

# Corporate Governance Report

## INTRODUCTION

DBS considers good corporate governance to be the cornerstone of a well-managed organisation. The promotion of corporate fairness, transparency and accountability is led by a diversified and highly qualified Board, aided by a seasoned and experienced management team. We believe that good corporate governance goes beyond the output of transparent, timely and full financial disclosures to a gamut of decisions and structures manifested by board composition, structure and decision making powers, risk management governance to instilling the right corporate culture across the organisation. We welcome two major industry initiatives in 2005 to improve corporate governance standards in Singapore.

In 2005, the Singapore Council on Corporate Disclosure and Governance (CCDG) introduced enhancements to its Code of Corporate Governance which sets the corporate governance benchmark for companies listed on the Singapore Exchange (SGX). SGX-listed companies must describe their corporate governance practices with respect to the recommendations in the Code and explain reasons for any deviations.

Also in 2005, the Monetary Authority of Singapore (MAS) issued new corporate governance regulations and guidelines for financial institutions. Singapore banks must comply with the MAS regulations by 2007.

DBS has taken steps to comply with the new MAS corporate governance regulations ahead of the 2007 effective date as well as abide by the MAS and CCDG guidelines, where applicable.

## BOARD MATTERS

### Board composition

The present board size of 12 members is appropriate for the current size of the DBS Group and the scope of its operations.

### Board appointments and independence

Under our internal policy, directors are appointed to the Board for a maximum of three two-year terms, although their terms may be extended when considered appropriate by the Nominating Committee and approved by the Board. Directors retire by rotation and any re-election of directors is approved by shareholders at the annual general meeting.

The Board's Nominating Committee (NC) reviews and recommends all director appointments. The candidates' qualifications and experience are benchmarked against the criteria set out in statutory regulations and in DBS' Articles of Association to help the NC make an assessment as to the candidates' suitability and potential contribution to the DBS Group. The NC also ensures that the composition of the board brings a diverse range of industry expertise and experience, both private and public sectors, which will allow management to draw on the insights, expert knowledge and alternative views of board members. The current Board includes industry captains drawn from a wide range of industry sectors within and outside banking. Five of our directors (Mr Andrew Buxton, Mr

Jackson Tai, Mr CY Leung, Mr Narayana Murthy and Mr John Ross) are neither Singapore citizens nor Singapore permanent residents.

DBS recognises the importance of a carefully constructed succession planning programme for the Board and its senior management team. Mr S Dhanabalan retired as Chairman at the end of 2005 after more than seven years of distinguished service. He is succeeded by Mr Koh Boon Hwee.

The NC assesses the independence of the directors based on the criteria set out in the MAS regulations and the Code. The NC considers a director independent if he is not related to a substantial shareholder or to senior management, and if he does not have significant business relationships with companies in the DBS Group.

Seven directors – Mr Ang Kong Hua, Mr Andrew Buxton, Mr Goh Geok Ling, Mr Leung Chun Ying, Mr Narayana Murthy, Mr John Ross and Mr Wong Ngit Liong (Mr NL Wong) – are considered independent by the NC.

Mr Ang, Mr Buxton, Mr Goh, Mr Leung, Mr Murthy and Mr NL Wong are directors of companies that engage in business dealings with the DBS Group. However, the NC has assessed the nature and scope of the business relationships and determined that these relationships do not undermine the independence of these directors. Mr Ang, Mr Buxton, Mr Goh, Mr Leung and Mr NL Wong are also directors of companies linked to Temasek Holdings, DBS' substantial shareholder. Their appointments are non-executive in nature and they are not involved in the day-to-day conduct of these companies' businesses. The NC has therefore determined that their independence is not compromised by their directorships in these Temasek-linked companies. Mr Ross is not a director of any company having business dealings with the DBS Group. Neither is he a director of any Temasek-linked companies.

