

Corporate Governance Report

INTRODUCTION

DBS considers good corporate governance to be the cornerstone of a well-managed organisation. Good corporate governance goes beyond the output of timely and transparent financial disclosures to encompass a broad range of structural and procedural issues such as the composition of the board, the devolution of decision-making authority and the development of the right corporate culture, all to ensure that the organisation's activities are carried out in the best interests of its various stakeholders. DBS aspires to the highest standards of corporate governance throughout the organisation. The promotion of corporate transparency, fairness and accountability is led by a qualified and independent Board accountable to shareholders, aided by a seasoned management team.

DBS is guided in its corporate governance practices by the Code of Corporate Governance ("the Code") issued by the Singapore Council on Corporate Disclosure and Governance, and the Banking (Corporate Governance) Regulations issued by the Monetary Authority of Singapore ("the MAS regulations").

BOARD GOVERNANCE

Board responsibilities and accountability

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

It is responsible for the selection, appointment and annual appraisal of the CEO and other key senior executives and ensuring that a succession and development plan for all key positions is in place to prepare for contingencies, as well as to facilitate a smooth management transition.

Recognising the important oversight role played by the Board, the Board's terms of reference require it to approve the Group's annual budget and strategic three-year plan, all strategic acquisitions and divestments, fund-raising exercises, the Group's risk governance framework and risk limits and any major decisions that may impact the Group's reputation.

The Board emphasises professionalism, integrity and honesty as being key to the Group's image and reputation. These core values and principles which all DBS staff must adhere to are set out in the DBS Staff Code of Conduct and govern all dealings by DBS staff with internal and external counterparts.

Board size

The present board of 11 members is appropriate for the current scope of DBS Group's operations.

The current size is sufficient to provide for a diversity of views to be represented on the Board, while also allowing for efficiency and encouraging active dialogue among its members.

Term of appointment

Directors serve a maximum of three three-year terms, which the Board considers an appropriate length of time for Directors to immerse themselves fully in the Group's affairs and gain a sufficient understanding of the Group's operations so as to make an effective contribution as Director.

Directors also submit themselves for re-nomination and re-election by shareholders at regular intervals of at least once every three years. The Articles of Association require one-third of the Board to retire from office every year at the annual general meeting. By law, Directors who reach the age of 70 years are also required to retire and stand for re-election every year at the annual general meeting.

Selection and qualification of Board members

The Board's Nominating Committee (NC) reviews and recommends all director appointments to the Board for approval. The candidates' qualifications and experience are benchmarked against the criteria set out in the MAS Regulations and in DBS' Articles of Association to help the NC make an assessment of the candidates' suitability and potential contribution to the Group. Any candidate considered by the NC must have extensive experience and hold senior positions, whether in the public or private sector, and must have built a reputation that demonstrates the ability to contribute to discussions and to make decisions at board level. With the growing complexity of the financial services industry and the increasing importance placed on risk management within the industry, candidates should also be financially literate. At the same time, the candidate must have demonstrated that he or she is committed to the highest ethical standards. The NC also considers whether a candidate has the time and resources to make a meaningful contribution to the Group, given the candidate's other competing commitments, although no formal limit is imposed on the number of appointments which a Director may hold.

Board members include industry captains drawn from sectors such as banking, information technology and manufacturing, as well as prominent public sector figures. Board members' wide range of industry expertise enables them to bring fresh and illuminating points of view to Board discussions. Following the resignation of Mr Jackson Tai, the board currently comprises 11 members, seven are Singapore citizens or permanent residents, and four are non-Singaporeans. The diverse nationalities represented on the Board bring a cross-jurisdictional perspective to Board deliberations.

Independence of Directors

The NC considers a strong and independent element on the Board vital for strong corporate governance. The number of independent directors on the Board exceeds the requirements laid down in the Code and the MAS regulations.

Prior to appointment and annually, the NC assesses the independence of the directors based on 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.

As at the date of this report, seven directors – Mr Ang Kong Hua, Mr Andrew Buxton, Mr Christopher Cheng, Mr Goh Geok Ling, Mr Narayana Murthy, Mr John Ross and Mr Wong Ngjit Liong (Mr NL Wong) – are considered independent by the NC.

