

# Corporate Governance Report

## Introduction

At DBS, we see good corporate governance as the cornerstone of any effective, well-run organisation. Integrity, honesty and transparency in dealings are crucial to retaining investor confidence and in ensuring a firm's reputation. Not only do we benchmark ourselves against the Singapore Code of Corporate Governance, we also adopt, where appropriate, international best practice corporate governance standards.

This report describes DBS' corporate governance processes with specific reference to the guidelines in the Code, and also includes information required to be disclosed under the Best Practices Guide and the Interested Person Transactions Policy in the SGX Listing Manual.

## Board Matters

### Board's Conduct of its Affairs

**Principle 1: Every company should be headed by an effective Board to lead and control the company.**

### Role of the Board

DBS Group Holdings ("DBSH") Board, which has overall responsibility for managing the affairs of DBS Group, including reviewing its financial performance, setting its strategic direction and performance objectives and reviewing major corporate initiatives, comprises 14 members, excluding Ang Kong Hua who joined the Board in March 2005.

Of these, two are executive directors, three are directors associated with Temasek Holdings Pte Ltd ("THL"), DBSH's

substantial shareholder, and nine are independent directors. The three directors associated with THL were not appointed at the request of THL and do not report to THL or take directions from THL. Six of the 14-member Board are non-Singaporeans.

Certain matters specifically require Board approval, including:

- (a) the consolidated financial statements and directors' report of the DBS Group;
- (b) any strategic plan for the DBS Group and how actual results compare with the plan;
- (c) the annual budget for the DBS Group;
- (d) all strategic acquisitions and divestments by the DBS Group;
- (e) all major fund-raising exercises of the DBS Group; and
- (f) all decisions that will have a major impact on the reputation or standing of the DBS Group.

### Board Meetings

The Board conducts five scheduled Board meetings a year with at least one meeting held over two days. The agenda includes review of financial performance and discussions on corporate strategy, business plans, major corporate initiatives and review of potential strategic acquisitions or alliances.

In addition to the scheduled meetings, the Board also holds ad hoc meetings as and when required. Meetings are allowed to be held via teleconference and video-conference. Board approval for specific proposals may also be obtained through written resolutions by circulation due to exigencies.



## Attendance at Board and Committee Meetings

Name of Director	Board Meetings		Audit Committee Meetings		Board Risk Management Committee Meetings		Executive Committee Meetings		Nominating Committee Meetings <sup>6</sup>		Compensation Committee Meetings	
	Number of meetings held <sup>@</sup>	Attendance	Number of meetings held <sup>@</sup>	Attendance	Number of meetings held <sup>@</sup>	Attendance	Number of meetings held <sup>@</sup>	Attendance	Number of meetings held <sup>@</sup>	Attendance	Number of meetings held <sup>@</sup>	Attendance
<b>S Dhanabalan</b>	6	6	-	-	-	-	20	18	0	0	4	4
<b>Jackson Tai</b>	6	6	-	-	-	-	20	18	-	-	-	-
<b>Frank Wong Kwong Shing</b>	6	6	-	-	-	-	20	17	-	-	-	-
<b>Bernard Chen Tien Lap</b>	6	6	5	5	4	4	20	18	0	0	-	-
<b>Fock Siew Wah</b>	6	4	-	-	4	4	20	18	-	-	4	4
<b>Gail D Fosler</b>	6	5	-	-	-	-	-	-	0	0	-	-
<b>Goh Geok Ling<sup>1</sup></b>	3	3	2	2	-	-	-	-	-	-	-	-
<b>Kwa Chong Seng<sup>2</sup></b>	6	6	-	-	4	3	20	17	-	-	-	-
<b>Moses Lee Kim Poo<sup>3</sup></b>	2	1	3	3	-	-	-	-	-	-	-	-
<b>Leung Chun Ying</b>	6	5	-	-	-	-	-	-	0	0	4	3
<b>Narayana Murthy</b>	6	4	-	-	-	-	-	-	-	-	-	-
<b>Peter Ong Boon Kwee</b>	6	5	5	4	4	4	-	-	-	-	-	-
<b>John A Ross</b>	6	5	-	-	4	3	-	-	-	-	-	-
<b>Thean Lip Ping</b>	6	6	-	-	-	-	-	-	0	0	4	3
<b>Wong Ngit Liang<sup>4</sup></b>	3	3	-	-	-	-	-	-	-	-	1	1
<b>Yeo Ning Hong<sup>5</sup></b>	2	2	-	-	-	-	-	-	-	-	3	2