The other five directors (Mr Tai, Mr Frank Wong, Mr Koh, Mr Kwa Chong Seng and Mr Peter Ong) are considered by the NC to be non-independent under the MAS regulations. Mr Tai and Mr Frank Wong are executive directors. Mr Koh and Mr Kwa are non-executive directors of Temasek Holdings. Mr Ong is a senior civil servant within the Singapore government and the Singapore government is Temasek's ultimate owner.

### Chairman and Chief Executive Officer

DBS had already separated the Chairman and Chief Executive Officer (CEO) positions ahead of the Code requirement. The responsibilities of the Chairman and CEO have been formalised by the Board.

The Chairman manages and leads the Board in its oversight over management. He facilitates and ensures active and comprehensive board discussions on matters brought up to the Board, and steers the Board in making sound decisions. Members of the board have free access to management and vice versa. The Group Management Committee members are also invited to attend all Board meetings. At annual general meetings and other fora, the Chairman plays a pivotal role in fostering constructive dialogue between shareholders,

the Board and management. Shareholders' questions and concerns are adequately attended to and addressed at its annual general meetings.

The CEO oversees the execution of the Group corporate and business strategy and is responsible for the day-to-day management of the Group operations.

**Board conduct and responsibilities**

The Board is responsible for setting the strategic vision, direction, and long-term goals of the DBS Group.

It is also responsible for the selection and appointment of key senior executives and ensuring that a succession planning program is in place to prepare for contingencies, as well as to facilitate a smooth management transition.

Matters that require Board approval include the Group's annual budget and strategic three-year plan, the Group's strategic acquisitions and divestments, any fund-raising exercise, the Group's risk governance framework and limits and any major decisions that may have an impact on the Group's reputation.

**ATTENDANCE AT BOARD AND COMMITTEE MEETINGS**

Name of Director	Board Meetings (Board)		Audit Committee Meetings (AC)		Board Risk Management Committee Meetings (BRMC)		Executive Committee Meetings (EC)**		Board Credit Committee Meetings (BCC)**		Board Strategy and Planning Committee Meetings (BSPC)**		Nominating Committee Meetings (NC)		Compensation Committee Meetings (CC)	
	Held@	Attendance	Held@	Attendance	Held@	Attendance	Held@	Attendance	Held@	Attendance	Held@	Attendance	Held@	Attendance	Held@	Attendance
<b>S Dhanabalan</b> (Resigned on 31 Dec 2005)	5	5	-	-	-	-	3	3	4	3	2	2	1	1	5	5
<b>Jackson Tai</b>	5	5	-	-	-	-	3	3	4	2	2	2	-	-	-	-
<b>Frank Wong Kwong Shing</b>	5	5	-	-	-	-	3	2	4	4	2	2	-	-	-	-
<b>Bernard Chen Tien Lap</b> (Resigned on 29 Apr 05)	2	2	3	3	2	-	2	2	-	-	-	-	-	-	-	-
<b>Fock Siew Wah</b> (Resigned on 29 Apr 05)	2	2	-	-	2	2	2	1	-	-	-	-	-	-	3	3
<b>Gail Fosler</b> (Resigned on 29 Apr 05)	2	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Ang Kong Hua</b> (Appointed on 21 Mar 05 (Board), 29 Apr 05 (NC), 14 Jul 05 (AC & BRMC))	4	4	2	2	2	2	-	-	-	-	-	-	1	1	-	-
<b>Goh Geok Ling</b> (Appointed on 14 Jul 05 (CC), 29 Jul 05 (BCC & BSPC))	5	4	5	5	-	-	3	1	4	4	2	2	-	-	2	2

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

\*\* Executive Committee was dissolved on 29 July 2005 and re-constituted into two committees to enable the Board to better focus on two key areas of its responsibilities, namely, the Board Credit Committee and the Board Strategy and Planning Committee.