Mr Ang, Mr Buxton, Mr Cheng, Mr Goh, Mr Murthy and Mr NL Wong are directors of companies that engage in business dealings with the Group. Mr Ang, Mr Buxton and Mr Goh are all non-executive directors of companies that are customers of the Group, while Mr Murthy is a director of Infosys Technologies Limited, a company providing information technology services to the Group. Mr NL Wong is CEO of the Venture group of companies, the principal company of which is listed on the Singapore Exchange. The Venture group is a DBS customer. Mr Cheng is a director of various companies in the Wing Tai group, also a DBS customer. However, the NC has determined that the nature and scope of these business relationships are not significant in the context of the Group's earnings or operations and therefore do not undermine the independence of these directors. In determining the significance of the business relationship, the Group looks at, among other things, the revenues arising from the relationship, whether the DBS director's appointment on the board of the corporate customer is executive or non-executive, and whether the DBS director is a substantial shareholder of the corporate customer. Mr Ross is not a director of any company having business dealings with the DBS Group.

Mr Ang and Mr Goh 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.

The other four directors (Mr Frank Wong, Mr Koh Boon Hwee, Mr Kwa Chong Seng and Mr Peter Ong) are considered by the NC to be non-independent under the MAS regulations. Mr Koh and Mr Frank Wong are executive directors. Mr Koh has been temporarily acting as CEO of the DBS Group since Mr Jackson Tai's resignation as Chief Executive Officer (CEO) on 31st December 2007. Mr Koh and Mr Kwa are non-executive directors of Temasek Holdings. Mr Ong is a senior civil servant in the Singapore government which is Temasek's ultimate owner.

To provide greater comfort to the NC in its independence assessment, the Board has also put in place conflict avoidance procedures to provide guidance to Directors and employees in situations where potential conflicts of interest could arise between a Director's interest and the Group's interest. Such conflicts of interest could arise, for example, in lending relationships between the Group and a Director's company, or where the Group accepts a financial advisory mandate in circumstances where a Director's company is also involved.

Separation of the role of the Chairman and the Chief Executive Officer

Prior to the resignation of Mr Jackson Tai as CEO, the positions of CEO and Chairman were held by separate individuals, with Mr Koh Boon Hwee being the Chairman. Following Mr Tai's resignation, and pending the appointment of a new CEO, Mr Koh temporarily assumed the executive functions of Group CEO with the approval of MAS. Mr Koh will relinquish his executive powers once the new CEO comes on board. This is in line with the Group's policy of having the Chairman and CEO positions held by separate individuals, with the responsibilities of Chairman and CEO formalised by the Board.

The Chairman's primary role is to manage and lead the Board in its oversight of management. He chairs all Board meetings and arranges regular separate sessions with the non-executive directors to review management's performance. At annual general meetings and other forums, 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 the annual general meetings.

The CEO heads the Group Management Committee, the highest management body in the Group. He oversees execution of the Group's corporate and business strategy, and is ultimately responsible for managing its day-to-day operations.

Board meetings and attendance

Five scheduled Board meetings are conducted a year. Four of these meetings are scheduled prior to the release of the quarterly results to facilitate the Board's review of the Group's financial performance for the preceding quarter. At such meetings, the Board also reviews corporate strategy, business plans, potential strategic acquisitions or alliances, strategic or significant operational issues and significant matters attended to by Board committees. The fifth meeting, held in December, is set aside for the Board to review the Group's long-term corporate strategy and business plans, including the principal issues and challenges that the Group faces. Ad hoc Board meetings are also held as and when critical matters surface that require Board discussion.

When exigencies prevent a Board member from attending meetings in person, he can participate by tele- or video-conference. Board approval for less critical matters may be obtained through written resolutions approved by circulation.

Members of the Group Management Committee, the highest management committee in the Group, attend all Board meetings. This facilitates greater interaction between the Board and top management, provides senior management with better insight into the Board's thinking and allows Directors to pose

questions directly to senior management in the course of Board presentations.