@ the number of meetings held during the period the director was a member of the Board and/or relevant Committee

1) Appointed on May 3, 2004 (Board and Audit Committee)

2) Appointed on January 13, 2004 (Board Risk Management Committee)

3) Resigned on April 30, 2004 (Board and Audit Committee)

4) Appointed on May 3, 2004 (Board and Compensation Committee)

5) Resigned on April 30, 2004 (Board and Compensation Committee)

6) No physical meetings held. Approval of nominations by circulation

### Training

New and existing directors undergo comprehensive orientation and training programmes. New directors are provided with relevant materials on directors' roles and responsibilities. They are also briefed by the company secretary on their fiduciary responsibilities, and by the CEO and key business and functional heads on the Group's businesses and operations.

Board and Board committee members are also updated regularly on key accounting and regulatory changes. In 2004, the Audit Committee received comprehensive briefings on fraud risk management, tax risk management and anti-money laundering, as well as changes to key accounting standards, such as Financial Reporting Standards (FRS) 32, 39, 102 and 103.

Directors are given unrestricted access to all DBS staff.

Integrity, honesty and transparency in dealings are crucial to retaining investor confidence and in ensuring a firm's reputation.

DBS Management Committee  
(left to right)

David Lau, Frank Wong, Jeanette Wong,  
Jackson Tai, Rajan Raju, Eric Ang  
and Steve Ingram

### Board Committees

A number of Board committees have been established to assist the Board in discharging its responsibilities and to enhance the Group's corporate governance framework. The committees include the Executive, Board Risk Management, Audit, Compensation and Nominating Committees. The operations of the Audit Committee are described in the section "Audit Committee".

Each of these committees has its own written terms of reference that describes the responsibilities of the committee.

### Executive Committee

The DBSH and DBS Bank Executive Committee ("Exco") comprises six members (S Dhanabalan (Chairman), Jackson Tai, Frank Wong, Bernard Chen, Fock Siew Wah and Kwa Chong Seng) and is authorised to exercise all the powers of the Board, except those which the Board may only exercise by law or which the Board has expressly reserved for itself. The DBSH and DBS Bank Exco meets twice a month. During those meetings, the Exco reviews and decides on credit proposals requiring its approval. The Exco also discusses, and where required, endorses strategic and other major issues that are brought up prior to discussion with, and where required, approval by the full Board. During the year, major initiatives reviewed by the Exco included:

- (a) DBS Thai Danu Bank merger proposal;
- (b) Proposed divestment of Wing Lung Bank stake; and
- (c) Proposed US\$750 million Upper Tier 2 subordinated debt issue.

### Board Risk Management Committee

The Board Risk Management Committee ("BRMC") comprises five members (Fock Siew Wah (Chairman), Bernard Chen, Kwa Chong Seng, Peter Ong and John Ross).

The role of the BRMC is to:

- (a) assist the Board in reviewing risk policies;
- (b) approve delegation of risk decisions to the Exco or other Bank Committees;
- (c) periodically review risk profile at the portfolio level; and
- (d) perform any other functions as may be agreed by the Board.

The BRMC meets four times a year. In 2004, the BRMC continued to serve as an active Board forum to review and exercise oversight on DBS' risk management activities. The matters deliberated at the 2004 BRMC meetings included:

- (a) periodic updates on the risk profiles of DBS Group, covering trading market risk, structural market risk, credit risk (including country risk) as well as operational risk, (b) updates on various risk management initiatives, such as Basel II Accord preparation, Market Risk Internal Models preparation and Business Continuity Management preparedness of the DBS Group, and (c) proposed revisions to risk management policies and framework.