**ATTENDANCE AT BOARD AND COMMITTEE MEETINGS (CONT'D)**

Name of Director	Board Meetings (Board)		Audit Committee Meetings (AC)		Board Risk Management Committee Meetings (BRMC)		Executive Committee Meetings (EC)**		Board Credit Committee Meetings (BCC)**		Board Strategy and Planning Committee Meetings (BSPC)**		Nominating Committee Meetings (NC)		Compensation Committee Meetings (CC)	
	Held@	Attendance	Held@	Attendance	Held@	Attendance	Held@	Attendance	Held@	Attendance	Held@	Attendance	Held@	Attendance	Held@	Attendance
<b>Koh Boon Hwee</b> (Appointed on 15 Jun 05 (Board), 14 Jul 05 (BRMC & CC), 29 Jul 05 (BCC & BSPC), 6 Dec 05 (NC))	3	2	-	-	2	1	-	-	4	2	2	1	-	-	2	1
<b>Kwa Chong Seng</b> (Appointed on 14 Jul 05 (CC))	5	5	-	-	4	4	3	3	4	3	2	2	-	-	2	2
<b>Leung Chun Ying</b>	5	5	-	-	-	-	-	-	-	-	-	-	1	1	5	5
<b>Narayana Murthy</b> (Appointed on 29 Apr 05 (NC), 14 Jul 05 (CC))	5	5	-	-	-	-	-	-	-	-	-	-	1	1	2	2
<b>Peter Ong Boon Kwee</b>	5	4	5	3	4	3	-	-	-	-	-	-	-	-	-	-
<b>John Ross</b>	5	4	-	-	4	4	-	-	-	-	-	-	-	-	-	-
<b>Thean Lip Ping</b> (Resigned on 29 Apr 05)	2	2	-	-	-	-	-	-	-	-	-	-	-	-	3	3
<b>Wong Ngit Liong</b> (Appointed on 29 Apr 05 (NC))	5	5	-	-	-	-	-	-	-	-	-	-	1	1	5	5

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

\*\* Executive Committee was dissolved on 29 July 2005 and re-constituted into two committees to enable the Board to better focus on two key areas of its responsibilities, namely, the Board Credit Committee and the Board Strategy and Planning Committee.

**Board training and information access**

Directors undergo comprehensive orientation and training programmes. A new director, on appointment, is provided with guide-notes on a director's role and responsibilities, and is also briefed by the CEO and key business and support heads on the Group's operations.

Management ensures that the Board receives regular reports on the Group's financial performance and operations, and that the Board is provided with relevant information and comprehensive analysis to facilitate Board discussions on specific matters and issues. The Board is also regularly briefed on accounting and regulatory changes, as well as major industry and market developments.

Each business and support unit head certifies to the CEO and the Chief Financial Officer (CFO) every quarter that, as far as he/she is aware, there are no circumstances that would render the Group's financial statements misleading. The CEO and CFO in turn provide an official undertaking to the Board Audit Committee and to the external auditors, Ernst & Young, confirming that the financial statements have been properly drawn up.

Directors have unrestricted access to all DBS employees. If directors require external professional advice, the Group will at its own expense make the necessary arrangements.

The Company Secretary attends Board meetings and ensures that all relevant regulations and established procedures with regard to the conduct of the Board are complied with.

**Board performance**

A process is in place to assess the performance and effectiveness of the Board as a whole and of each individual director.

For the collective appraisal, each director assesses the Board's performance and provides feedback to the Chairman of the Board and the Chairman of the Nominating Committee. Both chairmen consolidate the feedback and present the results to the Board annually. The Board has found the collective assessment useful in evaluating its own effectiveness, as directors have provided helpful suggestions for improvement.

Currently, the Board's performance is judged on the basis of accountability as a whole, rather than strict definitive financial performance criteria such as return on equity or return on assets.

For individual assessments, each director is evaluated on the basis of his attendance at board meetings and contribution to Board discussions. Each director completes a self and peer evaluation form, which is seen only by the Chairman of the Board. The results of a director's appraisal are communicated to him when feedback indicates that his contribution to the Board could be enhanced by further professional development.

**BOARD COMMITTEES**

The Board has established six committees to increase its effectiveness. Two of them – the Board Credit and Board Strategy and Planning Committees – were constituted in July 2005 following the dissolution of the Executive Committee to enable the Board to better focus on two key areas of its responsibilities.