Board directors attend the annual general meeting, Board meetings and meetings of the Board committees on which they serve, and they spend the time needed to properly discharge their responsibilities. All Board and Board committee papers and materials are sent to Directors or committee members one week before each meeting.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

Name of Director	Board Meetings (Board)		Audit Committee Meetings (AC)		Board Risk Management Committee Meetings (BRMC)		Board Credit Committee Meetings (BCC)		Board Strategy and Planning Committee Meetings (BSPC)		Nominating Committee Meetings (NC)		Compensation and Management Development Committee Meetings (CMDC)	
	No. of Meetings held@	Attendance	No. of Meetings held@	Attendance	No. of Meetings held@	Attendance	No. of Meetings held@	Attendance	No. of Meetings held@	Attendance	No. of Meetings held*@	Attendance	No. of Meetings held@	Attendance
Koh Boon Hwee	11	11	–	–	5	5	4	3	3	3	3	3	3	3
Jackson Tai ¹	11	7	–	–	–	–	4	4	3	3	–	–	–	–
Frank Wong Kwong Shing	11	5	–	–	–	–	4	1	3	3	–	–	–	–
Ang Kong Hua ²	11	11	7	7	2	2	–	–	–	–	3	3	–	–
Andrew Buxton ³	11	8	–	–	5	4	–	–	–	–	–	–	–	–
Christopher Cheng ⁴	8	7	5	5	–	–	–	–	–	–	–	–	–	–
Goh Geok Ling	11	11	7	5	–	–	4	4	3	3	–	–	3	2
Kwa Chong Seng ⁵	11	10	–	–	2	2	4	3	3	3	–	–	3	3
Leung Chun Ying ⁶	3	1	–	–	–	–	–	–	–	–	1	1	1	1
Narayana Murthy ⁷	11	10	–	–	–	–	–	–	–	–	3	3	3	3
Peter Ong Boon Kwee ⁸	11	8	2	2	5	4	–	–	–	–	–	–	–	–
John Alan Ross ⁹	11	10	–	–	5	5	–	–	–	–	2	1	–	–
Wong Ngit Liong ¹⁰	11	10	5	4	–	–	–	–	–	–	3	3	3	2

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

* In addition to the meetings, 11 other matters were deliberated and approved via circular resolutions.

¹ Resigned on 31 December 2007

² Stepped down as Member of BRMC on 15 May 2007

³ Change of appointment from Member to Chairman of BRMC on 15 May 2007

⁴ Appointed as Director and a Member of AC on 1 June 2007

⁵ Stepped down as Chairman and Member of BRMC on 15 May 2007

⁶ Resigned on 31 May 2007. Stepped down as Chairman and Member of NC and Member of CMDC on 15 May 2007

⁷ Change of appointment from Member to Chairman of NC on 15 May 2007

⁸ Stepped down as Member of AC on 15 May 2007

⁹ Appointed as Member of NC on 15 May 2007

¹⁰ Appointed as Member of AC on 15 May 2007

Board training and information access

Directors undergo comprehensive orientation and training programmes. A new director, on appointment, is briefed and given written guidance on his roles and responsibilities under general law. The new director is also briefed by the CEO and business and support unit 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 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 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 Audit Committee and to the external auditors confirming that the financial statements have been properly drawn up.

Directors have unrestricted access to all DBS employees. The Board has the power to engage outside expert advice from sources independent of management at the expense of the Group.

The Company Secretary attends all Board meetings and ensures that all relevant regulations and established procedures regarding 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 annually.

For the collective appraisal, each director completes a Board evaluation questionnaire and returns the completed questionnaire 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 for discussion. In assessing the Board's collective performance, Board members review such matters as Board composition, the timeliness and quality of information provided to the Board, the Board process, Board accountability, and standard of conduct, rather than adhering to strict financial criteria such as return on equity or return on assets. The Board believes that having a strong and robust Board process and Board governance in place are critical to the performance of the Board and the success of the organisation. The Board considers the current collective assessment useful in evaluating its own effectiveness, as Directors are given the opportunity to debate Board workings and processes in the discussion on the collective assessment.

For individual assessments, each director is evaluated on the basis of his attendance at 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.

BOARD COMMITTEES

The Board has established six committees to enhance its effectiveness. Each committee has its terms of reference which set forth the responsibilities of that committee and the qualifications for committee membership, in line with the Code and the MAS regulations. The Board and each committee have the power to hire any independent legal, financial or other advisors as they deem necessary.

Audit Committee

The Audit Committee comprises Mr Ang (Chairman), Mr Cheng, Mr Goh and Mr NL Wong, all non-executive Directors.

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 their 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 their audit plan of the Group, their evaluation of the Group's internal accounting controls and their 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 Internal Audit and Group Legal, Compliance and Secretariat as well as the Group's external auditors attend all committee meetings. The Committee also holds a separate session 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 2007 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 2007, taking into account the amount of non-audit services provided. The Committee is satisfied that the nature and extent of such services have not prejudiced the external auditors' objectivity and that they can be considered independent.