### Compensation Committee

The Compensation Committee ("CC") comprises five members (Thean Lip Ping (Chairman), S Dhanabalan, Fock Siew Wah, Leung Chun Ying and Wong Ngit Liong). The Chairman of the Committee is an independent director.

The role of the CC is to:

- (a) review and approve the remuneration, including the grant of share options and performance shares, to the executive directors of DBSH and DBS Bank;
- (b) review and approve the aggregate variable cash bonuses, share options and performance share grants to the employees of DBS Group; and
- (c) oversee management development and succession planning in DBS Group.

A number of Board committees have been established to assist the Board in discharging its responsibilities and to enhance the Group's corporate governance framework.

Executive directors, who are not members of the CC, may attend meetings but do not attend discussions pertaining to themselves, including their own performance and remuneration.

### Nominating Committee

As required by regulation and its Articles, DBSH has established a Nominating Committee ("NC") comprising five members (Bernard Chen (Chairman), S Dhanabalan, Gail Fosler, Leung Chun Ying and Thean Lip Ping). The Chairman of the Committee is an independent director.

Regulations issued by the Monetary Authority of Singapore ("MAS") require the NCs of Singapore banks to identify candidates and review all nominations by the Board, any Director or any member of DBSH for the following positions in DBSH:

- (a) Director/Alternate Director (for appointment or re-appointment, election or re-election). In deciding on the appointment of new candidates to the Board, the NC will take into account the proposed appointee's background, experience and other board memberships;
- (b) membership of the Executive Committee, the Compensation Committee, the Audit Committee, the Board Risk Management Committee and any other Board committees that may be established from time to time; and
- (c) the Chief Executive Officer, Deputy Chief Executive Officer, President, Deputy President and Chief Financial Officer, including any other officer, by whatever name called, who has responsibilities and functions similar to any of these officers.

Beyond the regulations, all appointments of key business and functional heads, and the heads of major subsidiaries in the Group, must be approved by the NC. In 2004, the NC reviewed and approved the appointments of the Head of Group Audit, Group Human Resources and Group Legal and Compliance.

### Board Composition and Balance

**Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision-making.**

Five of the directors are considered non-independent. They are S Dhanabalan (Chairman), Jackson Tai, Frank Wong, Fock Siew Wah and Kwa Chong Seng.

Mr Dhanabalan is Chairman of THL. Mr Jackson Tai and Mr Frank Wong are executive directors. Mr Tai is the Vice-Chairman and CEO of DBSH and DBS Bank, and Mr Wong is the Chief Operating Officer of DBSH and DBS Bank, Vice-Chairman of DBS Bank and Chairman, DBS Bank (Hong Kong). Mr Fock and Mr Kwa are non-executive directors of THL, but are not nominated nor appointed by THL. They do not report to or take directions from THL and act in their personal and independent capacity as directors of DBSH. Under the draft Banking (Corporate Governance) Regulations 2003 (the "Regulations") issued by MAS, directors who are also non-executive directors of a substantial shareholder are deemed not to be independent. Although the Regulations are not yet law, we have treated Mr Fock and Mr Kwa as not independent purely because of the provision in the draft Regulations.

The NC adopts the definition of independence as stated in the Code and the Regulations. The independence of each director is reviewed annually by the NC.

Apart from the five directors mentioned above, the NC has reviewed and confirmed the independence of the remaining directors (Bernard Chen, Gail Fosler, Goh Geok Ling, Leung Chun Ying, Narayana Murthy, Peter Ong, John Ross, Thean Lip Ping and Wong Ngit Liong).



DBS Building Tower One

The DBS HQ in Singapore is a 50-storey tower block built in 1973. The four round concrete caissons in the building's foundation inspired the original design of the DBS logo in 1972.

In particular, while Mr Wong is Chairman and Chief Executive Officer of the Venture Group of companies ("Venture"), and Venture has made payments to DBS which exceeded \$200,000 in the last financial year, he has been assessed as independent as such payments are not material to DBS' financials.