**Audit Committee**

The Audit Committee comprises Mr Ang (Chairman), Mr Goh and Mr Ong.

The Committee reviews the Group's financial statements before submission to the Board. The Committee is briefed on significant changes to accounting standards and policies and its impact on the Group's reported results. The Committee also assesses the effectiveness of the Group's internal controls and procedures.

The Group's external auditors are accountable to the Committee. The external auditors present its audit plan of the Group, their evaluation of the Group's internal accounting controls and its long form audit report to the Committee for approval. The terms of the external auditors' appointment, their effectiveness, independence and objectivity, and the amount of non-audit services provided during the year, are reviewed by the Committee.

The heads of Group Audit and Group Legal and Compliance as well as the Group's external auditors attend all committee meetings. The Committee also holds separate meetings with the external auditors without the presence of management at each committee meeting.

The Committee has reviewed the financial statements with management and the external auditors and is of the view that the Group's financial statements for 2005 are presented in conformity with generally accepted accounting principles in all material aspects.

The Committee has considered the business relationship between the Group and the external auditors for 2005, taking into account the amount of non-audit services provided and has satisfied itself that the nature and extent of such services will not prejudice the external auditor's independence and objectivity. It is satisfied that the external auditors can be considered independent.

The Committee also reviewed and is satisfied with whistle-blowing arrangements instituted by the Group in 2005 to protect employees when they report in confidence suspected or known improprieties of their colleagues.

The Committee also performs an annual assessment of the effectiveness of the Group's Internal Audit function and ensures that Internal Audit is adequately resourced to fulfil its mandate.

**Board Credit Committee**

The Board Credit Committee comprises Mr Koh (Chairman), Mr Tai, Mr Frank Wong, Mr Goh and Mr Kwa. All credit exposures exceeding the limit delegated by the Board to management are approved by this Committee.

**Board Strategy and Planning Committee**

The composition of the Board Strategy and Planning Committee is the same as the Board Credit Committee. This Committee serves as a forum where members deliberate on strategic matters, including potential mergers and acquisitions, alliances, fund-raising exercises, before these matters are raised to the full Board for discussion and/or approval.

**Board Risk Management Committee**

The Board Risk Management Committee comprises Mr Kwa (Chairman), Mr Ang, Mr Koh, Mr Ong and Mr Ross.

The Committee is responsible for oversight of risk governance, risk framework and limits for the Group. It approves the overall risk governance framework as well as the framework for credit, market and operational risks, including the applicable limits.

The key matters deliberated last year included review of the Group's risk profile, the approval of an overall Risk Governance Target Framework and the governance framework for credit risk, market risk, liquidity risk and operational risk. It also reviewed significant risk incidents of the Group.

**Compensation Committee**

The Compensation Committee comprises Mr Kwa (Chairman), Mr Goh, Mr Koh, Mr Leung, Mr Murthy and Mr NL Wong.

The Committee reviews and approves the remuneration of each executive director, as well as provides oversight on the Group's senior management level compensation, the statistics and trends of the compensation, as well as the aggregate performance-related cash bonuses and performance share grants to be paid to DBS employees each year. It also oversees management development and succession planning for key positions. The work of the Compensation Committee is described in greater detail under "Remuneration Matters".

**Nominating Committee**

The Nominating Committee comprises Mr Leung (Chairman), Mr Ang, Mr Koh, Mr Murthy and Mr NL Wong.

Details of the terms of reference of the Nominating Committee are discussed in the section under "Board appointments and independence" above.

**REMUNERATION MATTERS**

**Remuneration Policy**

DBS' remuneration policies are integral to its corporate strategy. The Group pays special attention to rewarding and developing employees, recognising that they are not only a key stakeholder but also its most important resource. The Group believes that a transparent appraisal and remuneration system is a crucial driver of employee performance and retention.