The Committee also performs an annual assessment of the effectiveness of the Group's Internal Audit function and ensures that Internal Audit has adequate resources to fulfill its mandate.

Board Credit Committee

The Board Credit Committee comprises Mr Koh (Chairman), 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 and fund-raising exercises, before these matters are raised to the Board for discussion or approval.

Board Risk Management Committee

The Board Risk Management Committee comprises Mr Buxton (Chairman), 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. It is also responsible for approving certain policies in accordance with regulatory requirements.

The Committee also monitors the Group's risk profile, including risk trends and concentrations.

During 2007, the Committee closely monitored the overall progress of DBS' Basel II implementation, receiving reports on progress and results of validation of Basel II models. In 2007, MAS approved DBS' application to adopt the Basel II Internal Ratings-Based Approach (IRBA), with effect from 1 January 2008, for computing part of its regulatory capital requirements. The approved wholesale portfolios are on the Foundation IRBA, while the approved retail portfolios are on the Advanced IRBA. This is an important milestone. DBS will extend the adoption of IRBA, subject to approval from MAS and other regulators.

The Committee also reviewed key risk issues including an in-depth review of the credit and liquidity crisis of 2007 and its impact on DBS portfolio and liquidity management, as well as the implications of the crisis on Asian economies.

Compensation and Management Development Committee

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

The Committee reviews and approves the remuneration of each executive director, and the annual aggregate, performance-related cash bonuses and share grants for DBS employees. It also provides oversight on the remuneration of senior executives and oversees the management development and succession planning for key positions.

In 2007, the Committee continued to focus on two broad areas:— compensation, where differentiation continues to be key in order to reward based on contribution which helps towards curbing attrition of the Bank's good performers; and people development, aimed at building each employee's career and making sure there is a talent pipeline for the future. A Talent Review Committee (TRC) was formed in 2007 represented by key senior management members to provide oversight and leadership in setting and implementing the Group's strategy in the acquisition and development of talents, and in succession planning of critical roles, in order to meet current and future business goals.

Nominating Committee

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

Details of the terms of reference of the Committee are discussed in the section under "Selection and qualification of Board members" above. In addition to reviewing board appointments, the Committee also approves the appointments of business and support unit heads and senior positions in major subsidiaries. The Committee also reviews appointments to the Group Management Committee.

REMUNERATION MATTERS

Remuneration policy

The Group's remuneration policy is built on a transparent appraisal system and formulated to drive performance of its employees, who are its most important asset. The remuneration policy is therefore fundamental to achieving the Group's corporate goals.

Employees' remuneration

Employees' remuneration is based on total compensation. An employee's total compensation is benchmarked to the market and consists of three components: fixed pay, cash bonuses and long-term incentives. Each component plays a distinct role in the makeup of the total compensation package. The long-term incentives are share grants and share options.

The Group's approach to rewarding employees not only helps to attract, retain and motivate talented employees but also fosters a performance-oriented culture across the organisation that will help attain the Group's financial objectives.

Directors' remuneration

The remuneration for executive directors and fees for non-executive directors reflect the scope and extent of a director's responsibilities and obligations. They are measured against industry benchmarks and are competitive.

Remuneration of Non-executive Directors

Directors receive basic directors' fees. Additional fees are given to members of certain Board committees.

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 terms. Directors' fees are approved by shareholders at the annual general meeting.

The current fee structure is set out below. An increase in the basic retainer paid to Directors and Nominating Committee fees paid to NC members is being proposed to bring the fees more in line with market norms. All increases are subject to shareholders' approval at the forthcoming annual general meeting.

Annual fees for the Board

	Current	New
Board Chairman:	\$105,000	\$115,000
Director:	\$70,000	\$80,000

Additional fees for membership in board committees

Committee	Chairman		Committee Member	
	(Current)	(New)	(Current)	(New)
Audit Committee	\$50,000	No change	\$35,000	No change
Board Risk Management Committee	\$35,000	No change	\$20,000	No change
Board Credit Committee/Board Strategy and Planning Committee	\$35,000	No change	\$20,000	No change
Compensation and Management Development Committee	\$35,000	No change	\$20,000	No change
Nominating Committee	\$17,500	\$35,000	\$10,000	\$20,000

Remuneration of Executive Directors

Certain principles are adopted by the Compensation and Management Development Committee in determining the remuneration for executive directors. Principally, the remuneration should motivate the executive directors to achieve the Group's annual and long-term goals to ensure that they are aligned with shareholders' interests. Performance-related elements therefore form a significant part of executive directors' total remuneration. The Board endorses the Compensation and Management Development Committee's recommendation for each executive director's remuneration.