Mr Thean is a non-profit sharing consultant at Singapore law firm KhattarWong ("KW"). While KW rendered services to DBS, and earned fees which exceeded \$200,000 in the last financial year, Mr Thean does not participate in KW's deliberations relating to DBSH. As such, he is viewed as independent.

While there is no limit on the number of directors that may be appointed under DBSH's Articles, the Board considers its current board size to be appropriate, taking into account the nature and scope of DBS' operations.

With their deep and broad knowledge, expertise and experience, Board members provide valuable insight and advice during Board discussions.

### Chairman and Chief Executive Officer

**Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.**

The Chairman and CEO functions in DBS are assumed by different individuals. The Chairman, Mr Dhanabalan, is a non-executive director, while the CEO, Mr Jackson Tai, is an executive director.

The CEO is the most senior executive in DBS and assumes executive responsibility for DBS' business, while the Chairman assumes responsibility for the management of the Board.

The Board agenda is set by the CEO and approved by the Chairman. Board members are provided with comprehensive materials in advance of Board meetings, and all major issues and initiatives are discussed and reviewed by the Board.

The Chairman hosts a private session without the presence of executive directors at every board meeting.

### Board Membership

**Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board. As a principle of good corporate governance, all directors should be required to submit themselves for re-nomination and re-election at regular intervals.**

New directors are appointed by the Board based on recommendations by the Nominating Committee ("NC"). In reviewing the suitability of new candidates, the NC takes into account certain criteria set out in the relevant regulations and the Articles of Association. These include the requirement that the Board must comprise a majority of Singapore citizens or permanent residents, a majority of directors must be independent and not more than two directors may be executive directors. In addition, the NC ensures that the candidate is qualified for the position.

The NC also takes into consideration whether a candidate has multiple directorships and whether these other directorships will constrain the candidate in setting aside sufficient time and attention to DBS affairs.

All new directors must submit themselves for re-election at the next annual general meeting of DBSH. One-third of the directors must also retire by rotation at each annual general meeting.

Directors are appointed for two-year terms, up to a maximum of three two-year terms. In reviewing the re-appointment of

### DBS Hong Kong

DBS Hong Kong recorded another year of robust sales in investment and bancassurance products, performing exceptionally well in unit trusts where it now has at least 5% market share.



### DBS Treasures Banking

Under Treasures Priority Banking, DBS offers comprehensive advisory services tailored to the individual's financial needs.

directors, the NC will take into account a range of factors, including the director's level of participation at Board and Board committee meetings and his performance and contributions during the term. The maximum tenure of three two-year terms may also be exceeded if the NC considers that the director's experience and expertise are valuable to DBS Group and cannot be easily replaced by a new director.

The NC also reviews the appointments of all Board committee members. In reviewing such appointments, the NC seeks to ensure that the appointee has the relevant experience and skills to make a meaningful contribution to the particular committee, and that Board committee memberships are equitably distributed among directors where possible.

### Board Performance

**Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.**

DBSH has implemented a process to assess the performance and effectiveness of the Board as a whole as well as to assess the performance and effectiveness of individual directors.

For collective Board appraisal, each director assesses the Board's performance as a whole and provides feedback to the Chairman of the Board and the Chairman of the NC. Both Chairmen consolidate the feedback and present the findings to the Board annually. Board performance is judged on the basis of accountability as a whole, rather than strict definitive financial performance criteria, as it would be difficult to apply specific financial performance criteria to evaluate the Board. The Board has found the collective Board assessment useful in evaluating its effectiveness, as directors have provided constructive feedback and suggestions for improvement.

In the case of individual assessment, each director is evaluated on the basis of his or her attendance, knowledge and contribution to the effectiveness of the Board. Each director completes a self and peer evaluation form, which is seen only by the Chairman of the Board. Where the feedback indicates that a director can benefit from development of certain aspects of his/her work on the Board, this will be communicated individually.

### Access to Information

**Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis.**

Directors are provided with the agenda and meeting materials in advance of Board meetings.