**EMPLOYEE REMUNERATION**

The Group's remuneration policy seeks to attract and retain talented and skilled employees; motivate them to perform their best so that the Group's financial objectives can be attained; and develop a strong performance-oriented culture across the Group by clearly linking performance with reward. The Group's remuneration framework seeks to foster an ownership culture that aligns the interests of employees with those of shareholders.

The total compensation of each employee is benchmarked to the market and consists of three components: base pay, cash bonuses and long-term share incentives comprising DBSH performance shares and share options. The remuneration of senior executives is reviewed by the Compensation Committee.

**DIRECTORS' REMUNERATION**

The Group believes that executive directors' remuneration and non-executive directors' fees should appropriately reflect the extent of a director's responsibilities and obligations, and be competitive against industry benchmarks.

**REMUNERATION OF THE NON-EXECUTIVE DIRECTORS**

Directors receive basic directors' fees. Members of certain Board committees also receive fees.

Directors are encouraged to invest half of their fees in DBSH shares and to hold not less than 50% of these shares for the duration of their respective terms. Directors' fees are approved by shareholders at the annual general meeting (AGM) of DBSH.

The current fee structure is as follows:

Board Chairman: \$85,000  
 Director: \$50,000

Committee	Chairman	Committee Member
Audit Committee	\$35,000	\$20,000
Board Risk Management Committee	\$35,000	\$20,000
Board Credit Committee	\$35,000	\$20,000

No fees have been paid to the Compensation Committee (CC) since its establishment on 15 September 1999. However, considering that the CC has been very active in the last two years, meeting about five times a year, the Board proposes that, with effect from 2005, the fees of the CC be aligned to the AC and the BRMC. No fees have been paid to the NC since its establishment on 3 September 1999 despite the responsibilities accorded to the NC under statutory regulations. The Board proposes that, with effect from 2005, the NC Chairman be paid \$17,500 and a member be paid \$10,000 per year. These fees will be put to shareholders at the forthcoming annual general meeting.

**Remuneration of the Executive Directors**

In determining the remuneration for executive directors, the Compensation Committee takes into account certain principles. The remuneration should motivate the executive directors to achieve DBS Group's performance targets, both annual and long-term, and the performance-related elements of remuneration should form a significant part of their total remuneration package. Executive directors' interests should be aligned with shareholders' interests, and remuneration should be linked directly to DBS Group performance and individual performance. The Compensation Committee's recommended remuneration package for an executive director is endorsed by the Board.

Executive directors are recruited by DBS under standard employment terms which include provisions for basic salary, performance and incentive bonus. No special arrangements are in place for early termination of services in their capacity as director.

**Breakdown of Directors' Remuneration**

The following table shows the composition (in percentage terms) of the remuneration of directors, including those who were appointed or who resigned or retired during the year. They are grouped in bands of \$250,000 for the year ended 31 December 2005.

**BREAKDOWN OF DBSH DIRECTORS' REMUNERATION (1 JAN 2005 – 31 DEC 2005)**

Remuneration bands	Salary %	Bonus %	Directors'			Total Remuneration %	Share options grants <sup>(2)</sup>	Exercise Price	Date of Expiry
			Fees %	Options granted <sup>(1)</sup> %	Others %				
<b>\$6,750,000 – \$6,999,999</b>									
Frank Wong Kwong Shing	15	77	1 <sup>(3)</sup>	3	4	100	53,500	\$15.07	1 March 2015
<b>\$5,500,000 – \$5,749,999</b>									
Jackson Tai	34	57	1 <sup>(3)</sup>	4	4	100	53,500	\$15.07	1 March 2015
<b>Below \$250,000</b>									
S Dhanabalan <sup>(4)</sup>	0	0	80	0	20	100	–	–	–
Koh Boon Hwee <sup>(5)</sup>	–	–	100	–	–	–	–	–	–
Ang Kong Hua <sup>(6)</sup>	–	–	100	–	–	–	–	–	–
Bernard Chen Tien Lap <sup>(7)</sup>	–	–	100	–	–	–	–	–	–
Fock Siew Wah <sup>(7)</sup>	–	–	100	–	–	–	–	–	–
Gail Fosler (Ms) <sup>(7)</sup>	–	–	100	–	–	–	–	–	–
Goh Geok Ling	–	–	100	–	–	–	–	–	–
Kwa Chong Seng	–	–	100	–	–	–	–	–	–
Leung Chun Ying	–	–	100	–	–	–	–	–	–
Narayana Murthy	–	–	100	–	–	–	–	–	–
Peter Ong Boon Kwee	–	–	100	–	–	–	–	–	–
John Ross	–	–	100	–	–	–	–	–	–
Thean Lip Ping <sup>(7)</sup>	–	–	100	–	–	–	–	–	–
Wong Ngit Liong	–	–	100	–	–	–	–	–	–

