements amounted to \$0.8 billion at end June 2005.

Business Segment Analysis

The business segment results represent the customer segments of the respective businesses and are determined by:

- Income and direct expenses attributable to each customer and other segment; and
- Management accounting policies relating to the allocation of indirect expenses and funds transfer pricing between the central treasury unit and customer/other segments.

The various customer segments are described below, along with a description of the change in net profit after taxation for second quarter 2005 over second quarter 2004 and for first half 2005 over first half 2004.

- **Consumer Banking**

Consumer Banking provides individual customers with a diverse range of banking and related financial services. The products and services offered to customers include current and savings accounts, loans and home finance, cards, payments and investment products.

Quarter-on-quarter, the increase in net profit after taxation (\$48 million, 43%) was mainly due to higher net interest income resulting from increased deposit volumes and margins.

Year-on-year, the increase in net profit after taxation (\$78 million, 34%) was mainly due to higher net interest income resulting from increased deposit volumes and margins.

- **Enterprise Banking**

Enterprise Banking provides financial services and products to small and medium-sized businesses. The products and services offered to customers include credit facilities (overdraft, factoring/accounts receivable purchase, trade services and financing, commercial/industrial property financing, hire purchase and government financing and assistance schemes), deposit, payment and collection services and treasury products.

Net profit after taxation was in line with second quarter 2004.

Year-on-year, the increase in net profit after taxation (\$5 million, 3%) was mainly attributable to strong loan and deposit growth.

- **Corporate and Investment Banking**

Corporate and Investment Banking provides tailored and unique financial solutions to large corporate and institutional clients. The products and services offered to customers include direct lending, corporate finance and advisory banking services for mergers and acquisitions, capital raising through debt and equity markets, capital restructuring, syndicated finance, securities and fiduciary services, cash management and trade services, and private equity.

Quarter-on-quarter, the increase in net profit after taxation (\$2 million, 2%) was mainly due to higher fee income from syndication and capital market activities.

Year-on-year, the decrease in net profit after taxation (\$35 million, 16%) was mainly due to higher provisions including general provisions on higher customer loan volumes.

The other segments of the analysis are:

- **Global Financial Markets**

Global Financial Markets provides treasury services to corporations, institutional and private investors, financial institutions and other market participants. It is primarily involved in market making, structuring, equity and debt sales and trading across a broad range of financial products including foreign exchange, interest rate/credit/equity and other structured derivatives. Income from financial products and services relating to other customer segments, e.g. Consumer Banking, Enterprise Banking and Corporate and Investment Banking, is reflected in the respective customer segments.

Global Financial Markets also provides equity services through DBS Vickers Securities (“DBSV”). DBSV offers a wide range of services including research, sales and trading for institutional, corporate and private clients and share placement.

Quarter-on-quarter, the decrease in net profit after taxation (\$9 million, 15%) was largely due to lower gains from foreign exchange, equity and interest rate products.

Year-on-year, the decrease in net profit after taxation (\$205 million, 65%) was largely due to lower gains from foreign exchange, equity and interest rate products.

- **Central Treasury Unit**

Central Treasury Unit is responsible for the management of the Group's asset and liability interest rate positions and investment of the Group's excess liquidity and shareholders' funds.

Quarter-on-quarter, the decrease in net profit after taxation (\$37 million, 54%) was due to lower gapping income resulting from flattening of interest rate yield curves.

Year-on-year, the decrease in net profit after taxation (\$77 million, 52%) was due to lower gapping income resulting from flattening of interest rate yield curves and first quarter 2004 benefiting from profit on sales of bonds.

- **Central Operations**

Central Operations encompasses a range of activities resulting from central corporate decisions and the related income and expenses not attributed to business segments. These include funding costs of DBSH Group's associated and subsidiary companies and gains/losses on properties. Private banking activities and asset management activities are included in this segment.

The decrease in net profit after taxation was largely due to one-time gains of \$497 million from the sale of the Group's stake in DBS Thai Danu Bank Public Company Limited and Wing Lung Bank in second quarter 2004 and first half 2004.

DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

The following table analyses the results, total assets and total liabilities by business segments:

Table 13

Group Business Segments (2nd Qtr 2005)

In \$ millions	Consumer Banking	Enterprise Banking	Corporate and Investment Banking	Global Financial Markets	Central Treasury Unit	Central Operations	Total
Operating income	423	178	230	143	55	63	1,092
Operating profit before provisions and goodwill amortisation	203	109	153	49	47	31	592
Net profit before taxation and goodwill amortisation	198	83	128	62	45	17	533
Taxation	(39)	(15)	(20)	(12)	(14)	21	(79)
Net profit after taxation and before goodwill amortisation	159	68	108	50	31	25	441
Goodwill amortisation							-
Net profit attributable to equity holders of the parent							441
<i>Other Information</i>							
Total assets before goodwill	30,068	18,251	30,544	71,125	23,225	3,530	176,743
Goodwill							6,931
Total assets							183,674
Total liabilities	66,995	16,822	13,876	44,073	2,122	21,614	165,502
Capital expenditure	3	3	2	6	2	10	26
Depreciation	7	4	1	5	2	20	39

Group Business Segments (2nd Qtr 2004)

