

DBS Group Holdings Ltd and its Subsidiaries

DIRECTORS' REPORT

The Directors are pleased to submit their report to the Members together with the audited consolidated financial statements of DBS Group Holdings Ltd (the Company or DBSH) and its subsidiaries (the Group) and the balance sheet of the Company for the financial year ended 31 December 2013, which have been prepared in accordance with the provisions of the Companies Act, Chapter 50 (the Companies Act) and Singapore Financial Reporting Standards, as modified by the requirements of Notice to Banks No. 612 "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore.

BOARD OF DIRECTORS

The Directors in office at the date of this report are:

Peter Seah Lim Huat	–	Chairman
Piyush Gupta	–	Chief Executive Officer
Bart Joseph Broadman		
Euleen Goh Yiu Kiang		
Ho Tian Yee		
Nihal Vijaya Devadas Kaviratne CBE		
Andre Sekulic		
Danny Teoh Leong Kay		
Woo Foong Pheng (Mrs Ow Foong Pheng)		

Mr Piyush Gupta, Dr Bart Joseph Broadman and Mr Ho Tian Yee will retire in accordance with Article 95 of the Company's Articles of Association at the forthcoming annual general meeting (AGM) and will offer themselves for re-election at the AGM.

Mr Nihal Vijaya Devadas Kaviratne CBE, who will be attaining the age of 70 years before the forthcoming AGM, is required to retire pursuant to Section 153 of the Companies Act. As such, Mr Nihal Kaviratne CBE has to be re-appointed by the Members at the forthcoming AGM to continue in office as a director until the next AGM.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the financial year, was the Company a party to any arrangement, the object of which is to enable the directors to acquire benefits through the acquisition of shares in or debentures of the Company or any other body corporate, save as disclosed in this report.

DIRECTORS' INTEREST IN SHARES OR DEBENTURES

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Companies Act, an interest in shares of the Company and related corporations as stated below:

	Holdings in which Directors have a direct interest		Holdings in which Directors are deemed to have an interest	
	As at 31 Dec 2013	As at 1 Jan 2013	As at 31 Dec 2013	As at 1 Jan 2013
DBS Group Holdings Ltd (DBSH) ordinary shares				
Peter Seah	38,532	16,306	–	–
Piyush Gupta	200,140	100,576	118,000	118,000
Bart Broadman	15,449	10,000	–	–
Euleen Goh	12,545	4,185	–	–
Ho Tian Yee	3,444	–	–	–
Nihal Kaviratne CBE	4,767	300	–	–
Andre Sekulic	2,693	–	–	–
Danny Teoh	11,540	6,000	18,723	18,427
Ow Foong Pheng	4,257	4,120	–	–

	Holdings in which Directors have a direct interest		Holdings in which Directors are deemed to have an interest	
	As at 31 Dec 2013	As at 1 Jan 2013	As at 31 Dec 2013	As at 1 Jan 2013
Share awards (unvested) granted under the DBSH Share Plan				
Peter Seah	32,697	37,736	–	–
Piyush Gupta ⁽¹⁾	937,553	669,629	–	–
Bart Broadman	8,248	9,926	–	–
Euleen Goh	13,410	15,726	–	–
Ho Tian Yee	2,960	2,960	–	–
Nihal Kaviratne CBE	4,008	4,008	–	–
Danny Teoh	7,534	7,977	–	–
DBS Bank 4.7% non-cumulative non-convertible perpetual preference shares				
Euleen Goh	3,000	3,000	–	–
Piyush Gupta	–	–	–	10,000
Danny Teoh	–	2,000	–	–

(1) Mr Gupta's share awards form part of his remuneration. Details of the DBSH Share Plan are set out in Note 38 of Notes to the 2013 Company's financial statements

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2014.

DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director has received or has become entitled to receive a benefit under a contract which is required to be disclosed by Section 201(8) of the Companies Act save as disclosed in this report or in the financial statements of the Company and of the Group.

DBSH SHARE OPTION PLAN

Particulars of the share options granted under the DBSH Share Option Plan in 2003, 2004 and 2005 have been set out in the Directors' Reports for the years ended 31 December 2003, 2004 and 2005 respectively. No grants were made under the DBSH Share Option Plan since 2006.

The movements of the unissued ordinary shares of the Company in outstanding DBSH options granted under the DBSH Share Option Plan were as follows:

DBSH Options	Number of unissued ordinary shares	During the year		Number of unissued ordinary shares	Exercise price per share	Expiry date
	1 January 2013	Exercised	Forfeited/Expired	31 December 2013		
February 2003	1,118,407	1,021,655	96,752	–	\$8.84	24 February 2013
March 2004	1,403,654	519,088	3,935	880,631	\$12.53	02 March 2014
March 2005	723,351	158,523	10,584	554,244	\$12.81	01 March 2015
	3,245,412	1,699,266	111,271	1,434,875		

The DBSH Share Option Plan expired on 19 June 2009 and it was not extended or replaced. Therefore, no further options were granted by the Company during the financial year. The termination of the DBSH Share Option Plan will not affect the rights of holders of any outstanding existing options.

The persons to whom the DBSH options have been granted do not have any right to participate by virtue of the DBSH options in any share issue of any other company.

DBSH SHARE PLAN

During the financial year, time-based awards in respect of an aggregate of 5,741,878 ordinary shares were granted pursuant to the DBSH Share Plan, to selected employees of the Group. This included 367,488 ordinary shares comprised in awards granted to executive director Mr Piyush Gupta, which formed part of his remuneration. During the financial year, certain non-executive directors received an aggregate of 41,815 ordinary shares comprised in time-based awards, which formed part of their directors' fees. Details are set out below.