(1) Valuation based on Binomial model

(2) Refers to the number of unissued DBSH ordinary shares under the DBSH Share Option Plan

(3) Fees are not retained by directors

(4) Resigned on 31 December 2005

(5) Appointed on 15 June 2005

(6) Appointed on 21 March 2005

(7) Resigned on 29 April 2005

**Key Executives Remuneration**

The Code recommends that the remuneration of at least the top five key executives who are not also directors be disclosed within bands of \$250,000. However the Board believes that disclosure of the remuneration of individual executives is disadvantageous to the DBS Group's business interests, given the highly competitive industry conditions, where poaching of executives is commonplace.

**Immediate Family Member of Director**

The following table shows the breakdown (in percentage terms) of the annual remuneration of employees who were/are immediate family members of directors for 2005:

Remuneration bands	Salary %	Bonus %	Share Options		Total Remuneration %	Share options grants <sup>(2)</sup>	Exercise Price	Date of Expiry
			granted <sup>(1)</sup> %	Others %				
<b>\$500,000 – \$749,999</b>								
Sister <sup>(3)</sup> of Mr Peter Ong	40	24	3	33	100	3,500	\$15.07	Lapsed
<b>Below \$250,000</b>								
Daughter of Mr S Dhanabalan	63	29	2	6	100	900	\$15.07	1 March 2015

(1) Valuation based on Binomial model

(2) Refers to the number of unissued DBSH ordinary shares under the DBSH Share Option Plan

(3) Resigned on 30 September 2005

**Long-term Share Incentives – Performance Share Plan, Share Option Plan and Share Ownership Scheme**

The Group has put in place share-based remuneration programmes allowing employees to share in its growth and success. These plans comprise a DBSH Performance Share Plan ("PSP"), a DBSH Share Option Plan ("SOP") and a DBSH Share Ownership Scheme ("SOS").

Managing Directors, Senior Vice Presidents and Vice Presidents are eligible to participate in the PSP and SOP. Select high-performing Assistant Vice Presidents are eligible to participate in the SOP. The awards made under the PSP and SOP are part of the annual incentive remuneration, which comprises cash bonuses and share-based awards. The share portion (i.e. PSP and SOP) of an employee's annual incentive remuneration increases correspondingly with the amount of the employee's total annual incentive remuneration. Employees with higher annual incentive remuneration receive a larger portion of their compensation in share-based awards.

**Shares & Options Issued**

Details of the DBSH Performance Share Plan and the DBSH Share Option Plan (the "Plan") appear in pages 104 and 106 of the Directors' Report. In compliance with listing requirements, the following participants in the Plan received the following number of options:

Name of participant*	Options granted# during financial year under review	Aggregate options granted since commencement of Plan to end of financial year under review	Aggregate options exercised since commencement of Plan to end of financial year under review	Aggregate options outstanding as at end of financial year under review
Jackson Tai (Director)	53,500	440,175	0	440,175
Frank Wong Kwong Shing (Director)	53,500	448,050	0	448,050

\* DBSH has no controlling shareholders and no disclosure is made in this respect

# The options granted were in accordance with the terms of the Plan

In compliance with listing requirements, share options issued by the Group in 2005 to any participant in the SOP (including any director or employee) were less than 5% of the total number of options available under the SOP.

