

Scaling New Heights

2006 was a good year for DBS. Efforts to transform ourselves into a competitive Asia banking specialist are gaining traction, resulting in record Group net profit of \$2.18 billion. Net interest and fee income were also at record highs of \$3.59 billion and \$1.16 billion respectively. An economically vibrant Asia gave our business an added lift last year.

Asia's resurgence is real. The region's burgeoning middle class is fuelling huge growth in domestic demand for goods, services and infrastructure. This group is the fastest-growing middle class in the world and this bodes well for continued economic prosperity.

Against this backdrop, DBS is uniquely positioned to capture the regional opportunities that abound. As a bank that lives and breathes Asia, we have a rich heritage ideally suited to serving our largely Asian clientele. But our competitors are not standing still. To become a stronger organisation, we need to embrace change, possess discipline and focus, and build sustainable competitive advantage. In view of this, our three priorities last year were to build a strong DBS culture, manage our business in totality and become truly customer-centric.

Building a strong DBS culture

As we grow across the region, we need even better access to financial and intellectual capital. This is true of all industries but none more so than banking, where people are our biggest asset. While modern technology has helped to transform the banking sector, we are ultimately still a people-driven business. As we

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expand, our goal is to embed a set of firm values into the organisation so that we will, in time, develop a distinctive DBS performance culture. We want DBS staff to be known for their positive 'can-do' attitude, strong sense of empowerment and customer mindset.

This would not be possible without imbuing a stronger sense of organisational pride and ownership among our staff. To this end, in 2006, we placed greater emphasis on internal communications and engaging our nearly 13,000 employees group-wide. Staff were proudly featured as the face of our inaugural regional brand campaign. We rallied them together in

staff townhalls held in our key markets of Singapore, Hong Kong, China, India and Indonesia. Considerable effort was also made to revitalise the DBS brand and foster better teamwork across businesses and geographies.

There is still room for improvement but we are taking steps in the right direction. We will significantly increase our investment in talent management, training and people development. To foster a strong performance-oriented culture, we have also revamped DBS' appraisal and compensation systems so that we can better differentiate and reward those who perform well.



Becoming truly customer-centric

With products and services in the banking industry becoming increasingly commoditised, the ability to delight customers is a key determinant of success. Moreover, providing genuinely good customer service on a consistent basis is hard to achieve and maintain, and thus the most difficult factor for competitors to replicate. Our goal is to foster a DBS culture whereby every issue is looked at from the

customer's point of view and acted upon swiftly. While we have made some progress here, we are aware that there is much more work to be done.

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In 2007, we will be investing more in our people and stepping up efforts to understand how to improve employee engagement. We believe that staff who are given opportunities to learn and

grow at work will be more fulfilled and also more motivated and committed to excellence. Underlining the importance of this, we launched our first bank-wide employee engagement survey last year, and will continue to actively keep our finger on the pulse of the organisation.

The Board is recommending a final dividend of 20 cents per share, resulting in a full-year dividend of 71 cents a share. This is a 22% increase over 2005. In addition, the Board is also recommending a special dividend of five cents a share to be paid together with the fourth-quarter dividend.

The last 12 months as chairman of DBS have been challenging and rewarding. Over this period, I have benefitted from the unstinting support, steady guidance and wise counsel of my fellow board members. I would like to express my gratitude to them for their contributions and to thank my colleagues in the bank, our customers, partners and shareholders for supporting us as we continue on our journey to transform DBS into one of the most respected and admired financial institutions anchored in Asia.

Going forward, we are determined to harness the collective strength within the organisation as we face the ever-changing landscape and increasingly frenetic competition. While 2006 was a good year for DBS, there will certainly be new challenges ahead. Nevertheless, I believe DBS has what it takes to scale new heights; our people are talented and I am confident that we will be able to seize the opportunities offered by a vibrant, dynamic and rapidly prospering Asia.

KOH BOON HWEE

Chairman, DBS Group Holdings

Managing our business in totality

As banking grows in scale and scope, another priority is to hardwire DBS to become more process-oriented and rigorous in the way we manage our business.

In the last year, we put in place key performance indicators (KPIs) across the entire DBS Group and are now managing the bank to these KPIs.

We are also tracking external and internal perceptions comprehensively. Externally, we have implemented a system to closely monitor our customer service metrics regionally. In addition, we now measure the effectiveness of our key marketing initiatives. Within the bank, staff feedback is sought on a quarterly basis to gauge how we have fared in delivering on our areas of priority.

These initiatives will instill greater discipline and focus in managing our business in totality, and are driven by our belief that what gets measured, gets done.