Directors of the Company	Share awards granted during the financial year ended 31 December 2013	Share awards vested during the financial year ended 31 December 2013
Peter Seah ⁽²⁾	16,299	21,338
Piyush Gupta	367,488 ⁽¹⁾	99,564
Bart Broadman ⁽²⁾	3,771	5,449
Euleen Goh ⁽²⁾	6,044	8,360
Ho Tian Yee ⁽²⁾	3,444	3,444
Nihal Kaviratne CBE ⁽²⁾	4,467	4,467
Andre Sekulic ⁽²⁾	2,693	2,693
Danny Teoh ⁽²⁾	5,097	5,540

(1) Mr Gupta's awards formed part of his remuneration for 2012

(2) The awards of these non-executive directors formed part of their directors' fees for 2012, which had been approved by the shareholders at DBSH's Annual General Meeting held on 29 April 2013

Information on the DBSH Share Plan is as follows:

- (i) Awards over DBSH's ordinary shares may be granted to DBSH Group executives who hold such rank as may be determined by the Compensation and Management Development Committee of DBSH from time to time. Awards may also be granted to (amongst others) executives of associated companies of DBSH who hold such rank as may be determined by the Compensation and Management Development Committee from time to time, and non-executive directors of DBSH.

The participants of the DBSH Share Plan shall not be eligible to participate in the DBSH Employee Share Plan or other equivalent plans.

- (ii) Where time-based awards are granted, participants are awarded ordinary shares of DBSH, their equivalent cash value or a combination of both as part of their deferred bonus, at the end of the prescribed vesting periods. Awards are granted under the DBSH Share Plan at the absolute discretion of the Compensation and Management Development Committee.
- (iii) The DBSH Share Plan shall continue to be in force at the discretion of the Compensation and Management Development Committee, subject to a maximum period of ten years. At an Extraordinary General Meeting held on 8 April 2009, the DBSH Share Plan was extended for another ten years, from 18 September 2009 to 17 September 2019, provided always that the DBSH Share Plan may continue beyond the above stipulated period with the approval of the shareholders of DBSH by ordinary resolution in general meeting and of any relevant authorities which may then be required.
- (iv) Awards under the DBSH Share Plan may be granted at any time in the course of a financial year, and may lapse by reason of cessation of service of the participant, or the retirement, redundancy, ill health, injury, disability, death, bankruptcy or misconduct of the participant, or by reason of the participant, being a non-executive director, ceasing to be a director, or in the event of a take-over, winding up or reconstruction of DBSH.
- (v) Subject to the prevailing legislation and the rules of the Singapore Exchange Securities Trading Limited, DBSH will have the flexibility to deliver ordinary shares of DBSH to participants upon vesting of their awards by way of an issue of new ordinary shares and/or the transfer of existing ordinary shares (which may include ordinary shares held by the Company in treasury).
- (vi) The class and/or number of ordinary shares of DBSH comprised in an award to the extent not yet vested, and/or which may be granted to participants, are subject to adjustment by reason of any variation in the ordinary share capital of DBSH (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation, or distribution) or if DBSH makes a capital distribution or a declaration of a special dividend (whether in cash or in specie), upon the written confirmation of the auditor of DBSH that such adjustment (other than in the case of a capitalisation issue) is fair and reasonable.

AUDIT COMMITTEE

The Audit Committee comprised non-executive directors Mr Danny Teoh (Chairman), Mr Nihal Kaviratne CBE, Mr Peter Seah, Mr Andre Sekulic and Mrs Ow Foong Pheng.

The Audit Committee performed its functions in accordance with the Companies Act, the SGX-ST Listing Manual, the Banking (Corporate Governance) Regulations 2005, the MAS Guidelines for Corporate Governance and the Code of Corporate Governance, which include, inter alia, the following:

- (i) reviewing the Group's consolidated financial statements and financial announcements prior to submission to the Board;
- (ii) reviewing the adequacy and effectiveness of the Group's internal controls;
- (iii) reviewing with the external auditor, its audit plan, its audit report, its evaluation of the internal accounting controls of DBS and assistance given by the management to the external auditor;
- (iv) reviewing the internal auditor's plans and the scope and results of audits; and
- (v) overseeing the adequacy and effectiveness of the internal audit function, and the effectiveness, independence and objectivity of the external auditor.

In its review of the audited financial statements for the financial year ended 31 December 2013, the Audit Committee has discussed with management and the external auditor the accounting principles that were applied and their judgement on the items that might affect the financials. Based on the review and discussions with management and the external auditor, the Audit Committee is of the view that the financial statements are fairly presented in conformity with generally accepted accounting principles in all material aspects.

The Audit Committee has received the requisite information from PricewaterhouseCoopers LLP (PwC) and has considered the financial, business and professional relationship between PwC and the Group. It is of the view that such relationship is compatible with maintaining PwC's independence.

The Audit Committee recommends to the Board of Directors the re-appointment of PwC as independent external auditor at the forthcoming Annual General Meeting of the Company on 28 April 2014.

INDEPENDENT AUDITOR

PricewaterhouseCoopers LLP has expressed its willingness to accept re-appointment as independent external auditor.

On behalf of the Directors

Peter Seah Lim Huat

Piyush Gupta

13 February 2014
Singapore