In \$ millions	Consumer Banking	Enterprise Banking	Corporate and Investment Banking	Global Financial Markets	Central Treasury Unit	Central Operations	Total
Operating income	390	185	190	167	95	539	1,566
Operating profit before provisions and goodwill amortisation	156	121	127	71	86	511	1,072
Net profit before taxation and goodwill amortisation	137	79	125	73	85	578	1,077
Taxation	(23)	(15)	(20)	(14)	(17)	(24)	(113)
Net profit after taxation and before goodwill amortisation	111	68	106	59	68	539	951
Goodwill amortisation							(110)
Net profit attributable to equity holders of the parent							841
<i>Other Information</i>							
Total assets before goodwill	27,422	15,229	23,429	68,193	24,134	2,511	160,918
Goodwill							7,152
Total assets							168,070
Total liabilities	64,022	13,954	11,253	40,268	2,609	18,876	150,982
Capital expenditure	4	2	1	3	1	16	27
Depreciation	8	4	1	4	2	20	39

DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

Table 13

Group Business Segments (1st Half 2005)

In \$ millions	Consumer Banking	Enterprise Banking	Corporate and Investment Banking	Global Financial Markets	Central Treasury Unit	Central Operations	Total
Operating income	840	360	403	314	101	152	2,170
Operating profit before provisions and goodwill amortisation	397	224	255	111	86	86	1,159
Net profit before taxation and goodwill amortisation	383	184	214	137	89	42	1,049
Taxation	(74)	(33)	(36)	(26)	(17)	16	(170)
Net profit after taxation and before goodwill amortisation	309	151	178	111	72	32	853
Goodwill amortisation							-
Net profit attributable to equity holders of the parent							853
<i>Other Information</i>							
Total assets before goodwill	30,068	18,251	30,544	71,125	23,225	3,530	176,743
Goodwill							6,931
Total assets							183,674
Total liabilities	66,995	16,822	13,876	44,073	2,122	21,614	165,502
Capital expenditure	10	4	3	8	2	20	47
Depreciation	15	8	2	10	4	38	77

Group Business Segments (1st Half 2004)

In \$ millions	Consumer Banking	Enterprise Banking	Corporate and Investment Banking	Global Financial Markets	Central Treasury Unit	Central Operations	Total
Operating income	778	369	367	576	203	549	2,842
Operating profit before provisions and goodwill amortisation	335	243	245	367	185	457	1,832
Net profit before taxation and goodwill amortisation	286	173	252	373	185	532	1,801
Taxation	(51)	(33)	(40)	(56)	(36)	(16)	(232)
Net profit after taxation and before goodwill amortisation	231	146	213	316	149	488	1,543
Goodwill amortisation							(220)
Net profit attributable to equity holders of the parent							1,323
<i>Other Information</i>							
Total assets before goodwill	27,422	15,229	23,429	68,193	24,134	2,511	160,918
Goodwill							7,152
Total assets							168,070
Total liabilities	64,022	13,954	11,253	40,268	2,609	18,876	150,982
Capital expenditure	8	5	1	6	2	19	41
Depreciation	17	8	3	10	4	40	82

Geographical Segment Analysis

The following table analyses total assets, operating income and net profit by geographical segments. Unless otherwise stated, the analysis of geographical segments is generally based on the location of the office recording the transactions. The total assets, operating income and net profit are stated after elimination of inter-group assets and revenues.

Table 14
Group Geographical Segments

In \$ millions	Total assets	Distribution (%)	Year-to-date Operating income	Distribution (%)	Year-to-date Net profit	Distribution (%)
Jun 30, 2005						
Singapore	117,853	67	1,398	64	587	69
Hong Kong	42,173	24	603	28	239	28
Rest of Greater China	4,791	2	42	2	(2)	(0)
South and Southeast Asia	3,433	2	71	3	38	4
Rest of the World	8,493	5	56	3	(9)	(1)
Sub-total	176,743	100	2,170	100	853	100
Goodwill	6,931		-		-	
Total	183,674		2,170		853	
Jun 30, 2004						
Singapore	108,098	67	1,934	68	1,144	74 ^{1/}
Hong Kong	40,041	25	711	25	311	20 ^{1/}
Rest of Greater China	5,199	3	34	1	15	1
South and Southeast Asia ^{2/}	2,132	1	122	4	54	4
Rest of the World	5,448	4	41	2	19	1
Sub-total	160,918	100	2,842	100	1,543	100
Goodwill	7,152		-		(220)	
Total	168,070		2,842		1,323	

Note:

1/ Excluding one-time gains of \$497 million, Singapore and Hong Kong's contribution to the Group net profit were 62% and 30% respectively.

2/ Year-to-date operating income and net profit include contributions from DTDB, which was deconsolidated on June 25, 2004.

DBSH Group operates in five main geographical areas :

- “**Singapore**”, which includes operations generated in Singapore.
- “**Hong Kong**”, which includes branch and subsidiary operations in Hong Kong.
- “**Rest of Greater China**”, which includes branch operations in China and Taiwan.
- “**South and Southeast Asia**”, which includes branch and subsidiary operations in India, Indonesia, Malaysia, Thailand and the Philippines.
- “**Rest of the World**”, which are mainly branch operations in South Korea, Japan, United States and United Kingdom.

Comparatives

Where necessary, comparative figures were adjusted in order to provide proper comparison with current periods' presentation.

DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

Unaudited Consolidated Profit and Loss Account ^{1/}

In \$ millions	2nd Qtr 2005	2nd Qtr 2004	+/(%)	1st Qtr 2005	1st Half 2005	1st Half 2004	+/(%)
Interest income	1,318	1,006	31	1,177	2,495	1,966	27
Less: Interest expense	623	347	80	507	1,130	667	69
Net interest income	695	659	5	670	1,365	1,299	5
Fee and commission income	290	245	18	253	543	525	3
Dividend income	29	36	(19)	5	34	41	(17)
Rental income	7	8	(13)	8	15	16	(6)
Other income	71	618	(89)	142	213	961	(78)
Operating income	1,092	1,566	(30)	1,078	2,170	2,842	(24)
Less: Staff costs	253	232	9	265	518	488	6
Depreciation	39	39	-	38	77	82	(6)
Other operating expenses	208	223	(7)	208	416	440	(5)
Goodwill amortisation	-	110	NM	-	-	220	NM
Operating expenses	500	604	(17)	511	1,011	1,230	(18)
Operating profit before provisions	592	962	(38)	567	1,159	1,612	(28)
Less: Provision for loan losses and diminution in value of other assets	81	14	>100	63	144	65	>100
Operating profit	511	948	(46)	504	1,015	1,547	(34)
Add: Share of profits less losses of associated companies	22	19	16	12	34	34	-
Net profit before taxation	533	967	(45)	516	1,049	1,581	(34)
Less: Taxation	74	108	(31)	88	162	223	(27)
Share of taxation of associated companies	5	5	-	3	8	9	(11)
Net profit after taxation	454	854	(47)	425	879	1,349	35
Attributable to:							
Equity holders of the parent	441	841	(48)	412	853	1,323	(36)
Minority interest	13	13	-	13	26	26	-
	454	854	(47)	425	879	1,349	(35)

NM: Not meaningful

Note:

1/ Figures for prior periods have been restated to reflect the change in accounting policies (Appendix VI, note 4).

DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

Unaudited Consolidated Balance Sheet as at ^{1/}

In \$ millions	Jun 30 2005	Mar 31 2005	Dec 31 2004	Jun 30 2004	In \$ millions	Jun 30 2005	Mar 31 2005	Dec 31 2004	Jun 30 2004
Equity Attributable to Equity Holders of the Parent					ASSETS				
Share capital	1,561	1,561	1,559	1,557	Cash, and balances and placements with central banks	10,080	9,935	10,479	7,088
Share premium account	2,228	2,223	2,208	2,181	Singapore Government securities and treasury bills	11,626	11,470	11,194	13,627
Treasury shares	(117)	(117)	(126)	(132)	Trading securities	16,788	14,347	11,695	11,431
Non-distributable reserves	6,868	6,716	6,628	6,548	Balances, placements with, and loans and advances to banks	17,529	27,851	25,169	24,829
Revenue reserve	6,500	6,465	6,153	5,810	Bills receivable from non-bank customers	3,042	2,629	2,333	1,939
	<u>17,040</u>	<u>16,848</u>	<u>16,422</u>	<u>15,964</u>	Loans and advances to non-bank customers	75,670	68,426	67,326	63,109
Minority Interests	1,132	1,141	1,128	1,124	Investment securities	25,370	24,420	24,208	23,738
TOTAL EQUITY	<u>18,172</u>	<u>17,989</u>	<u>17,550</u>	<u>17,088</u>	Associated companies	520	513	491	525
LIABILITIES					Goodwill	6,931	6,931	6,931	7,152
Deposits and balances of banks	12,053	13,708	10,939	10,286	Fixed assets	1,786	1,785	1,798	1,856
Deposits and other accounts of non-bank customers	115,933	115,931	113,206	108,179	Deferred tax assets	70	91	103	118
Bills payable	491	390	350	357	Other assets	14,262	13,841	13,711	12,658
Current taxation	641	690	631	617					
Deferred tax liabilities	56	61	62	72					
Other liabilities	21,273	18,939	18,712	19,269					
Other borrowings and debt securities in issue ^{2/}	8,054	7,806	7,624	6,826					
- due within one year	3,128	3,145	3,145	2,354					
- due after one year	4,926	4,661	4,479	4,472					
Subordinated term debts (unsecured)	7,001	6,725	6,364	5,376					
- due within one year	-	-	-	-					
- due after one year	7,001	6,725	6,364	5,376					
TOTAL EQUITY AND LIABILITIES	<u>183,674</u>	<u>182,239</u>	<u>175,438</u>	<u>168,070</u>	TOTAL ASSETS	<u>183,674</u>	<u>182,239</u>	<u>175,438</u>	<u>168,070</u>
OFF BALANCE SHEET ITEMS									
Contingent liabilities	8,552	7,633	8,529	7,458					
Commitments	79,387	75,964	70,774	67,870					
Financial derivatives	1,576,375	1,570,828	1,518,507	1,549,064					

Notes:

1/ Figures for prior periods have been restated to reflect the change in accounting policies (Appendix VI, note 4).

2/ Includes secured amount of \$1,927 million as at June 30, 2005 (March 31, 2005: \$1,826 million; December 31, 2004: \$1,814 million; June 30, 2004: \$1,497 million). These are mainly secured by properties and securities.

DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

Unaudited Balance Sheet of DBS Group Holdings Ltd as at ^{1/}

In \$ millions	Jun 30 2005	Mar 31 2005	Dec 31 2004	Jun 30 2004	In \$ millions	Jun 30 2005	Mar 31 2005	Dec 31 2004	Jun 30 2004
EQUITY					ASSETS				
Share capital	1,561	1,561	1,559	1,557	Balances, placements with, and loans and advances to non-bank customers	3	3	3	3
Share premium account	2,228	2,223	2,208	2,181	Subsidiary companies	6,780	6,850	6,832	6,794
Capital redemption reserve	28	28	28	28					
Share option plan reserve	41	37	35	22					
Revenue reserve	2,919	2,999	3,000	3,000					
TOTAL EQUITY	6,777	6,848	6,830	6,788					
LIABILITIES									
Current liabilities	6	5	5	9					
Deferred tax liabilities	#	#	#	#					
TOTAL EQUITY AND LIABILITIES	6,783	6,853	6,835	6,797	TOTAL ASSETS	6,783	6,853	6,835	6,797
Other Information									
Net asset value per ordinary share (\$)									
(i) Based on existing ordinary share capital	4.49	4.54	4.50	4.49					
(ii) Assuming non-voting convertible preference shares ("CPS") and non- voting redeemable CPS are converted to ordinary shares	4.34	4.39	4.36	4.35					

Notes:

1/ Figures for prior periods have been restated to reflect the change in accounting policies (Appendix VI, note 4).