Management provides the Board with a monthly update covering financial results, market and business developments, business and operations metrics and updates on major issues.

Directors have access to the company secretary and senior management at all times. Directors requiring external professional advice will be assisted by the company secretary, with DBS bearing the cost of such external advice.

The company secretary attends all board meetings and ensures that board procedures are followed and relevant regulations are complied with. The company secretary attends all meetings of the Board and the Audit Committee. The minutes of the Audit Committee and the BRMC are circulated to the Board.

### Remuneration Matters

Principles 7 to 9 of the Code deal with remuneration matters. These matters will be covered separately in the Remuneration Report.

DBS India  
DBS Mumbai branch, established in 1995, is poised to benefit from India's fast growing and rapidly liberalising market.



## Accountability and Audit

### Accountability

#### **Principle 10: The Board is accountable to the shareholders while the Management is accountable to the Board.**

DBS recognises the importance of keeping the Board regularly updated on DBS' performance and prospects. As stated above, Management provides the Board with a monthly update apart from the regular Board meetings.

The heads of all business and support units provide a quarterly certification to the CEO and the Chief Financial Officer ("CFO") stating, inter alia, that the head of such business or support unit is not aware of any circumstances not otherwise dealt with in the financial statements that would render any amount stated in the financial records misleading. The CEO and CFO in turn provide a Letter of Representation on a quarterly basis to the Audit Committee and the external auditors, Ernst & Young ("EY"), confirming that the financial statements have been properly drawn up.

Disclosure to investors is addressed in the section "Communication with Shareholders" below.

### Audit Committee

#### **Principle 11: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.**

The AC comprises independent non-executive directors Bernard Chen (Chairman), Goh Geok Ling and Peter Ong.

The role of the AC is to:

- (a) review the financial statements prior to submission to the Board;

- (b) review with the external auditor the audit plan, the evaluation of the system of internal accounting controls and the external auditor's audit report;
- (c) review the scope and results of the internal audit procedures;
- (d) nominate the external auditor;
- (e) review the cost effectiveness, independence and objectivity of the external auditors and (where the auditors also supply a substantial volume of non-audit services to DBS) to keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money;
- (f) review interested person's transactions; and
- (g) perform any other functions which may be agreed by the AC and the Board.

The AC also has explicit authority to investigate any matter within its terms of reference. It has full access to and co-operation of management and full discretion to invite any director or executive officer to attend its meetings. The AC has reasonable resources to enable it to discharge its functions properly.

In its review of the audited financial statements for the financial year ended 2004, the AC discussed with management and the external auditors the accounting principles that were applied and their judgement of items that might affect the financials. Based on the review and discussions with management and the external auditors, the AC is of the view that the financial statements are fairly presented in conformity with generally accepted accounting principles in all material aspects.

In 2004, the AC met five times. In addition to reviewing the financial results, the internal and external auditors' reports, and discussing the usual business of the AC, the AC also discussed more wide-ranging issues, including the lessons learnt from high profile operational lapses in other banks.



#### DBS Indonesia

DBS' expertise in raising funds for telecommunication companies helped us land a standout mandate from PT Mitra Global Telekomunikasi Indonesia last year.

The Group Audit Head, the Group Legal and Compliance Head and the external auditors attend every AC meeting. In addition, the AC meets with the external auditors separately after each AC meeting without the presence of management.

The AC has received the requisite information from EY and has considered the financial, business and professional relationship between EY and DBS, for the financial year 2004. The AC has also conducted an annual review of the volume of non-audit services provided by EY to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the auditors before confirming their re-nomination. The AC is of the view that EY can be considered independent.

### Internal Controls

**Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.**

A sound system of internal controls can only operate within a defined organisational and policy framework. The management framework at DBS clearly defines the roles, responsibilities and reporting lines of business units and support units. Delegation of authority, control processes and operational procedures are documented and disseminated to staff. While all employees have a part to play in upholding the system of internal controls, certain corporate functions such as Group Audit, Group Risk and Group Compliance provide independent oversight and control.