No options were issued at a discount in 2005.

The aggregate number of options granted to the directors and employees of the DBS Group in 2005 was 2,815,600. The aggregate number of options granted to the directors and employees of the DBS Group since the commencement of the Plan to the end of the financial year under review is 62,796,690.

For PSP and SOP, vesting periods are imposed. The number of shares eventually awarded upon vesting under the PSP is based on DBS Group's performance for a three-year performance period as measured by the Group's return on equity (ROE). The aggregate total number of new DBSH ordinary shares that may be issued under the SOP and the PSP may not exceed 7.5% of the issued ordinary shares of DBSH.

We are in the process of reviewing the alignment of the objectives of the PSP with our business strategies.

Employees who are not eligible for the SOP or PSP are eligible to participate in the SOS. The SOS is a market purchase plan administered by DBS Trustee Ltd, a wholly-owned subsidiary company of DBS Bank. Under the SOS, all confirmed employees with at least one year of service can subscribe up to 10% of their monthly base pay to buy units of DBSH ordinary shares, with DBS contributing an additional 50% of the amount the employee contributes.

**RELATED PARTY TRANSACTIONS**

The Group has procedures to comply with the existing regulations governing related party transactions for banks and listed companies. These regulations include the Banking Act, MAS directives and the guidelines on interested person transactions in the SGX Listing Manual. New directors are briefed on the relevant provisions that they need to comply with. If necessary, existing credit facilities to related parties are adjusted prior to a director's appointment, and all credit facilities to related parties are monitored on an on-going basis.

The 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 collateral as at 31 December 2005 are as follows:

(In \$ millions)	Credit facilities granted to	Contingent credit facilities granted to	Estimated values of collaterals	Deposits received by DBSH Group
Granted to/received from :				
DBSH Directors and their related entities	34	#	93	–
Companies with DBSH Directors represented on their boards	853	20	223	–
Bank-related companies <sup>(1)</sup> :				
– engaged in financial activities	691	5	1,607	1,016
– engaged in non-financial activities	279	#	411	6

Notes:

(1) Excludes transactions between subsidiary companies and their own subsidiary companies.

#: Amount under \$500,000

As required under the SGX Listing Manual, the following are details of interested person transactions in 2005:

Name of Interested Person	Aggregate Value of all Interested Person Transactions during 2005 (excluding transactions less than \$100,000)
<b>SNP Sprint Pte Ltd</b> Personalisation/despatch of cheque books/ printing of security documents	\$1,591,002
<b>Singapore Telecommunications Ltd</b> Subscription of telecom services	\$14,000,000
<b>National Computer Systems Pte Ltd</b> System support and maintenance	\$655,000
<b>Singapore Airlines Ltd</b> Travel expenses	\$5,553,272
<b>Raffles International Group of Hotels</b> Hotel accommodation	\$378,558
<b>SMRT Trains Ltd</b> Renewal of leases for Branches/ATMs	\$1,893,400
<b>Raffles International Limited</b> Renewal of leases for ATMs	\$216,000
<b>Tincel Properties (Private) Ltd</b> Renewal of lease for Treasures Centre	\$763,067
<b>Tuas Power Supply Pte Ltd</b> Supply of electricity (DBS Bank Ltd)	\$5,662,895
<b>Tuas Power Supply Pte Ltd</b> Supply of electricity (DBS China Square Ltd)	\$1,551,005
<b>DTZ Debenham Tie Leung (SEA) Pte Ltd</b> Advisory services with respect to the sale of DBS Building	\$1,725,000

**DEALINGS IN SECURITIES**

DBS has adopted more stringent “black-out” policies than advised under the Best Practices Guide issued by the SGX. DBS employees are prohibited from trading in DBS shares and securities one month before the release of the half-year and full-year results and three weeks before the release of the first quarter and third quarter results.

In addition, directors and employees are prohibited at all times from trading if they are in possession of material non-public information. Employees with access to price-sensitive information in the course of their duties must obtain prior approval to trade in any securities listed in Singapore and Hong Kong. Such employees are also instructed to trade through the Group’s stockbroking subsidiaries.

