

DBS Group Holdings Ltd & its Subsidiary Companies

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 ("DBSH") for the financial year ended December 31, 2004, which have been prepared in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards.

BOARD OF DIRECTORS

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

S Dhanabalan	-	Chairman
Jackson Tai	-	Vice Chairman & Chief Executive Officer
Frank Wong Kwong Shing	-	Chief Operating Officer
Bernard Chen Tien Lap		
Fock Siew Wah		
Gail D Fosler (Ms)		
Goh Geok Ling	-	(Appointed on May 3, 2004)
Kwa Chong Seng		
N R Narayana Murthy		
Leung Chun Ying		
Peter Ong Boon Kwee		
John Alan Ross		
Thean Lip Ping		
Wong Ngit Liong	-	(Appointed on May 3, 2004)

Messrs Jackson Tai, Bernard Chen Tien Lap, Fock Siew Wah, Gail D Fosler, Leung Chun Ying, Peter Ong Boon Kwee and John Alan Ross will retire at the forthcoming annual general meeting. Messrs Jackson Tai, Leung Chun Ying, Peter Ong Boon Kwee and John Alan Ross will offer themselves for re-election. Messrs Bernard Chen Tien Lap, Fock Siew Wah and Gail D Fosler will not offer themselves for re-election.

In accordance with Article 101 of DBSH's Articles of Association, Messrs Goh Geok Ling and Wong Ngit Liong will retire and, being eligible, will offer themselves for re-election pursuant to Article 101.

Mr Thean Lip Ping will retire pursuant to Section 153(2) of the Singapore Companies Act, Chapter 50. He will not be offering himself for re-election.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the financial year, was DBSH 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 DBSH or any other body corporate save as disclosed in this report under the headings "**DIRECTORS' INTEREST IN SHARES AND DEBENTURES**", "**SHARE OPTIONS**" and "**DBSH PERFORMANCE SHARE PLAN**".

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Directors' Report

DIRECTORS' INTEREST IN SHARES AND 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 Dec 31 2004	As at Dec 31 2003 (or date of appointment if later)	As at Dec 31 2004	As at Dec 31 2003 (or date of appointment if later)
Ordinary Shares of par value S\$1.00 each				
S Dhanabalan	38,000	38,000	31,534	31,534
Jackson Tai	90,800	80,800	-	-
Frank Wong Kwong Shing	187,850	177,850	-	-
Bernard Chen Tien Lap	19,000	19,000	-	-
Fock Siew Wah	50,000	50,000	-	-
Gail D Fosler	3,400	3,400	-	-
Goh Geok Ling	2,100	-	-	-
Kwa Chong Seng	42,129	42,129	-	-
John Alan Ross	5,000	5,000	-	-
Thean Lip Ping	6,448	6,448	15,004	15,004
Unissued Ordinary Shares of par value S\$1.00 each under the DBSH Share Option Plan				
Jackson Tai	386,675	348,675	-	-
Frank Wong Kwong Shing	394,550	356,550	-	-
Number of DBS Bank 6% Non-Cumulative Non-Convertible Perpetual Preference Shares of par value S\$0.01 each				
S Dhanabalan	500	500	-	-
Jackson Tai	250	250	-	-
Thean Lip Ping	-	-	500	500
Wong Ngit Liong	6,000	6,000	-	-

There was no change in any of the above-mentioned interests between the end of the financial year and January 21, 2005.

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 Singapore Companies Act save as disclosed in this report or in the financial statements of DBSH and of DBSH Group.

DBSH SHARE OPTION PLAN

The DBS Bank Share Option Plan (the "DBS Bank Option Plan") was adopted by the shareholders of DBS Bank at an Extraordinary General Meeting of DBS Bank held on June 19, 1999 to replace the DBS Bank Option Scheme. At an Extraordinary General Meeting held on September 18, 1999, the shareholders of DBSH adopted the DBSH Share Option Plan (the "Option Plan") to replace the DBS Bank Option Plan, following the restructuring of DBS Bank as a wholly owned subsidiary company of DBSH. Particulars of the share options granted under the Option Plan in 1999, 2000, 2001, 2002 and 2003 (herewith called "1999 DBSH Options", "March/July 2000 DBSH Options", "March/June/August 2001 DBSH Options" and "January/March/August/October/December 2002 DBSH Options", "February/March 2003 DBSH Options) have been set out in the Directors' Reports for the years ended December 31, 1999, 2000, 2001, 2002 and 2003 respectively.