Internal controls are reviewed on an ongoing basis by Group Audit, whose work is supplemented by that of the external auditors. The role of Group Audit and the external auditors is described in the section on "Internal Audit".

Risk management is essential to the DBS Group's business. Group Risk is responsible for instituting firm-wide risk management framework and infrastructure. Risk management

processes have been integrated throughout the DBS Group into the business planning, execution and monitoring processes, particularly through the approval process for new products and/or services. Business units also perform periodic control self-assessment processes to review and attest to the effectiveness of their internal control environment. The risk management process in DBS is also strengthened through the regular deliberations of the Board Risk Management Committee.

The Group Compliance function has specific accountability for instilling and maintaining a strong compliance culture and framework within the DBS Group.

The AC has reviewed the adequacy of DBS' control environment and has made its report to the Board.

Based on the information furnished to the Board, nothing has come to the Board's attention to cause the Board to believe that the internal controls and risk management processes are not satisfactory for the type and volume of business conducted.

### Internal Audit

**Principle 13: The company should establish an internal audit function that is independent of the activities it audits.**

Group Audit is an independent function that reports directly to the Audit Committee and the CEO. Its scope of work covers all business and support functions in the DBS Group, both in Singapore and overseas. All audit offices in the Group follow a consistent set of code of ethics based on principles recommended by the USA Institute of Internal Auditors.

The annual audit plan is developed under a structured Risk Assessment Approach that examines all of the Group's activities and entities, the inherent risks and internal controls. Audit assignments are identified based on this approach and audit resources are focused on the higher risk activities.

A sound system of internal controls can only operate within a defined organisational and policy framework. The management framework at DBS clearly defines the roles, responsibilities and reporting lines of business units and support units.



The progress of corrective actions on all outstanding audit issues is monitored monthly through Group Audit's centralised Global Audit Tracking System. Information on outstanding issues is categorised and reported to senior and line management through the Monthly Control Reports.

All copies of reports with adverse opinions and a monthly summary of all audit reports issued in the month are copied to the Chairman of the Audit Committee, external auditors and senior executives of the Group including the CEO, CFO, Group Legal and Compliance Head and Group Risk Head.

Group Audit meets regularly with the external auditors to strengthen working relationships between both parties, discuss matters of mutual interest, develop a common understanding and co-ordinate the audit efforts.

In the course of 2004, Group Audit carried out its functions in accordance with the general description provided above. The department is adequately resourced and has the required mandate from the AC and the CEO to carry out its functions effectively.

The professional competence of the internal auditors is maintained through Group Audit's continuing professional development programme, which focuses on updating auditors' knowledge of auditing techniques, regulations and banking products and services.

The Group Audit Head is Edmund J Larkin. Mr Larkin has a Bachelor of Commerce degree from the University of New South Wales and is an Associate Member of the Institute of Chartered Accountants in Australia and Securities Institute of Australia.

As stated above, Group Audit works closely with the external auditors, EY. The external auditors carry out, in the course of their annual statutory audit, a review of the effectiveness of DBS'

material internal controls and risk management to the extent of their audit plan. Material non-compliance and internal control weaknesses noted during their audit, along with any recommendations, are reported to the AC.

### Communication with Shareholders

**Principle 14: Companies should engage in regular, effective and fair communication with shareholders.**

### Dissemination of Information

DBS has an active dialogue with shareholders, both institutional and retail, and takes its responsibilities towards shareholders very seriously. DBS holds a media and analysts briefing after the release of its quarterly results. All press releases, audited financial statements and financial results announcements are published on SGXNET and DBS' website. A dedicated investor relations team meets key institutional investors on a regular basis.

During the year, DBS management met more than 160 local and foreign investors in more than 150 meetings. The meetings included five investor conferences – two in New York, and one each in London, Singapore and Hong Kong.

DBS does not practise selective disclosure. Price sensitive information is first publicly released, either before DBS meets with any group of investors or analysts or concurrently.

This dissemination process is continuous throughout the year to ensure the company meets disclosure and reporting obligations.

