

Balance Sheet at 31 December 2006

THURSDAY



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COMPANIES HOUSE

In \$ millions	Note	2006	2005
Assets			
Cash and balances with central banks		11,619	4,791
Singapore Government securities and treasury bills		12,843	9,843
Due from banks		19,590	16,089
Financial assets at fair value through profit or loss		14,818	17,647
Positive replacement values		8,529	9,206
Loans and advances to customers		60,470	52,702
Financial investments		14,429	15,996
Securities pledged		678	433
Subsidiaries	3	9,790	11,066
Investments in joint ventures		75	-
Investments in associates		567	631
Properties and other fixed assets		453	435
Deferred tax assets		-	27
Other assets		2,527	3,557
Total assets		156,388	142,423
Liabilities			
Due to banks		6,758	8,026
Due to non-bank customers		89,947	78,826
Financial liabilities at fair value through profit or loss		14,355	15,064
Negative replacement values		8,065	8,646
Bills payable		472	351
Current tax liabilities		643	499
Deferred tax liabilities		80	-
Other liabilities		3,711	4,161
Other debt securities in issue		2,065	1,121
Due to holding company		201	59
Due to subsidiaries	4	4,537	2,934
Due to related companies		-	5
Subordinated term debts		6,348	4,930
Total liabilities		137,182	124,622
Net assets		19,206	17,801
Equity			
Share capital	5	12,096	1,962
Share premium	5	-	10,134
Other reserves	6	3,143	2,665
Revenue reserves	6	3,967	3,040
Shareholders' funds		19,206	17,801
Total equity		19,206	17,801
Off balance sheet items			
Contingent liabilities		10,897	7,389
Commitments		69,497	61,654
Financial derivatives		1,408,971	1,380,765

(see notes on pages 107 to 109 which form part of these financial statements)

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For DBS BANK LTD
LONDON BRANCH

Income Statement for the year ended 31 December 2006

In \$ millions	Note	2006	2005
Income			
Interest income		5,324	3,774
Interest expense		3,011	1,870
Net interest income		2,313	1,904
Net fee and commission income		681	588
Net trading income		527	199
Net income from financial instruments designated at fair value		4	(17)
Net income from financial investments		162	80
Other income	2	194	448
Total income		3,881	3,202
Expenses			
Employee benefits		808	651
Depreciation of properties and other fixed assets		75	89
Other expenses		710	562
Allowances for credit and other losses		46	939
Total expenses		1,639	2,241
Profit before tax		2,242	961
Income tax expense		417	246
Net profit for the year		1,825	715

(see notes on pages 107 to 109 which form part of these financial statements)

Independent Auditors' Report

TO THE MEMBERS OF DBS GROUP HOLDINGS LTD (INCORPORATED IN SINGAPORE)

We have audited the accompanying financial statements of DBS Group Holdings Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 54 to 109, which comprise the balance sheets of the Group and the Company as at 31 December 2006, consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes

Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with Singapore Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion,

- (i) the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap 50 (the "Act") and Singapore Financial Reporting Standards, including the modification of the requirements of FRS 39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning by Notice of Banks No. 612 "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore, so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2006 and the results, changes in equity and cash flows of the Group for the year ended on that date, and
- (ii) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG
Certified Public Accountants

15 February 2007
Singapore

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 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 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

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 2006	As at 31 Dec 2005 (or date of appointment if later)	As at 31 Dec 2006	As at 31 Dec 2005 (or date of appointment if later)
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

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 2006	As at 31 Dec 2005 (or date of appointment if later)	As at 31 Dec 2006	As at 31 Dec 2005 (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 Ngai 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 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 company of the Company. 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 the Company in outstanding DBSH options granted under the Option Plan were as follows:

DBSH Options	Number of unissued ordinary shares 1 January 2006	During the year			Number of unissued ordinary shares 31 December 2006	Exercise price per share	Expiry date
		Granted	Exercised	Forfeited			
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 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 3,738,190 ordinary shares were granted pursuant to the DBSH Performance Share Plan, to selected employees of the 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 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

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

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 2006, 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 4 April 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

Balance Sheets

at 31 December 2006

In \$ millions	Note	Group		Company	
		2006	2005	2006	2005
Assets					
Cash and balances with central banks	17	11,846	4,986		
Singapore Government securities and treasury bills	18	12,843	9,846		
Due from banks		25,273	22,129		
Financial assets at fair value through profit or loss	19	16,496	18,502		
Positive replacement values	41	8,215	8,792		
Loans and advances to customers	20	85,149	77,636		
Financial investments	22	22,261	23,102		
Securities pledged	23	2,866	2,380		
Subsidiaries	24	–	–	6,927	6,790
Investments in associates	26	603	585		
Goodwill on consolidation	27	5,840	5,803		
Properties and other fixed assets	28	1,481	1,662		
Deferred tax assets	29	20	51		
Other assets	30	4,479	4,730		
Total assets		197,372	180,204	6,927	6,790
Liabilities					
Due to banks		7,863	8,950		
Due to non-bank customers	31	122,092	106,431		
Financial liabilities at fair value through profit or loss	32	19,708	22,823		
Negative replacement values	41	7,873	8,537		
Bills payable		511	378		
Current tax liabilities		766	557		
Deferred tax liabilities	29	137	58		
Other liabilities	33	6,677	5,475	8	6
Other debt securities in issue	34	3,950	2,440		
Subordinated term debts	35	6,749	5,365		
Total liabilities		176,326	161,014	8	6
Net assets		21,046	19,190	6,919	6,784
Equity					
Share capital	36	4,042	1,564	4,042	1,564
Share premium	36	–	2,269	–	2,269
Treasury shares	36	(111)	(117)		
Other reserves	37	7,182	6,841	53	77
Revenue reserves	37	7,562	6,167	2,824	2,874
Shareholders' funds		18,675	16,724	6,919	6,784
Minority interests	38	2,371	2,466		
Total equity		21,046	19,190	6,919	6,784
Off balance sheet items					
Contingent liabilities	39	12,187	8,769		
Commitments	40	86,065	75,804		
Financial derivatives	41	1,378,916	1,359,935		

(see notes on pages 58 to 104, which form part of these financial statements)

Consolidated Income Statement for the year ended 31 December 2006

In \$ millions	Note	2006	2005
Income			
Interest income		7,809	5,542
Interest expense		4,218	2,599
Net interest income	5	3,591	2,943
Net fee and commission income	6	1,155	986
Net trading income	7	522	320
Net income from financial instruments designated at fair value	8	(192)	(113)
Net income from financial investments	9	171	102
Other income	10	191	403
Total income		5,438	4,641
Expenses			
Employee benefits	11	1,244	1,052
Depreciation of properties and other fixed assets	28	130	148
Other expenses	12	995	826
Goodwill charges	27	–	1,128
Allowances for credit and other losses	13	135	203
Total expenses		2,504	3,357
Share of profits of associates		70	54
Profit before tax		3,004	1,338
Income tax expense	14	575	353
Net profit for the year		2,429	985
Attributable to			
Shareholders		2,269	824
Minority interests		160	161
		2,429	985
Basic earnings per ordinary share (\$)	15	1 50	0 54
Diluted earnings per ordinary share (\$)	15	1 45	0 53
Basic earnings per ordinary share (\$) – exclude goodwill charges	15	1 50	1 30
Diluted earnings per ordinary share (\$) – exclude goodwill charges	15	1 45	1 25

(see notes on pages 58 to 104, which form part of these financial statements)