

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 2008, 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
Richard Daniel Stanley	–	Chief Executive Officer (Appointed 1 May 2008)
Ang Kong Hua		
Andrew Robert Fowell Buxton		
Bart Joseph Broadman	–	(Appointed 17 December 2008)
Christopher Cheng Wai Chee		
Euleen Goh Yiu Kiang	–	(Appointed 1 December 2008)
Kwa Chong Seng		
John Alan Ross		
Wong Ngit Liong		

Messrs Koh Boon Hwee and Christopher Cheng Wai Chee will retire at the forthcoming annual general meeting. Messrs Koh Boon Hwee and Christopher Cheng Wai Chee will offer themselves for re-election.

Messrs Richard Daniel Stanley, Euleen Goh Yiu Kiang and Bart Joseph Broadman will retire in accordance with article 101 of the Company's Articles of Association, and will offer themselves for re-election.

Mr Andrew Robert Fowell Buxton will be turning 70 years of age on April 5, 2009, he is required to retire pursuant to Section 153(2) of the Companies Act, Chapter 50 but is eligible to stand for re-election, 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 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 2008	As at 31 Dec 2007 (or date of appointment if later)	As at 31 Dec 2008	As at 31 Dec 2007 (or date of appointment if later)
DBS Group Holdings Ltd (DBSH) ordinary shares				
Koh Boon Hwee	27,870	–	–	–
Richard Daniel Stanley (appointed on 1 May 2008)	240,789	240,789	–	–
Ang Kong Hua	–	–	–	–
Andrew Robert Fowell Buxton	6,000	6,000	–	–
Bart Joseph Broadman (appointed on 17 December 2008)	–	–	–	–
Christopher Cheng Wai Chee	–	–	–	–
Euleen Goh Yiu Kiang (appointed on 1 December 2008)	2,790	2,790	–	–
Kwa Chong Seng	42,129	42,129	100,000	100,000
John Alan Ross	20,000	20,000	–	–
Wong Ngit Liong	–	–	–	–

	Holdings in which Directors have a direct interest		Holdings in which Directors are deemed to have an interest	
	As at 31 Dec 2008	As at 31 Dec 2007 (or date of appointment if later)	As at 31 Dec 2008	As at 31 Dec 2007 (or date of appointment if later)
DBS Bank 6% non-cumulative non-convertible perpetual preference shares				
Wong Ngit Liong	6,000	6,000	–	–
Euleen Goh Yiu Kiang	500	500	–	–

DBS Capital Funding II Corporation 5.75% non-cumulative non-convertible non-voting guaranteed preference shares

Kwa Chong Seng	2	–	–	–
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There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2009.

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 since 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 2008	Exercised	Forfeited	31 December 2008		
July 1999	765,469	97,800	3,425	664,244	\$15.30	27 July 2009
March 2000	945,000	–	46,000	899,000	\$20.87	5 March 2010
July 2000	796,000	–	34,000	762,000	\$22.33	26 July 2010
March 2001	3,665,150	540,900	75,300	3,048,950	\$17.70	14 March 2011
August 2001	262,400	112,000	–	150,400	\$12.93	31 July 2011
March 2002	3,155,680	529,000	–	2,626,680	\$14.73	27 March 2012
August 2002	245,000	107,100	–	137,900	\$12.27	15 August 2012
December 2002	10,000	–	–	10,000	\$11.47	17 December 2012
February 2003	2,943,450	635,350	3,000	2,305,100	\$10.40	23 February 2013
March 2004	3,247,792	700,705	13,080	2,534,007	\$14.73	2 March 2014
March 2005	1,740,732	450,741	55,080	1,234,911	\$15.07	1 March 2015
	17,776,673	3,173,596	229,885	14,373,192		

Other than the DBSH Options granted under the Option Plan as disclosed herein, there were no further options granted by the Company during 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.

Directors' Report

DBSH SHARE PLAN

During the financial year, time-based awards in respect of an aggregate of 2,464,268 ordinary shares were granted pursuant to the DBSH Share Plan, to selected employees of the DBSH Group. This included 267,380 ordinary shares comprised in awards granted to directors Mr Koh Boon Hwee and Mr Richard D. Stanley. The number of ordinary shares comprised in the awards granted represents a 100% payout.

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 (*inter alia*) 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 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 DBSH, 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 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 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 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) The total number of new ordinary shares of DBSH 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 DBSH (excluding treasury shares).
- (vi) Subject to the prevailing legislation and SGX-ST guidelines, 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).
- (vii) 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 Ang Kong Hua (Chairman), Mr Christopher Cheng, Mr Wong Ngit Liong and Ms Euleen Goh Yiu Kiang. 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 2008, 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 8 April 2009.

INDEPENDENT AUDITOR

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

On behalf of the Directors

Koh Boon Hwee

Ang Kong Hua

12 February 2009
Singapore