2/ #: Insignificant

DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

Unaudited Consolidated Statement of Changes in Shareholders' Equity^{1/}

In \$ millions	Share Capital	Share Premium	Treasury Shares	Non-distributable Reserves	Revenue Reserve	Minority Interests	Total Equity
Balance at January 1, 2005	1,559	2,208	-	6,585	6,150	1,128	17,630
Adjustment due to change in accounting policies			(126)	43	3		(80)
Balance at January 1, 2005 (restated)	1,559	2,208	(126)	6,628	6,153	1,128	17,550
On adoption of FRS 39 at January 1, 2005				292	(100)		192
Exercise of share options pursuant to the DBSH Share Option Plan	2	18					20
Net exchange translation adjustments during the period				3			3
Share of associated companies' Capital Reserves				2			2
Cost of share-based payments		2	9	10			21
Net unrealised loss on financial instruments				(67)			(67)
Final and interim dividends paid on ordinary and preference shares					(406)		(406)
Dividends paid to minority interests						(26)	(26)
Change in minority interests						4	4
Net profit after taxation					853	26	879
Balance at June 30, 2005	1,561	2,228	(117)	6,868	6,500	1,132	18,172
Balance at January 1, 2004	1,556	2,171	-	6,499	4,670	1,125	16,021
Adjustment due to change in accounting policies			(138)	11	34		(93)
Balance at January 1, 2004 (restated)	1,556	2,171	(138)	6,510	4,704	1,125	15,928
Exercise of share options pursuant to the DBSH Share Option Plan	1	10					11
Net exchange translation adjustments during the period				4			4
Cost of share-based payments			6	16			22
Goodwill transferred on disposal of subsidiary company				18	(18)		-
Final dividends paid on ordinary and preference shares for the previous year					(199)		(199)
Dividends paid to minority interests						(27)	(27)
Net profit after taxation					1,323	26	1,349
Balance at June 30, 2004	1,557	2,181	(132)	6,548	5,810	1,124	17,088

Note:

1/ Figures for prior periods have been restated to reflect the change in accounting policies (Appendix VI, note 4).

DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

Unaudited Statement of Changes in Shareholders' Equity of DBS Group Holdings Ltd ^{1/}

In \$ millions	Share Capital	Share Premium	Share Option Plan Reserve	Capital Redemption Reserve	Revenue Reserve	Total Equity
Balance at January 1, 2005	1,559	2,208	-	28	3,000	6,795
Adjustment due to change in accounting policies			35			35
Balance at January 1, 2005 (restated)	1,559	2,208	35	28	3,000	6,830
Exercise of share options pursuant to the DBSH Share Option Plan	2	18				20
Cost of share-based payments		2	6			8
Final and interim dividends paid on ordinary and preference shares					(406)	(406)
Net profit after taxation					326	326
Balance at June 30, 2005	1,561	2,228	41	28	2,919	6,777
Balance at January 1, 2004	1,556	2,171	-	28	3,001	6,756
Adjustment due to change in accounting policies			9			9
Balance at January 1, 2004 (restated)	1,556	2,171	9	28	3,001	6,765
Exercise of share options pursuant to the DBSH Share Option Plan	1	10				11
Cost of share-based payments			13			13
Final dividends paid on ordinary and preference shares for the previous year					(199)	(199)
Net profit after taxation					198	198
Balance at June 30, 2004	1,557	2,181	22	28	3,000	6,788

Note:

1/ Figures for prior periods have been restated to reflect the change in accounting policies (Appendix VI, note 4).

DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

Unaudited Consolidated Cash Flow Statement ^{1/}

In \$ millions	1st Half 2005	1st Half 2004
Cash flows from operating activities		
Net profit before taxation	1,049	1,581
<i>Adjustments for non-cash items:</i>		
Provision for loan losses and diminution in value of other assets	144	65
Depreciation of fixed assets	77	82
Goodwill amortisation	-	220
Share of profits of associated companies	(34)	(34)
Net gain on disposal of fixed assets	(4)	(5)
Net gain on disposal of investment securities	(65)	(598)
Operating profit before changes in operating assets & liabilities	<u>1,167</u>	<u>1,311</u>
<i>Increase in:</i>		
Deposits and other accounts of non-bank customers	2,727	3,572
Deposits and balances of banks	1,114	2,937
Other liabilities including bills payable	2,695	3,633
<i>(Increase)/Decrease in:</i>		
Singapore Government securities and treasury bills	(432)	(2,189)
Trading securities	(5,093)	(4,998)
Accounts receivable and other assets	(367)	(537)
Balances, placements with, and loans and advances to other banks	7,640	2,524
Loans and advances to non-bank customers including bills receivable	(9,217)	(4,026)
Tax Paid	(187)	(104)
Net cash generated from operating activities (1)	<u>47</u>	<u>2,123</u>
Cash flows from investing activities		
Dividends from associated companies	24	9
Purchase of fixed assets	(47)	(42)
Net increase in investment securities	(1,104)	(923)
Proceeds from sale of subsidiary	-	(69)
Proceeds from disposal of fixed assets	18	27
Net cash used in investing activities (2)	<u>(1,109)</u>	<u>(998)</u>
Cash flows from financing activities		
Increase/(Decrease) in share capital and share premium	22	11
Net increase in debt securities and borrowings	1,067	1,148
Dividends paid to shareholders of DBSH	(406)	(199)
Dividends paid to minority interests	(26)	(26)
Net cash generated from financing activities (3)	<u>657</u>	<u>934</u>
Exchange translation adjustments (4)	6	22
Net change in cash, and balances and placements with central banks (1)+(2)+(3)+(4)	<u>(399)</u>	<u>2,081</u>
Cash, and balances and placements with central banks as at January 1	<u>10,479</u>	<u>5,007</u>
Cash, and balances and placements with central banks as at June 30	<u>10,080</u>	<u>7,088</u>