The movements of the unissued ordinary shares of DBSH of par value S\$1.00 each comprised in outstanding DBSH options granted under the Option Plan were as follows:

DBSH Options	Number of unissued ordinary shares	During the year			Number of unissued ordinary shares	Subscription price per ordinary share	Date of expiration
	January 1, 2004	Granted	Exercised	Lapsed	December 31, 2004		
1999	3,801,036	-	319,902	124,351	3,356,783	S\$15.30	July 27, 2009
March 2000	1,586,200	-	-	89,200	1,497,000	S\$20.87	March 5, 2010
July 2000	1,114,600	-	-	52,600	1,062,000	S\$22.33	July 26, 2010
March 2001	11,625,000	-	-	952,000	10,673,000	S\$17.70	March 14, 2011
June 2001	21,000	-	-	-	21,000	S\$14.76	May 31, 2011
August 2001	1,414,000	-	422,000	56,000	936,000	S\$12.93	July 31, 2011
January 2002	50,500	-	-	-	50,500	S\$13.70	January 1, 2012
March 2002	11,776,240 ^(a)	-	788,030	736,000	10,252,210	S\$14.73	March 27, 2012
August 2002	1,215,000	-	178,200	140,100	896,700	S\$12.27	August 15, 2012
October 2002	9,260	-	-	-	9,260	S\$11.73	October 9, 2012
December 2002	20,000	-	-	-	20,000	S\$11.47	December 17, 2012
February 2003	13,526,200 ^(a)	-	1,581,540	947,230	10,997,430	S\$10.40	February 23, 2013
March 2003	15,000	-	-	-	15,000	S\$9.18	March 9, 2013
March 2004	-	7,494,000	-	531,500	6,962,500	S\$14.73	March 1, 2014
	46,174,036 ^(a)	7,494,000	3,289,672	3,628,981	46,749,383		

^(a) Restated since last reported at December 31, 2003 due to withdrawal of staff resignation in 2004.

Total options of 76,000 were granted to executive directors Mr Jackson Tai and Mr Frank Wong Kwong Shing during the financial year.

Information on the Option Plan, "March 2004 DBSH Options" granted under the Option Plan are as follows:

- (i) Options to subscribe for DBSH ordinary shares could be granted to DBSH Group executives who hold the rank of Vice President (or equivalent rank) and above and selected employees of DBSH Group of a rank below the rank of Vice President (or equivalent rank). This would also include executives of associated companies of DBSH Group who hold the rank of Vice President (or equivalent rank); and non-executive directors of DBSH.

The persons to whom the "March 2004 DBSH Options" have been granted may be eligible to participate in the DBSH Performance Share Plan or other equivalent plans, but shall not be eligible to participate in the DBSH Employee Share Plan or other equivalent plans.

- (ii) The dates of expiration of the "March 2004 DBSH Options" is March 1, 2014 unless they have been cancelled or have lapsed prior to that date.
- (iii) The subscription price for each share in respect of which a DBSH Option (other than "March 2004 DBSH Options") is exercisable is the average of the last dealt prices ("Market Price") for the DBSH shares, as determined by reference to the daily official list published by the Singapore Exchange Securities Trading Ltd ("SGX-ST"), for the three consecutive trading days immediately preceding the date of the grant.

- (iv) DBSH Options with subscription prices that are equal to the Market Price may be exercised, in whole or in part, one year after the date of the grant up to the date of expiration of the options, and in accordance with a vesting schedule to be determined by the Compensation Committee.
- (v) Adjustments may be made to the number of DBSH shares which may be acquired by a participant, or the subscription price or both, in the event of any variation in the issued ordinary share capital of DBSH (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation, or distribution), upon the written confirmation of the auditors of DBSH that such adjustment (other than in the case of a capitalisation issue) is fair and reasonable.

