

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") and its subsidiaries ("the Group") and the balance sheet of the Company for the financial year ended 31 December 2007, which have been prepared in accordance with the provisions of the Singapore 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:

| | | |
|-----------------------------|---|-------------------------|
| Koh Boon Hwee | – | Chairman |
| Frank Wong Kwong Shing | – | Chief Operating Officer |
| Ang Kong Hua | | |
| Andrew Robert Fowell Buxton | | |
| Christopher Cheng Wai Chee | – | (Appointed 1 June 2007) |
| Goh Geok Ling | | |
| Kwa Chong Seng | | |
| Narayana Murthy | | |
| Peter Ong Boon Kwee | | |
| John Alan Ross | | |
| Wong Ngit Liong | | |

Messrs Goh Geok Ling, Narayana Murthy, John Alan Ross and Wong Ngit Liong will retire at the forthcoming annual general meeting. Messrs John Alan Ross and Wong Ngit Liong will offer themselves for re-election. Messrs Goh Geok Ling and Narayana Murthy will not offer themselves for re-election.

Mr. Christopher Cheng Wai Chee will retire in accordance with article 101 of the Company's Articles of Association, and will offer 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 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 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:

| DBS Group Holdings Ltd ("DBSH") ordinary shares | Holdings in which Directors have a direct interest | | Holdings in which Directors are deemed to have an interest | |
|--|---|---|---|---|
| | As at 31 Dec 2007 | As at 31 Dec 2006 (or date of appointment if later) | As at 31 Dec 2007 | As at 31 Dec 2006 (or date of appointment if later) |
| Koh Boon Hwee | – | – | – | – |
| Jackson Tai (<i>resigned on 31 December 2007</i>) | 259,345 | 157,307 | – | – |
| Frank Wong Kwong Shing | 148,080 | 213,357 | 116,300 | – |
| Ang Kong Hua | – | – | – | – |
| Andrew Robert Fowell Buxton | 6,000 | 4,000 | – | – |
| Christopher Cheng Wai Chee (<i>appointed on 1 June 2007</i>) | – | – | – | – |
| Goh Geok Ling | 2,100 | 2,100 | – | – |
| Kwa Chong Seng | 42,129 | 42,129 | 100,000 | 50,000 |
| John Alan Ross | 20,000 | 10,000 | – | 10,000 |
| Narayana Murthy | 2,000 | 2,000 | – | – |
| Peter Ong Boon Kwee | – | – | – | – |
| Wong Ngit Liong | – | – | – | – |

| DBS Group Holdings Ltd ("DBSH") ordinary shares | Holdings in which Directors have a direct interest | | Holdings in which Directors are deemed to have an interest | |
|---|---|---|---|---|
| | As at 31 Dec 2007 | As at 31 Dec 2006 (or date of appointment if later) | As at 31 Dec 2007 | As at 31 Dec 2006 (or date of appointment if later) |
| Unissued ordinary shares under the DBSH Share Option Plan | | | | |
| Jackson Tai | 440,175 | 440,175 | – | – |
| Frank Wong Kwong Shing | 448,050 | 448,050 | – | – |
| DBS Bank 6% non-cumulative non-convertible perpetual preference shares | | | | |
| Jackson Tai | 250 | 250 | – | – |
| 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 21 January 2008.

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 the Company and of the Group.

DBSH SHARE OPTION PLAN

Particulars of the share options granted under the Option Plan in 1999, 2000, 2001, 2002, 2003, 2004 and 2005 have been set out in the Directors' Reports for the years ended 31 December 1999, 2000, 2001, 2002, 2003, 2004 and 2005 respectively. No grants were made under the Option Plan in 2006.