Note:

1/ Figures for prior periods have been restated to reflect the change in accounting policies (Appendix VI, note 4).

DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

Selected Notes to the Accounts

1. Issuance of Ordinary Shares

There were 1,492,730,436 issued and fully paid-up ordinary shares at December 31, 2004. During the first half ended June 30, 2005, 1,741,920 ordinary shares were issued upon the exercise of executive share options, bringing the total outstanding number of ordinary shares to 1,494,472,356 at June 30, 2005. The weighted average number of ordinary shares was 1,493,766,428 for the first half ended June 30, 2005.

Details of issue of new ordinary shares of \$1.00 each are as follows:

Particulars	Number of new ordinary shares issued between April 1, 2005 and June 30, 2005	Number of new ordinary shares that would have been issued upon the conversion/exercise of all outstanding non-voting convertible preference shares ("CPS")/non-voting redeemable CPS/executive share options		
		Jun 30, 2005	Mar 31, 2005	Jun 30, 2004
Conversion of non-voting CPS	-	120,436	120,436	120,436
Conversion of non-voting redeemable CPS	-	66,475,374	66,475,374	66,475,374
Exercise of executive share options	515,230	46,156,505	47,944,623	50,936,683

2. Non-Performing Loans and Provisions

At June 30, 2005, DBSH Group's total non-performing loans ("NPLs") amounted to \$1.896 billion. Out of the total NPLs, \$1.010 billion or 53% were secured by collateral.

Details of DBSH Group's NPLs and provisions at June 30, 2005 are as follows:

In \$ millions	Singapore	Hong Kong	South and Southeast Asia	Rest of Greater China	Rest Of the World	Total
Non-Performing Loans	1,013	473	207	61	142	1,896
- Substandard	697	359	104	35	142	1,337
- Doubtful	131	58	24	3	-	216
- Loss	185	56	79	23	-	343
NPLs as a % of Group total assets	0.5%	0.3%	0.1%	0.0%	0.1%	1.0%
Non-bank NPLs as a % of non-bank loans in the respective countries ^{1/}	2.1%	1.8%	4.6%	2.8%	2.7%	2.2%
Total Cumulative Provisions	967	436	163	64	154	1,784
- Specific provisions	389	146	100	36	45	716
- General provisions	578	290	63	28	109	1,068
Total Cumulative Provisions as a % of:						
- Group total assets	0.5%	0.2%	0.1%	0.0%	0.1%	1.0%
- NPLs in the respective countries	95%	92%	79%	105%	109%	94%
- Unsecured NPLs in the respective countries	218%	236%	134%	119%	190%	201%

Note:

^{1/} Computed based on total non-bank customer NPLs (excluding non-performing debt securities and contingent items) divided by total gross non-bank customer loans.

DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

2. Non-Performing Loans and Provisions (Continued)

Details of DBSH Group's NPLs and provisions at March 31, 2005 are as follows:

In \$ millions	Singapore	Hong Kong	South and Southeast Asia	Rest of Greater China	Rest Of the World	Total
Non-Performing Loans	979	457	221	63	208	1,928
- Substandard	689	333	121	34	208	1,385
- Doubtful	95	54	25	4	-	178
- Loss	195	70	75	25	-	365
NPLs as a % of Group total assets	0.5%	0.3%	0.1%	0.0%	0.1%	1.1%
Non-bank NPLs as a % of non-bank loans in the respective countries ^{1/}	2.3%	1.8%	5.5%	3.6%	4.3%	2.4%
Total Cumulative Provisions	936	448	162	61	129	1,736
- Specific provisions	384	152	99	36	29	700
- General provisions	552	296	63	25	100	1,036
Total Cumulative Provisions as a % of:						
- Group total assets	0.5%	0.2%	0.1%	0.0%	0.1%	1.0%
- NPLs in the respective countries	96%	98%	73%	98%	62%	90%
- Unsecured NPLs in the respective countries	215%	265%	132%	109%	165%	202%

Details of DBSH Group's NPLs and provisions at December 31, 2004 are as follows:

In \$ millions	Singapore	Hong Kong	South and Southeast Asia	Rest of Greater China	Rest Of the World	Total
Non-Performing Loans	958	471	218	73	199	1,919
- Substandard	674	341	107	39	199	1,360
- Doubtful	80	51	23	15	-	169
- Loss	204	79	88	19	-	390
NPLs as a % of Group total assets	0.5%	0.3%	0.1%	0.0%	0.1%	1.1%
Non-bank NPLs as a % of non-bank loans in the respective countries ^{1/}	2.2%	2.0%	6.3%	5.0%	4.6%	2.5%
Total Cumulative Provisions	905	443	150	67	136	1,701
- Specific provisions	359	159	97	44	28	686
- General provisions	546	284	53	23	108	1,015
Total Cumulative Provisions as a % of:						
- Group total assets	0.5%	0.3%	0.1%	0.0%	0.1%	1.0%
- NPLs in the respective countries	94%	94%	69%	91%	69%	89%
- Unsecured NPLs in the respective countries	221%	257%	125%	99%	95%	186%

Note:

^{1/} Computed based on total non-bank customer NPLs (excluding non-performing debt securities and contingent items) divided by total gross non-bank customer loans.

DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

2. Non-Performing Loans and Provisions (Continued)

Details of DBSH Group's NPLs and provisions at June 30, 2004 are as follows:

In \$ millions	Singapore	Hong Kong	South and Southeast Asia	Rest of Greater China	Rest Of the World	Total
Non-Performing Loans	965	544	401	122	150	2,182
- Substandard	672	389	282	87	150	1,580
- Doubtful	97	46	29	15	-	187
- Loss	196	109	90	20	-	415
NPLs as a % of Group total assets	0.6%	0.3%	0.2%	0.1%	0.1%	1.3%
Non-bank NPLs as a % of non-bank loans in the respective countries ^{1/}	2.4%	2.3%	14.6%	9.1%	4.7%	3.0%
Total Cumulative Provisions	773	425	339	110	172	1,819
- Specific provisions	382	182	155	56	19	794
- General provisions	391	243	184	54	153	1,025
Total Cumulative Provisions as a % of:						
- Group total assets	0.5%	0.3%	0.2%	0.1%	0.1%	1.1%
- NPLs in the respective countries	80%	78%	85%	90%	114%	83%
- Unsecured NPLs in the respective countries	188%	214%	117%	97%	114%	156%

Note:

^{1/} Computed based on total non-bank customer NPLs (excluding non-performing debt securities and contingent items) divided by total gross non-bank customer loans.

DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

2. Non-Performing Loans and Provisions (Continued)

Analysis of Non-Performing Loans by Industry

The following table shows the industry breakdown of the non-performing loans of DBSH Group:

In \$ millions	June 30, 2005		March 31, 2005		December 31, 2004		June 30, 2004	
	NPLs	Specific Provisions	NPLs	Specific Provisions	NPLs	Specific Provisions	NPLs	Specific Provisions
Customer loans								
Manufacturing	449	190	406	172	365	175	583	234
Building and Construction	161	38	177	55	237	58	251	57
Housing Loans	248	65	242	67	253	67	253	74
General Commerce	245	110	238	98	186	75	187	93
Transportation, Storage and Communications	33	11	25	9	27	10	45	4
Financial Institutions, Investment and Holding Companies	189	53	193	56	201	58	128	45
Professionals and Private Individuals (except Housing Loans)	237	111	245	108	239	105	219	100
Others	173	69	244	72	255	78	351	103
Sub-total	1,735	647	1,770	637	1,763	626	2,017	710
Debt securities	127	51	138	53	138	52	145	65
Contingent items	34	18	20	10	18	8	20	19
Total	1,896	716	1,928	700	1,919	686	2,182	794

Analysis of Non-Performing Loans by Period Overdue

In \$ millions	June 30, 2005	March 31, 2005	December 31, 2004	June 30, 2004
Non-default	675	800	744	682
Default loans	1,221	1,128	1,175	1,500
Less than 3 months	411	303	339	387
3 to 6 months	169	143	157	172
Over 6 months	641	682	679	941
Total	1,896	1,928	1,919	2,182

DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

3. Value at Risk and Trading Income

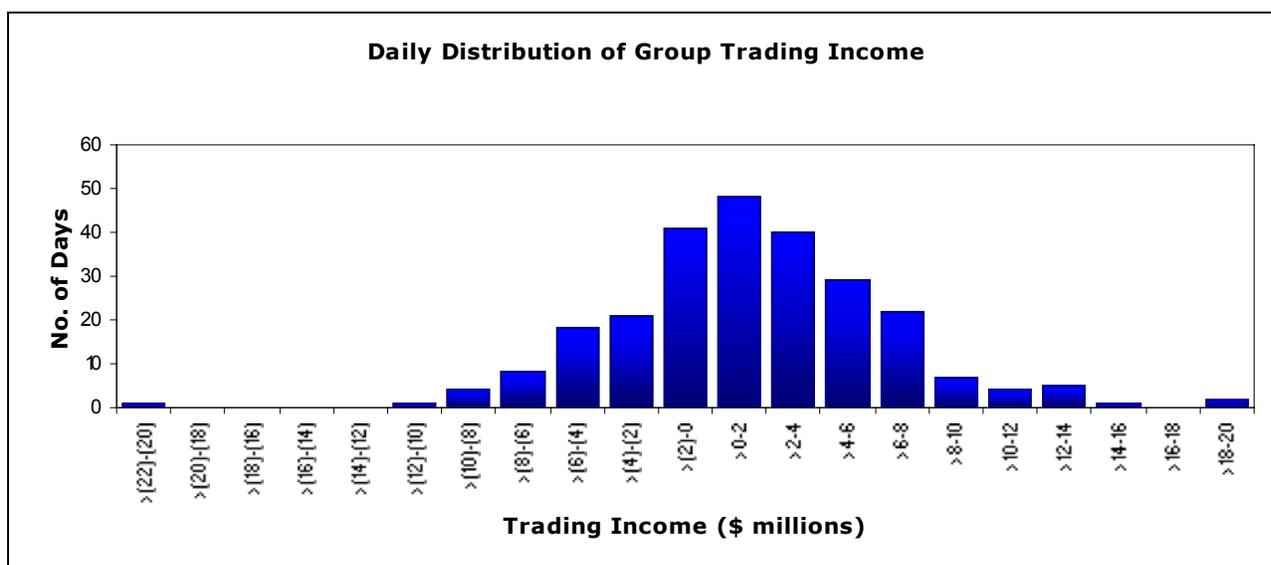
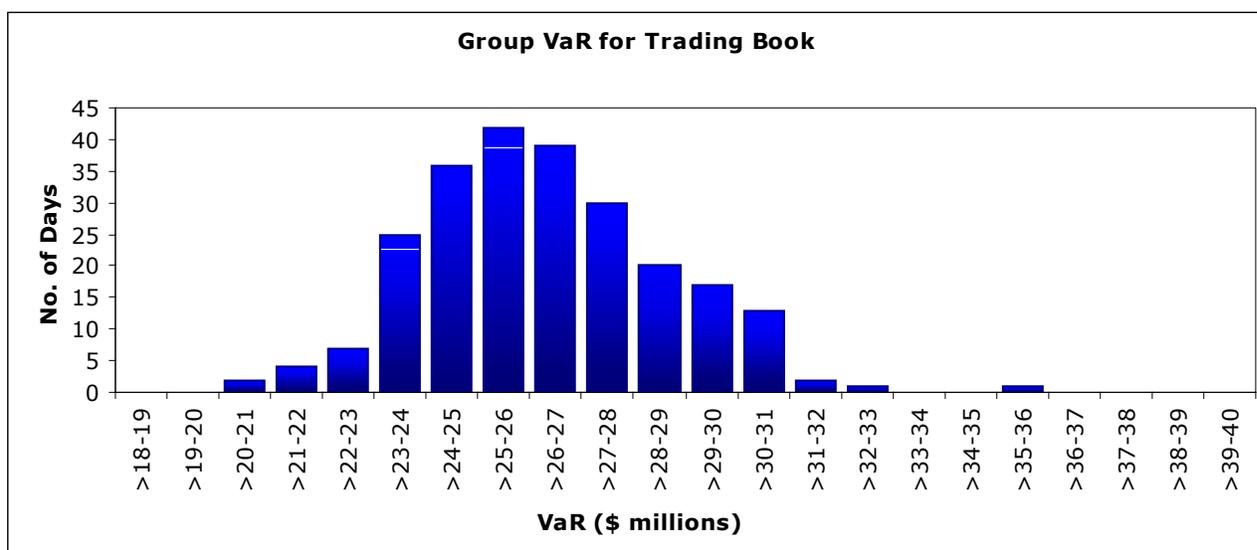
The Group uses a Value at Risk (“VaR”) measure as one mechanism for controlling trading risk. The VaR is calculated using a one-day time horizon and a 99% confidence interval. The following table shows the period-end, average, high and low VaR for the trading risk exposure of the DBSH Group for the period from July 1, 2004 to June 30, 2005.

In \$ millions	As at June 30, 2005	July 1, 2004 to June 30, 2005		
		Average	High ^{1/}	Low ^{1/}
Interest rate	26.7	28.7	39.6	22.9
FX	11.1	5.9	15.6	2.7
Equity	4.5	6.4	14.6	3.1
Diversification effect	(17.9)	(14.7)	-	-
Total	24.4	26.3	35.1	20.7

Note:

1/ The high (& low) VaR figures reported for each risk class did not necessarily occur on the same day as the high (& low) reported for total. A corresponding diversification effect cannot be calculated and is therefore omitted from the table.

The charts below provide the range of VaR and the daily distribution of trading income in the trading portfolio for the period from July 1, 2004 to June 30, 2005.



DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

4. Change in Accounting Policies

a. In second quarter 2005, DBSH Group changed its accounting policy for investments in joint venture companies. These investments are accounted for by proportionate consolidation, whereby the Group's share of joint venture companies' income and expenses, assets and liabilities are included in the consolidated financial statements on a line-by-line basis. The change better reflects the substance and economic reality of the Group's interests in joint venture companies. Prior to the change, the equity method of accounting was adopted. The accounting policy change has been applied retrospectively, and the comparable financial results have been restated to conform to the new policy. There was no impact on after tax profits and retained earnings. The impact on a line-by-line basis was also not material.

b. In addition, the Council on Corporate Disclosure and Governance ("CCDG") adopted several new and revised Financial Reporting Standards ("FRS"), which are effective January 1, 2005 for DBSH Group, including:

- FRS 39 Financial Instruments: Recognition and Measurement (revised)
- FRS 102 Share-based Payment
- FRS 103 Business Combinations
- Interpretation of FRS ("INT FRS") 12 Consolidation – Special Purpose Entities (revised)
- FRS 1 Presentation of Financial Statements (revised)

Except for the prospective application of FRS 39 and FRS 103, the other accounting standard changes are applied retrospectively, with the comparative financial results restated to conform to the new accounting standards.

The financial impact of the changes in accounting policies are as follows:

Financial Reporting Standards ("FRS") 39, Financial Instruments: Recognition and Measurement

The implementation of FRS 39 had a significant impact on certain financial assets and liabilities. An opening adjustment was made, representing unrealised gains or losses on certain financial assets and financial liabilities including derivatives to be measured at fair value on January 1, 2005. The differences between carrying amount and fair value were adjusted to revaluation and revenue reserves.

FRS 39 is applied prospectively, and the comparative figures for 2004 are not restated as prescribed by the Standard. On January 1, 2005, the following transitional adjustments were made:

In \$ millions	Revaluation reserves as at January 1, 2005	Revenue reserves as at January 1, 2005	Total
+ / (-)	\$'m	\$'m	\$'m
Fair valuation of:			
- Investments (bonds and equities)	292	29	321
- Derivatives	-	(123)	(123)
	<u>292</u>	<u>(94)</u>	<u>198</u>
Hedge accounting	-	(6)	(6)
	<u>292</u>	<u>(100)</u>	<u>192</u>

Note:

1/ Figures above are shown net of taxes.