Executive directors are appointed under standard employment terms which include provisions for basic salary and performance bonus. There is no special provision for early termination of services.

Breakdown of Directors' remuneration

The following table shows the composition of directors' remuneration for 2007. Directors who were appointed or who resigned or retired during the year are included in the table.

On 24 September 2007, the Company announced that Mr Jackson Tai would be stepping down as Vice-Chairman and Chief Executive Officer, and that Mr Koh Boon Hwee, currently non-executive Chairman, would take on an active management oversight role pending the appointment of a new Chief Executive Officer, to ensure leadership clarity and continuity during this transition period. A special remuneration of \$1 million is being proposed in recognition of Mr Koh's services, which are outside the scope of the ordinary duties of a non-executive Director. This is subject to shareholders' approval at the forthcoming annual general meeting.

BREAKDOWN OF DBSH DIRECTORS' REMUNERATION FOR PERFORMANCE YEAR 2007⁽¹⁾ (1 JAN 2007 – 31 DEC 2007)

Remuneration Bands	Salary Remuneration %	Cash Bonus ⁽²⁾ %	Share Plan ⁽³⁾ %	Directors' Fees %	Others %	Total %
\$7,000,000 – \$7,249,999						
Jackson Tai (resigned 31 Dec 2007) ⁽⁵⁾	27	68	–	1 ⁽⁴⁾	4	100
Frank Wong Kwong Shing	16	36	43	1 ⁽⁴⁾	4	100
\$1,000,000 – \$1,249,999						
Koh Boon Hwee ⁽⁶⁾	–	41	41	17	1	100
Below \$250,000						
Ang Kong Hua	–	–	–	100	–	100
Andrew Buxton	–	–	–	100	–	100
Goh Geok Ling	–	–	–	100	–	100
Kwa Chong Seng	–	–	–	100	–	100
Leung Chun Ying	–	–	–	100	–	100
Narayana Murthy	–	–	–	100	–	100
Peter Ong Boon Kwee	–	–	–	100	–	100
John Alan Ross	–	–	–	100	–	100
Wong Ngit Liong	–	–	–	100	–	100

(1) Refers to 2007 performance remuneration – includes fixed pay in 2007, cash bonus received in February 2008 and shares granted in 2008

(2) Based on amount accrued in 2007 financial statements. Amount finalised, approved and paid in 2008.

(3) Refers to the estimated value of DBSH shares granted in 2008 – forms part of 2007 variable performance bonus

(4) Fees are not retained by directors

(5) Refers to 2007 performance remuneration and thus excludes notice pay and ex-gratia payment totalling \$1.8 million for non-solicitation

(6) Includes a special remuneration of \$1 million, subject to shareholders' approval at annual general meeting on 2 April 2008

Key executives' remuneration

Although the Code recommends that at least the top five key executives' remuneration be disclosed within bands of \$250,000, the Board believes such disclosure would be disadvantageous to the Group's business interests, given the highly competitive conditions in the banking industry where poaching of executives is commonplace.

Long-term share incentives – DBSH Share Plan, Share Option Plan and Share Ownership Scheme

As the Group seeks to foster a culture that aligns the interests of employees with those of shareholders, it has put in place share-based plans for employees. These plans allow employees to share in the Group's growth and success. There are three plans – the DBSH Share Plan ("Share Plan", previously known as the DBSH Performance Share Plan), the DBSH Share Option Plan ("SOP") and the DBSH Share Ownership Scheme ("SOS").

Employees holding the corporate rank of Managing Director, Senior Vice President and Vice President are eligible to participate in the Share Plan and SOP.

Rewards made under the Share Plan and SOP form part of an employee's annual performance remuneration, which also includes cash bonuses. The portion of the performance remuneration paid in shares increases with the amount of the performance remuneration. The allocation of such awards

will be linked to performance metrics designed to deliver shareholder value.