**COMMUNICATION WITH SHAREHOLDERS**

**Dissemination of Information**

The Group maintains an active dialogue with shareholders. It holds in-person briefing sessions or telephone conference calls with the media and analysts in connection with quarterly results releases. All press statements and quarterly financial statements are published on the DBS and SGX websites. A dedicated investor relations team supports the CEO and CFO in maintaining close dialogue with institutional investors.

During the year, management met more than 170 local and foreign investors in more than 300 meetings. Management also participated in seven investor conferences and roadshows comprising two each in the US and Europe, and one each in Tokyo, Hong Kong and Singapore.

The Group embraces and commits to fair, transparent and timely disclosure policy and practices. All price sensitive information or data are publicly released, prior to individual sessions held with investors or analysts.

**Shareholder meetings**

The Group views the annual general meeting as an opportune forum for retail investors to meet the Board and senior management. The CFO presents the Group’s preceding year’s financial performance to all shareholders present ahead of formal proceedings of the general meeting. The Group’s external auditors are also available to answer shareholders’ queries.

In accordance with the recommendations of the Code of Corporate Governance, resolutions requiring shareholder approval are tabled separately for adoption at the AGM unless the matters for consideration are closely related and would more appropriately be considered together.

Shareholders can vote in person or by proxy.

**INTERNAL AUDIT AND INTERNAL CONTROLS**

**Internal Audit**

Group Audit is an independent function that reports directly to the Audit Committee and the CEO. Group Audit meets or exceeds the Standards for Professional Practice of the Institute of Internal Auditors in all key aspects. The professional competence of our internal auditors is maintained or upgraded through training programmes, conferences and seminars that provide updates on auditing techniques, regulations and banking products and services.

An annual audit plan is developed under a structured risk assessment approach that examines all of the Group’s activities and entities, their inherent risks and internal controls. Audit assignments are identified based on this approach and audit resources are focused on the activities deemed to carry higher risks.

The progress of corrective actions on outstanding audit issues is monitored monthly through a centralised Group-wide tracking system. Information on outstanding issues is categorised according to severity and monthly reports are sent to the Audit Committee Chairman, the Chairman of the Board, senior management and all Group heads.

All audit reports which are rated as requiring attention are copied to the Audit Committee, the external auditors and senior management. The regulators are also apprised of all relevant audit matters and may request for further information on audit matters at any time.

The head of Group Audit is Edmund J Larkin, who has more than 20 years of experience in internal audit, risk management and operations with global financial institutions and public accounting firms. Mr Larkin has full access to the Audit Committee and senior management, and his appointment is approved by the Committee.

Group Audit works closely with the external auditors and meets regularly with them to discuss matters of mutual interest, to strengthen working relationships and to co-ordinate audit efforts. The external auditors review the effectiveness of the Group’s internal controls and risk management during an annual statutory audit. Material non-compliances with established practices and procedures and regulations, as well as internal control weaknesses noted during the audit, together with recommendations, are reported to the Audit Committee, which ensures that high risk outstanding issues are dealt with in a timely manner.

**Internal controls**

A sound system of internal controls requires a defined organisational and policy framework. The Group has a management framework that clearly defines the roles, responsibilities and reporting lines of business and support units. The delegation of authority, control processes and operational procedures are documented and disseminated to staff. The Group Audit, Group Risk and Group Legal and Compliance functions provide independent oversight over controls and risks within the Group.

The Audit Committee and the Board Risk Management Committee have reviewed the adequacy of DBS’ control environment. The Board believes that the system of internal controls in place up to the date of this report, is adequate for the current business scope and operations of the Group.

**RISK MANAGEMENT APPROACH AND RISK PROFILE**

We see strong risk management capabilities as vital to the success of any well-managed bank. The Group Risk Management function is the central resource for driving such capabilities in DBS, and it complements the risk and control activities of other functions including Group Legal and Compliance and Group Audit. More on risk management can be found in the following section.