

## **DBS Bank Ltd and its subsidiaries**

### **Directors' Report**

The Directors are pleased to submit their report to the Member together with the audited consolidated financial statements of DBS Bank Ltd (the "Bank") and its subsidiaries (the "Bank Group") and the balance sheet, income statement and statement of changes in equity of the Bank for the financial year ended 31 December 2006, 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                                |
| Jackson Tai                 | - | Chief Executive Officer & Vice Chairman |
| Frank Wong Kwong Shing      | - | Chief Operating Officer                 |
| Ang Kong Hua                |   |   |
| Andrew Robert Fowell 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 Jackson Tai, Ang Kong Hua, Leung Chun Ying and Peter Ong will retire at the forthcoming annual general meeting and, being eligible, will offer themselves 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 Bank 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 Bank 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 Bank and related corporations as stated below:

|   | Holdings in which<br>Directors have a direct interest |  | Holdings in<br>which Directors are<br>deemed to have an interest |  |
|---|---|--|--|--|
|   | As at<br>31 Dec 2006                                  | As at<br>31 Dec 2005<br>(or date of<br>appointment if later) | As at<br>31 Dec 2006   | As at<br>31 Dec 2005<br>(or date of<br>appointment if later) |
| <b>DBS Group Holdings Ltd<br/>("DBSH") ordinary shares</b>                            |   |  |  |  |
| Koh Boon Hwee   | -   | -  | -  | -  |
| Jackson Tai   | 157,307   | 148,822  | -  | -  |
| Frank Wong Kwong Shing  | 213,357   | 204,872  | -  | -  |
| Ang Kong Hua  | -   | -  | -  | -  |
| Andrew Robert Fowell Buxton*  | 4,000   | -  | -  | -  |
| Goh Geok Ling   | 2,100   | 2,100  | -  | -  |
| Kwa Chong Seng  | 42,129  | 42,129   | 50,000   | 50,000   |
| Leung Chun Ying   | -   | -  | -  | -  |
| John Alan Ross  | 10,000  | 10,000   | 10,000   | -  |
| N R Narayana Murthy   | 2,000   | 2,000  | -  | -  |
| Peter Ong Boon Kwee   | -   | -  | -  | -  |
| Wong Ngit Liong   | -   | -  | -  | -  |
| * Appointed 17 February 2006  |   |  |  |  |
| <b>Unissued ordinary shares under<br/>the DBSH Share Option Plan</b>                  |   |  |  |  |
| Jackson Tai   | 440,175   | 440,175  | -  | -  |
| Frank Wong Kwong Shing  | 448,050   | 448,050  | -  | -  |
| <b>DBS Bank 6% non-cumulative<br/>non-convertible perpetual<br/>preference shares</b> |   |  |  |  |
| 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 2007.

## 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 Bank and the Bank Group.

## DBSH Share Option Plan

The DBS Bank Share Option Plan (the "DBS Bank Option Plan") was adopted by the shareholders of the Bank at an Extraordinary General Meeting of the 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 DBSH adopted the DBSH Share Option Plan (the "Option Plan") to replace the DBS Bank Option Plan, following the restructuring of the Bank as a wholly owned subsidiary company of DBSH. Particulars of the share options granted under the Option Plan in 1999, 2000, 2001, 2002, 2003, 2004 and 2005 (herewith called "1999 DBSH Options", "March/July 2000 DBSH Options", "March/June/August 2001 DBSH Options", "January/March/August/December 2002 DBSH Options", "February 2003 DBSH Options", "March 2004 DBSH Options" and "March 2005 DBSH Options") have been set out in the Directors' Reports for the years ended 31 December 1999, 2000, 2001, 2002, 2003, 2004 and 2005 respectively.