### Shareholders' Meetings

DBS recognises that the annual general meeting ("AGM") is an important opportunity for retail investors to meet with the Board and management. In addition to the Board, members of the Management Committee and the external auditors are also available to answer shareholders' queries. DBS conducts a briefing session for shareholders on the financial statements just before the commencement of the AGM.

Group Audit meets regularly with the external auditors to strengthen working relationships between both parties, discuss matters of mutual interest, develop a common understanding and co-ordinate the audit efforts.

DBS has reviewed the Code recommendation that companies encourage greater shareholder participation at annual general meetings by allowing shareholders to vote in absentia via such methods as email, fax etc. Following advice that the present legal and regulatory environment is not entirely conducive to absentia voting methods (particularly email voting), DBS has decided to defer the introduction of absentia voting methods until an appropriate time.

### Code of Conduct

DBS has an internal code of conduct that applies to senior management and staff. The code of conduct incorporates the industry's code of ethics, and covers areas such as client confidentiality, business conduct, conflicts of interests and insider trading. All staff are required to acknowledge annually that they have read and understood the code and have agreed to abide by it.

The following disclosures are required to be made under the SGX Listing Manual and recommendations of the Working Group formed by the three Singapore banking groups:

### Dealings in Securities/Best Practices Guide

The SGX-ST Best Practices Guide recommends that staff of listed companies should not trade in the company's securities:

- (i) during the period beginning one month before the release of the half-year and full-year results; and
- (ii) during the period beginning two weeks before the release of the first quarter and third quarter results

and ending on the date of release of the said results.

As the first quarter and third quarter financial results are, in practice, available to certain staff before the commencement of the two-week period recommended in the Best Practices Guide, DBS has extended the two-week "black-out" period to three weeks for the first quarter and third quarter results.

Directors and staff are also reminded periodically in writing that the general prohibition on trading while in possession of material non-public information applies at all times.

To further strengthen its corporate governance practices in relation to staff personal dealings in securities, DBS implemented a personal investment policy in 2001. The policy requires selected staff who may have access to price-sensitive information in the course of their duties to obtain prior approval from Group Compliance or designated supervisors before trading in securities listed in countries where DBS has a major presence, such as Singapore and Hong Kong. Such staff must generally effect trades in affected securities through the DBS Vickers group of companies. DBS Vickers is DBS' 100%-owned stockbroking subsidiary.

### Related Party Transactions

The DBS Group's policy on transactions with related parties is in compliance with statutory and regulatory requirements, namely:

- (a) (in the case of DBS Bank) Section 29 of the Banking Act, Chapter 19; and
- (b) (in the case of DBSH) MAS Directives to Financial Holding Companies No. 8 and Chapter 9 of the SGX Listing Manual on interested person transactions (see the section "Interested Person Transactions Policy" immediately following this section).

Under Section 29(1)(d) of the Banking Act, a bank cannot grant unsecured credit facilities, directly or indirectly, which in the aggregate and outstanding at any one time exceed the sum of \$5,000 to:

- (a) the bank's directors;
- (b) any firm in which the bank or any of its directors has an interest as a partner, manager or agent, or to any individual or firm of whom or of which any of its directors is a guarantor;
- (c) a company in which any of its directors, whether legally or beneficially, owns more than 50% of the issued capital or in

### Round the Clock Services

DBS operates in 14 markets and multiple time zones around the world.



**Customer Service**  
DBS' Call Centre in Singapore consistently scores above 80% in a customer satisfaction survey conducted weekly.

which any of its directors controls the composition of the board of directors, but excluding public companies, the securities of which are listed on SGX or other stock exchange approved by MAS and the subsidiaries of such public companies; and

- (d) any corporation, other than a bank, that is deemed to be related to the bank as described in Section 6 of the Companies Act

In addition, under Section 29(1)(e) of the Banking Act, a bank shall not grant to any of its officers (other than a director) or its employees or other persons, being persons receiving remuneration from the bank (other than any persons receiving remuneration from a bank in respect of their professional services), unsecured credit facilities which in the aggregate and outstanding at any one time exceed one year's emoluments of that officer or employee or person.

