

## 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") for the financial year ended 31 December 2005, 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 (Appointed Director on 15 June 2005 and Chairman on 1 January 2006)
Jackson Tai	–	Chief Executive Officer & Vice Chairman
Frank Wong Kwong Shing	–	Chief Operating Officer
Ang Kong Hua	–	(Appointed 21 March 2005)
Andrew Buxton	–	(Appointed 17 February 2006)
Goh Geok Ling		
Kwa Chong Seng		
Leung Chun Ying		
N R Narayana Murthy		
Peter Ong Boon Kwee		
John Alan Ross		
Wong Ngit Liong		

Messrs Frank Wong Kwong Shing, Goh Geok Ling, Kwa Chong Seng and Narayana Murthy will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

In accordance with Article 101 of the Company's Articles of Association, Messrs Koh Boon Hwee and Andrew Buxton will retire and, being eligible, will offer themselves for re-election pursuant to Article 101.

### 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 under the headings "**Directors' interest in shares and debentures**", "**DBSH Share Option Plan**" and "**DBSH Performance Share Plan**".

**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 31 Dec 2005	As at 31 Dec 2004 (or date of appointment if later)	As at 31 Dec 2005	As at 31 Dec 2004 (or date of appointment if later)
<b>DBSH ordinary shares</b>				
Koh Boon Hwee	–	–	–	–
Jackson Tai	<b>148,822</b>	90,800	–	–
Frank Wong Kwong Shing	<b>204,872</b>	187,850	–	–
Ang Kong Hua	–	–	–	–
Andrew Buxton*	<b>NA</b>	NA	–	–
Goh Geok Ling	<b>2,100</b>	2,100	–	–
Kwa Chong Seng	<b>42,129</b>	42,129	<b>50,000</b>	–
Leung Chun Ying	–	–	–	–
John Alan Ross	<b>10,000</b>	5,000	–	–
N R Narayana Murthy	<b>2,000</b>	–	–	–
Peter Ong Boon Kwee	–	–	–	–
Wong Ngit Liong	–	–	–	–

\* Appointed 17 February 2006

**Unissued ordinary shares under the DBSH Share Option Plan**

Jackson Tai	<b>440,175</b>	386,675	–	–
Frank Wong Kwong Shing	<b>448,050</b>	394,550	–	–

**DBS Bank 6% non-cumulative non-convertible perpetual preference shares**

Jackson Tai	<b>250</b>	250	–	–
Wong Ngit Liong	<b>6,000</b>	6,000	–	–

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2006.

**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**

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 19 June 1999 to replace the DBS Bank Option Scheme. At an Extraordinary General Meeting held on 18 September 1999, the shareholders of the Company 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 of the Company. Particulars of the share options granted under the Option Plan in 1999, 2000, 2001, 2002, 2003 and 2004 (herewith called "1999 DBSH Options", "March/July 2000 DBSH Options", "March/June/August 2001 DBSH Options", "January/March/August/October/December 2002 DBSH Options", "February/March 2003 DBSH Options" and "March 2004 DBSH Options") have been set out in the Directors' Reports for the years ended 31 December 1999, 2000, 2001, 2002, 2003 and 2004 respectively.

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 1 January 2005	During the year			Number of unissued ordinary shares 31 December 2005	Exercise price per share	Expiry date
		Granted	Exercised	Forfeited			
July 1999	3,356,783	–	436,995	203,765	2,716,023	\$15.30	27 July 2009
March 2000	1,497,000	–	–	168,000	1,329,000	\$20.87	5 March 2010
July 2000	1,062,000	–	–	94,000	968,000	\$22.33	26 July 2010
March 2001	10,673,000	–	–	2,060,000	8,613,000	\$17.70	14 March 2011
June 2001	21,000	–	–	–	21,000	\$14.76	31 May 2011
August 2001	936,000	–	512,000	4,000	420,000	\$12.93	31 July 2011
January 2002	50,500	–	–	–	50,500	\$13.70	1 January 2012
March 2002	10,252,210	–	1,324,510	974,420	7,953,280	\$14.73	27 March 2012
August 2002	896,700	–	356,000	64,900	475,800	\$12.27	15 August 2012
October 2002	9,260	–	9,260	–	–	\$11.73	9 October 2012
December 2002	20,000	–	–	–	20,000	\$11.47	17 December 2012
February 2003	10,997,430	–	2,240,690	479,520	8,277,220	\$10.40	23 February 2013
March 2003	15,000	–	9,000	6,000	–	\$9.18	9 March 2013
March 2004	6,962,500	–	235,154	648,188	6,079,158	\$14.73	1 March 2014
March 2005	–	2,815,600	3,300	261,000	2,551,300	\$15.07	28 February 2015
	<b>46,749,383</b>	<b>2,815,600</b>	<b>5,126,909</b>	<b>4,963,793</b>	<b>39,474,281</b>		

Total options of 107,000 were granted to executive directors Mr Jackson Tai and Mr Frank Wong Kwong Shing during the financial year.

Information on the Option Plan, "March 2005 DBSH Options" granted under the Option Plan is as follows:

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

The persons to whom the "March 2005 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 date of expiration of the "March 2005 DBSH Options" is 28 February 2015 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 2005 DBSH Options") is exercisable is the average of the last dealt prices ("Market Price") for the Company's 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 the Company's 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 the Company (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 the Company 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 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 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 19 June 1999. At an Extraordinary General Meeting held on 18 September 1999, the shareholders of the Company 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 the Company.

During the financial year, awards in respect of an aggregate of 2,913,630 ordinary shares were granted pursuant to the DBSH Performance Share Plan, to selected employees of the Group. This included 204,080 awards granted to executive directors Mr Jackson Tai and Mr Frank Wong Kwong Shing. The awards represented a 100% payout. The payout at the end of the performance period have ranged from a minimum of 50% of the shares awarded to 200%, depending on the Group's performance as measured by return on equity.

Information on the Performance Share Plan is as follows:

- (i) the Company's ordinary shares could be granted to the Group executives who hold the rank of Vice President (or equivalent rank) and above and selected employees of the Group of a rank below the rank of Vice President (or equivalent rank). This would also include executives of associated companies of the Group who hold the rank of Vice President (or equivalent rank); and non-executive directors of the Company.  
  
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 the Company, their equivalent cash value or a combination of both ("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 18 September 1999, provided always that the Performance 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) 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 the Company.
- (v) The aggregate nominal amount of new ordinary shares of the Company which may be delivered (pursuant to DBSH Awards granted) under the Performance Share Plan, when added to the nominal amount of new ordinary 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% of the issued share capital of the Company on the day preceding the relevant date of the DBSH Award. The number of existing ordinary 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, the Company will have the flexibility to deliver ordinary shares of the Company to participants upon vesting of their DBSH Awards by way of an issue of new ordinary shares and/or the purchase of existing ordinary shares.
- (vii) The nominal amount, class and/or number of ordinary shares of the Company 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 the Company (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 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 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 31 December 2005, 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.

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 the Company on 30 March 2006.

#### AUDITORS

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

On behalf of the Directors

#### Koh Boon Hwee

#### Jackson Tai

17 February 2006  
Singapore