There are vesting periods for the Share Plan and SOP. Two types of awards can be made under the Share Plan. They are those where performance conditions are attached and those that are time-based. The number of shares eventually awarded upon vesting under the Share Plan where performance conditions are attached is based on DBS Group's performance for a three-year performance period as measured by the Group's return on equity. The time-vested Share Plan operates like restricted shares awards. It comprises two elements, namely, the main award and the "kicker" award. The shares comprised in the "kicker" award constitute 20% of the shares comprised in the main award. Fifty percent of the shares comprised in the main award will vest two years after the date of grant. The remainder fifty percent of the shares comprised in the main award, together with the shares comprised in the "kicker" award, will vest three years after the date of grant. The aggregate total number of new DBSH ordinary shares that may be issued under the Share Plan and SOP at any time may not exceed 7.5% of the issued ordinary shares (excluding treasury shares) of DBSH.

Details of the Share Plan and SOP appear in pages 120 to 121 of the Directors' Report.

Employees who are not eligible for the Share Plan or SOP are eligible to participate in the SOS. The SOS is a market purchase plan administered by DBS Trustee Ltd, a wholly-owned subsidiary 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.

SHARE OPTIONS ISSUED

In compliance with listing requirements, the following participants in the SOP 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)	0	440,175	0	440,175
Frank Wong Kwong Shing (Director)	0	448,050	0	448,050

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

No further share options were issued by the Group in 2007.

The aggregate number of options granted to the directors and the employees of the DBS Group since the commencement of the SOP till the end of 2007 is 62,796,690.

RELATED PARTY TRANSACTIONS

The Group has procedures in place to comply with 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. The relevant provisions in the Banking Act and the MAS directives impose prudential limits on credit exposures by the Group to certain Group-linked entities and persons, while the interested person transactions in the Listing Manual cover all types of related party transactions generally.

All 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. Checks are conducted prior to the Group entering into credit and non-credit-related transactions to determine whether the counterparty is a related party under applicable regulations and to take the appropriate action to comply with the regulations.

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 collaterals as at 31 December 2007 are as follows:

(In \$ millions)	Credit facilities granted to	Contingent credit facilities granted to	Estimated value of collaterals	Deposits received by DBSH Group
Granted to/received from:				
DBSH Directors and their related entities	27	#	123	–
Companies with DBSH Directors represented on their boards	617	134	–	–
Bank-related companies ⁽¹⁾				
– engaged in financial activities	4,375	9	4,605	4,288
– engaged in non-financial activities	261	66	571	48

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 2007:

Name of Interested Person	Aggregate value of all Interested Person Transactions during 2007 (excluding transactions less than \$100,000)
CISCO Security Pte Ltd Branch cash delivery, collection and processing services, self-service banking cash services, static armed guard services, maintenance of security equipment; CCTV/ alarm monitoring	\$19,000,000
DataPost Pte Ltd Statement printing, enveloping and despatch; token management	\$2,995,000
Mapletree Investments Pte Ltd New office leases	\$14,119,367
NETS Credit card and ATM card personalisation	\$360,000
Singapore Airlines Ltd Air tickets	\$6,500,000
Singapore Computer Systems Ltd Procurement operations, document management, imaging and storage and other services	\$3,400,000
Singapore Telecommunications Ltd Subscription for usage-based telecom services	\$15,000,000
SMRT Trains Ltd New and renewal of leases for branch premises/ATMs	\$4,273,686
SNP Sprint Pte Ltd Personalisation/despatch of cheque books and security documents printing	\$1,900,000
Wan Tien Realty (Pte) Ltd Renewal of office leases	\$10,338,490

DEALINGS IN SECURITIES

DBS has adopted more stringent "black-out" policies than prescribed 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. In addition, business units and subsidiaries engaging in proprietary trading and discretionary trading of

securities on behalf of customers are restricted from trading in DBS securities during the black-out period.

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 when quarterly results are released. 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 a close dialogue with institutional investors.

During the year, management met more than 460 local and foreign investors in more than 360 meetings. Management also participated in seven non-deal investor conferences and road shows comprising one each to the US, Hong Kong and Dubai, and four in 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 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.

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 the Group's 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 issues management application. 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 Tay Kim Yam who has more than 20 years of banking experience in financial markets, management consulting and risk management. Kim Yam 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 them regularly 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-compliance 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 & 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

The Group sees strong risk management capabilities as vital to the success of a 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 Audit and Group Legal & Compliance.

More on risk management can be found in the following section.