To ensure compliance with Section 29(1)(d) and (e), DBS Bank has taken the following steps:

- (a) Compliance with Section 29(1)(d) and (e) is an integral part of the credit approval process;
- (b) Before directors are appointed, they are notified of the requirement of Section 29(1)(d) and their existing facilities, if any, are adjusted to comply; and
- (c) A semi-annual reminder is sent to all directors to update their particulars and related interests, as defined in Section 29(1)(d).

Directive 8 restricts lending and guarantees by a financial holding company such as DBSH. Under Directive 8(1)(a), a financial holding company may not, inter alia, grant any credit facility to any person other than a subsidiary or any of its officers (other than a director) or its employees or other persons, being persons receiving remuneration from the financial holding company (other than in respect of professional services rendered). In particular, under Directive 8(2), a financial holding company shall not grant, directly or indirectly, unsecured advances or loans under Directive 8(1)(a) to:

- (a) Any subsidiary which in the aggregate and outstanding at any one time exceeds the sum of \$5,000 except to any subsidiary which is a bank licensed under the Banking Act, a finance company licensed under the Finance Companies Act or, with MAS' prior approval, a foreign banking subsidiary; or
- (b) Any of its officers (other than a director) or its employees or other persons, being persons receiving remuneration from the financial holding company (other than in respect of professional services rendered) which in the aggregate and outstanding at any one time exceeds one year's emoluments of that person.

Compliance with MAS Directive No. 8 is an integral part of the credit approval process for all credit facilities granted by DBSH.

The DBSH Group has granted credit facilities to the following related parties in the ordinary course of business on normal terms and conditions. The outstanding amounts of these credit facilities and the estimated values of collaterals at December 31, 2004 are as follows:

(In \$ millions)	Credit Facilities Granted to	Contingent Credit Facilities Granted to	Estimated Values of Collaterals	Deposits Received by DBSH Group
<b>Granted to/received from:</b>				
DBSH Directors and their related entities	14	#	31	-
Companies with DBSH Directors represented on their boards	1,140	21	237	-
<b>Bank-related companies<sup>1</sup>:</b>				
- engaged in financial activities	977	56	1,888	860
- engaged in non-financial activities	179	#	357	9

Notes:

1) Excludes transactions between DBS Bank's subsidiary companies and their own subsidiary companies

# Amount under \$500,000

### Interested Person Transactions Policy

As a listed company on the Singapore Exchange, DBSH is required to comply with Chapter 9 of the SGX Listing Manual on interested person transactions. To ensure compliance with Chapter 9, DBSH has taken the following steps:

- (a) Compliance with Chapter 9 is an integral part of the credit approval process for the entire DBS Group; and
- (b) A semi-annual update of directors' personal particulars is obtained.

The following are details of the interested person transactions entered into by the DBS Group in 2004:

Name of Interested Person	Aggregate Value of all Interested Person Transactions during 2004 (excluding transactions less than \$100,000)
<b>CapitaMall Trust</b>	
Renewal of branch lease at Junction 8 Shopping Centre	\$2,971,296
<b>SMRT Trains Ltd</b>	
Electronic Banking Centre lease at Raffles Place MRT Station	\$144,936
<b>Seraya Energy Pte Ltd</b>	
Electricity purchase for all DBS Bank's contestable premises (both high tension and low tension)	\$3,851,900
Electricity purchase for DBS China Square Ltd	\$1,080,000
<b>NCS Communications Engineering Pte Ltd</b>	
Maintenance of AV Equipment	\$371,574
<b>Singapore MRT Ltd</b>	
Renewal of ATM Lease at Somerset MRT Station	\$108,000
<b>Singapore Telecommunications Ltd</b>	
Subscription for telecom services	\$120,000
<b>Singapore Technologies Pte Ltd</b>	
Annual software maintenance and support IT Professional Services	\$183,000
<b>Singapore Airlines Ltd</b>	
Travel expenses	\$5,200,000