FRS 102, Share-based Payment

FRS 102 requires an expense to be recognised where DBSH Group pays for goods or services using shares or other equity instruments (equity-settled transactions), or using other assets equivalent in value to a given number of shares or other equity instruments (cash-settled transactions).

DBSH Group is required to expense off share options and shares awarded to staff and directors under its share-based incentive plans (namely DBSH Share Option Plan; DBSH Performance Share Plan; DBSH Employee Share Plan) with a corresponding increase in equity. This resulted in reductions of \$10 million and \$32 million to revenue reserves, and increases in equity by \$11 million and \$43 million as at January 1, 2004 and as at January 1, 2005 respectively. The impact on staff costs for the first two quarters of 2005 was \$10 million each and for second quarter 2004, \$6 million; they do not have a material impact to the basic and diluted EPS for the respective periods.

DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

FRS 103, Business Combinations

The effect of the adoption of FRS 103 is that upon acquisition of subsidiaries or business undertakings, DBSH Group will include items like intangible assets and contingent liabilities as part of the identifiable assets and liabilities acquired, at their fair values as at the acquisition date. There were no major acquisitions by DBSH Group in first half 2005.

Additionally, the adoption of FRS 103 requires DBSH Group to cease goodwill amortisation to the profit and loss account. Goodwill should also be reviewed for impairment annually (unless an event occurs during the year which requires the goodwill to be tested more frequently) in accordance with FRS 36, "Impairment of Assets" (revised in 2004), from January 1, 2005 onwards. The cessation of goodwill amortisation has resulted in cost savings of \$110 million each in the first two quarters of 2005.

Interpretation of FRS ("INT FRS") 12, Consolidation – Special Purpose Entities

The revised INT FRS 12 has been amended to mandate the consolidation of employee benefit trusts set up for the purpose of an entity's share-based payment arrangement(s). Arising from consolidation of these trusts, the DBSH shares held by the trusts will be accounted for as "Treasury Shares" in accordance with FRS 32 "Financial Instruments: Disclosure and Presentation". The impact of INT FRS 12 is as follows:

- the reversal of prior period provisions on Treasury Shares of \$44 million and \$35 million in revenue reserves as at January 1, 2004 and January 1, 2005 respectively.
- the recognition of \$126 million of DBSH Group Holdings Ltd shares held by the employee benefit trusts for the purposes of DBSH Group's Performance Share Plan and Employee Share Plan as at January 1, 2005 (January 1, 2004: \$138 million). These shares are netted against the equity of DBSH Group. Treasury Shares stand at \$117 million as at March 31 and June 30, 2005.

FRS 1, Presentation of Financial Statements

The revised FRS 1 requires disclosure on the face of the income statement of the following:

- the profit or loss for the period, and
- the allocation of this amount between that attributable to minority interest and that attributable to equity holders of the parent.

A similar requirement has been added for the statement of changes in equity. FRS 1 also requires disclosure, on the face of the statement of changes in equity, of total income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The financial statements presented conform to the revised FRS 1 requirements.

DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

Hong Kong Country Results

For second quarter 2005, net profit after taxation for Hong Kong operations on a Singapore GAAP basis declined 17% from second quarter 2004 and 2% from first quarter 2005 to \$118 million mainly due to lower operating income and higher operating expenses, partially offset by lower provision charges.

- Net interest income was down 5% from second quarter 2004 mainly due to the narrower spread between the HKD Prime rate and HIBOR ^{1/}, a run off in higher yielding assets and competitive price pressures on loan yields. This was partly offset by an increase in customer loans. Compared to first quarter 2005, net interest income was up 7% mainly due to increase in customer loans.
- Non-interest income declined by 25% from second quarter 2004. This is mainly due to marked-to-market losses on derivatives which do not qualify as hedges under FRS 39 and a decline in income from sales of treasury investment products. Compared to first quarter 2005, non-interest income declined 18% mainly due to gains from DBS Bank (Hong Kong) Limited for divestment of its stake in Banco de Oro Universal Bank, a bank in the Philippines, in first quarter 2005.
- Operating expenses were 8% higher compared to second quarter 2004 and 3% higher compared to first quarter 2005 mainly due to higher wage costs.
- Provision charge decreased 87% from second quarter 2004 reflecting the stronger economic environment and property market. The adoption of revised MAS Notice 612 resulted in a write-back of general provisions in the first and second quarter of 2005.

Profit and Loss Account (Based on Singapore Generally Accepted Accounting Principles)

In \$ millions	2nd Qtr 2005	2nd Qtr 2004	+/(-) %	1st Qtr 2005	1st Half 2005	1st Half 2004	+/(-) %
Net interest income	220	231	(5)	205	425	464	(8)
Non-interest income	80	106	(25)	98	178	247	(28)
Operating income	300	337	(11)	303	603	711	(15)
Operating expenses	(156)	(145)	8	(152)	(308)	(292)	5
Operating profit before provisions	144	192	(25)	151	295	419	(29)
Provisions	(4)	(30)	(87)	(8)	(12)	(58)	(79)
Operating profit	140	162	(14)	143	283	361	(22)
Net profit before taxation	140	162	(14)	143	283	361	(22)
Net profit after taxation	118	142	(17)	121	239	311	(23)

Notes:

1/ HIBOR: Hong Kong Interbank Offer Rate