Other than the DBSH Options granted under the Option Plan as disclosed herein, there were no outstanding options granted by DBSH as at the end of the financial year.

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 PERFORMANCE SHARE PLAN

The DBS Bank Performance Share Plan was adopted by the shareholders of DBS Bank at an Extraordinary General Meeting of DBS Bank held on June 19, 1999. At an Extraordinary General Meeting held on September 18, 1999, the shareholders of DBSH adopted the DBSH Performance Share Plan (the "Performance Share Plan"), to replace the DBS Bank Performance Share Plan, following the restructuring of DBS Bank as a wholly owned subsidiary of DBSH.

During the financial year, awards in respect of an aggregate of 727,400 ordinary shares of par value S\$1.00 each were granted, pursuant to the DBSH Performance Share Plan, to selected employees of DBSH Group. This included 33,940 awards granted to executive directors Mr Jackson Tai and Mr Frank Wong Kwong Shing. The award numbers represent a 100% payout. The payout at the end of the performance period could range from a minimum of 50% of the shares awarded to 200%, dependent on the DBSH Group's performance vis-à-vis target performance levels measured by return on equity.

Information on the Performance Share Plan are as follows:

- (i) DBSH ordinary shares could be granted to DBSH Group executives who hold the rank of Vice President (or equivalent rank) and above and selected employees of DBSH Group of a rank below the rank of Vice President (or equivalent rank). This would also include executives of associated companies of DBSH Group who hold the rank of Vice President (or equivalent rank); and non-executive directors of DBSH.

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

- (ii) Participants are awarded ordinary shares of DBSH, their equivalent cash value or combinations thereof ("DBSH Awards"), when the prescribed performance targets are met. The DBSH Awards are granted at the absolute discretion of the Compensation Committee.
- (iii) The Performance Share Plan shall continue to be in force at the discretion of the Compensation Committee, subject to a maximum period of ten years commencing from September 18, 1999, provided always that the Performance 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) DBSH Awards 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 the participant, being a non-executive director, ceases to be a director, or a take-over, winding up or reconstruction of DBSH.
- (v) The aggregate nominal amount of new DBSH shares which may be delivered (pursuant to DBSH Awards granted) under the Performance Share Plan, when added to the nominal amount of new DBSH shares issued and issuable in respect of all DBSH Awards granted under the Performance Share Plan, and all options granted under the Option Plan, shall not exceed 15 per cent of the issued share capital of DBSH on the day preceding the relevant date of the DBSH Award. The number of existing DBSH shares purchased from the market which may be delivered pursuant to the DBSH Award will not be subject to any limit.
- (vi) Subject to the prevailing legislation and SGX-ST guidelines, DBSH will have the flexibility to deliver DBSH shares to participants upon vesting of their DBSH Awards by way of an issue of new DBSH shares and/or the purchase of existing DBSH shares.

- (vii) The nominal amount, class and/or number of DBSH shares comprised in a DBSH 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 issued ordinary share capital of DBSH (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation, or distribution), upon the written confirmation of the auditors 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 Bernard Chen Tien Lap (Chairman), Mr Goh Geok Ling and Mr Peter Ong Boon Kwee. As part of its functions, it assists the Board in discharging its responsibilities for the Group's financial announcements, internal control issues and regulatory compliance as well as to oversee the objectivity and effectiveness of the internal and external auditors.

In its review of the audited financial statements for the financial year ended December 31, 2004, the Audit Committee has discussed with management and the external auditors 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 auditors, 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 Ernst & Young (E&Y) and has considered the financial, business and professional relationship between E&Y and DBSH Group. It is of the view that such relationship is compatible with maintaining E&Y's independence.

The Audit Committee recommends to the Board of Directors the re-appointment of E&Y as external auditors at the forthcoming Annual General Meeting of DBSH Group on April 29, 2005.

AUDITORS

Ernst & Young have expressed their willingness to accept re-appointment as external auditors.

On behalf of the Directors

S DHANABALAN

JACKSON TAI

February 18, 2005
Singapore