The movements of the unissued ordinary shares of the Company 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 | Exercise price per share | Expiry date |
|---------------|--|-----------------|-----------|--|--------------------------------|------------------|
| | 1 January 2007 | Exercised | Forfeited | 31 December 2007 | | |
| July 1999 | 1,281,114 | 515,620 | 25 | 765,469 | \$15.30 | 27 July 2009 |
| March 2000 | 1,158,000 | 202,000 | 11,000 | 945,000 | \$20.87 | 5 March 2010 |
| July 2000 | 879,000 | 49,000 | 34,000 | 796,000 | \$22.33 | 26 July 2010 |
| March 2001 | 5,542,915 | 1,872,615 | 5,150 | 3,665,150 | \$17.70 | 14 March 2011 |
| August 2001 | 268,400 | – | 6,000 | 262,400 | \$12.93 | 31 July 2011 |
| March 2002 | 4,524,017 | 1,348,337 | 20,000 | 3,155,680 | \$14.73 | 27 March 2012 |
| August 2002 | 315,700 | 62,700 | 8,000 | 245,000 | \$12.27 | 15 August 2012 |
| December 2002 | 10,000 | – | – | 10,000 | \$11.47 | 17 December 2012 |
| February 2003 | 4,248,370 | 1,264,320 | 40,600 | 2,943,450 | \$10.40 | 23 February 2013 |
| March 2004 | 4,617,192 | 1,333,405 | 35,995 | 3,247,792 | \$14.73 | 2 March 2014 |
| March 2005 | 2,170,099 | 303,832 | 125,535 | 1,740,732 | \$15.07 | 1 March 2015 |
| | 25,014,807 | 6,951,829 | 286,305 | 17,776,673 | | |

Other than the DBSH Options granted under the Option Plan as disclosed herein, there were no further options granted by the Company 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 SHARE PLAN (previously known as DBSH Performance Share Plan)

At an Extraordinary General Meeting held on 30 March 2006, the shareholders of the Company approved alterations to the DBSH Performance Share Plan to (*inter alia*) permit the granting of time-based awards, and to change the name of the Plan from "DBSH Performance Share Plan" to "DBSH Share Plan". Time-based awards under the DBSH Share Plan were granted from 2007 onwards.

During the financial year, time-based awards in respect of an aggregate of 2,193,471 ordinary shares were granted pursuant to the DBSH Share Plan, to selected employees of the Group. This included 251,578 ordinary shares comprised in awards granted to executive directors Mr Jackson Tai and Mr Frank Wong Kwong Shing. The number of ordinary shares comprised in the awards granted represent a 100% payout.

Information on the DBSH Share Plan is as follows:

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

The participants of the DBSH 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) Where performance-based awards are granted, participants are awarded ordinary shares of the Company, their equivalent cash value or a combination of both, when the prescribed performance targets are met over the prescribed performance periods. Where time-based awards are granted, participants are awarded ordinary shares of the Company, 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 from 18 September 1999 to 17 September 2009, provided always that the DBSH Share Plan may continue beyond the above stipulated period with the approval of the shareholders of the Company 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 the Group.
- (v) The total number of new ordinary shares of the Company which may be issued pursuant to awards granted under the DBSH Share Plan, when added to the total number of new ordinary shares issued and issuable in respect of all awards granted under the DBSH Share Plan, and all options granted under the DBSH Share Option Plan, shall not exceed 15% of the total number of issued shares in the capital of the Company (excluding treasury shares).
- (vi) Subject to the prevailing legislation and SGX-ST guidelines, the Company will have the flexibility to deliver ordinary shares of the Company 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).
- (vii) The class and/or number of ordinary shares of the Company 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 the Company (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation, or distribution) or if the Company makes a capital distribution or a declaration of a special dividend (whether in cash or in specie), upon the written confirmation of the auditors of the Company 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 Ang Kong Hua (Chairman), Mr Goh Geok Ling, Mr Christopher Cheng and Mr Wong Ngit Liong. 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 31 December 2007, 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 the Group. It is of the view that such relationship is compatible with maintaining E&Y's independence.

In line with regulatory requirements on rotation of auditors, the retiring auditors Ernst & Young will not be seeking re-election. The Audit Committee recommends to the Board of Directors the appointment of Pricewaterhouse Coopers to replace E&Y as external auditors at the forthcoming Annual General Meeting of the Company on 2 April 2008.

AUDITORS

Pricewaterhouse Coopers has been nominated to be the external auditors for the ensuing year, subject to shareholders' approval. Pricewaterhouse Coopers have expressed their willingness to accept appointment as external auditors.

On behalf of the Directors

Koh Boon Hwee

Frank Wong Kwong Shing

14 February 2008
Singapore