The movements of the unissued ordinary shares of DBSH 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 2006                     | Granted | Exercised       | Forfeited  | 31 December 2006 |                                    |                          |             |
| July 1999     | 2,716,023                          | -       | 1,434,554       | 355        | 1,281,114        | \$15.30                            | 27 July 2009             |             |
| March 2000    | 1,329,000                          | -       | 73,000          | 98,000     | 1,158,000        | \$20.87                            | 5 March 2010             |             |
| July 2000     | 968,000                            | -       | 14,000          | 75,000     | 879,000          | \$22.33                            | 26 July 2010             |             |
| March 2001    | 8,613,000                          | -       | 2,344,284       | 725,801    | 5,542,915        | \$17.70                            | 14 March 2011            |             |
| June 2001     | 21,000                             | -       | 21,000          | -          | -                | \$14.76                            | 31 May 2011              |             |
| August 2001   | 420,000                            | -       | 151,600         | -          | 268,400          | \$12.93                            | 31 July 2011             |             |
| January 2002  | 50,500                             | -       | 50,500          | -          | -                | \$13.70                            | 1 January 2012           |             |
| March 2002    | 7,953,280                          | -       | 3,419,973       | 9,290      | 4,524,017        | \$14.73                            | 27 March 2012            |             |
| August 2002   | 475,800                            | -       | 173,900         | (13,800) # | 315,700          | \$12.27                            | 15 August 2012           |             |
| December 2002 | 20,000                             | -       | 10,000          | -          | 10,000           | \$11.47                            | 17 December 2012         |             |
| February 2003 | 8,277,220                          | -       | 3,994,110       | 34,740     | 4,248,370        | \$10.40                            | 23 February 2013         |             |
| March 2004    | 6,079,158                          | -       | 1,120,916       | 341,050    | 4,617,192        | \$14.73                            | 2 March 2014             |             |
| March 2005    | 2,551,300                          | -       | 169,851         | 211,350    | 2,170,099        | \$15.07                            | 1 March 2015             |             |
|               | 39,474,281                         | -       | 12,977,688      | 1,481,786  | 25,014,807       |                                    |                          |             |

# Included a credit of 15,000 shares previously reported as "forfeited" due to timing.

Other than the DBSH Options granted under the Option Plan as disclosed herein, there were no further 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 the Bank at an Extraordinary General Meeting of the Bank held on 19 June 1999. At an Extraordinary General Meeting held on 18 September 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 the Bank as a wholly-owned subsidiary company of DBSH. During the financial year, awards in respect of an aggregate of 3,738,190 ordinary shares were granted pursuant to the DBSH Performance Share Plan, to selected employees of the DBSH Group. This included 240,740 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 could range from a minimum of 100% of the shares awarded to 200%, depending on the DBSH Group's performance as measured by return on equity.

Information on the Performance Share Plan is as follows:

- (i) DBSH's ordinary shares could be granted to the 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 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 of DBSH.

- (iii) The Performance Share Plan shall continue to be in force at the discretion of the Compensation Committee of DBSH, 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 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 ordinary shares of DBSH 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 DBSH 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, DBSH will have the flexibility to deliver ordinary shares of DBSH 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 DBSH 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.

At an Extraordinary General Meeting held on 30 March 2006, the shareholders of DBSH adopted the change of name of the Plan from "DBSH Performance Share Plan" to "DBSH Share Plan" to better reflect DBSH Group's ability to also grant time-based awards. Such time-based awards will only be granted from 2007.

### **Auditors**

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

On behalf of the Directors

Koh Boon Hwee

Jackson Tai

15 February 2007  
Singapore

## **Statement by the Directors**

We, Koh Boon Hwee and Jackson Tai, being two of the Directors of DBS Bank Ltd (the “Bank”), state that, in the opinion of the Directors, the consolidated financial statements of the Bank Group, consisting of the Bank and its subsidiaries, and the income statement, balance sheet and statement of changes in equity of the Bank, together with the notes thereon as set out on pages 1 to 66, are drawn up so as to give a true and fair view of the state of affairs of the Bank and Bank Group as at 31 December 2006 and the results of the Bank and the Bank Group, changes in equity of the Bank and the Bank Group and cash flows of the Bank Group for the year ended on that date and there are reasonable grounds to believe that the Bank and the Bank Group will be able to pay their debts as and when they fall due.

On behalf of the Directors

Koh Boon Hwee

Jackson Tai

15 February 2007  
Singapore