DBS Group Holdings Ltd Annual Report 2015

# Live more, Bank less.

Living, Breathing Asia

DBS

## Live more, Bank less.

**As the bank that helped build Singapore, DBS has always believed that banking is about doing real things for real people.**

**This means bringing an understanding of the fast-changing world in which we live – with all its attendant challenges and opportunities – to bear on the design of our products, services and initiatives.**

**In the future, technology and mobility will seamlessly integrate banking with our customers' everyday lives. The result is banking that is so easy, fast and effortless that it enables people to do more of what they want – Live more.**

**By creating banking experiences that save time and take the pain out of banking, our customers actually get to Bank less.**

**This speaks to our purpose of 'Making Banking Joyful', whereby as Asia's Safest and Best Bank, not only are we a bank that people trust and depend on, we are also one that brings joy to our stakeholders. This reflects a higher purpose that goes beyond banking, recognising the role we play in benefitting society at large and the communities we are present in.**

## About us

DBS is a leading financial services group in Asia, with over 280 branches across 18 markets. Headquartered and listed in Singapore, DBS has a growing presence in the three key Asian axes of growth: Greater China, Southeast Asia and South Asia. The bank's capital position, as well as "AA-" and "Aa1" credit ratings, is among the highest in Asia-Pacific. DBS has been recognised for its leadership in the region, having been named "Asia's Best Bank" by The Banker, a member of the Financial Times group, "Best Bank in Asia-Pacific" by Global Finance, and "Asian Bank of the Year" by IFR Asia. The bank has also been named "Safest Bank in Asia" by Global Finance for seven consecutive years from 2009 to 2015.

## About this report

The Board is responsible for the preparation of this Annual Report. It is prepared in accordance with the following regulations, frameworks and guidelines:

- The Banking (Corporate Governance) Regulations 2005, and all material aspects of the Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers issued on 3 April 2013 by the Monetary Authority of Singapore.
- The International Integrated Reporting <IR> Framework issued in December 2014. Whilst DBS has been applying the guiding principles of <IR> since 2013, this is the first year DBS has complied with the requirements of the framework in all material aspects.
- The Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines. This is the first time the Annual Report fully meets the GRI requirements. Please refer to page 196 for the GRI Index.

In addition, we implemented most of the Enhanced Disclosure Task Force (EDTF) recommendations, including those pertaining to IFRS 9 as outlined in the EDTF's report "Impact of Expected Credit Loss Approaches on Bank Risk Disclosures" issued in November 2015.

**View our report online**
Our Annual Report, accounts and other information about DBS can be found at www.dbs.com

## Overview

This section provides information on who we are, our leadership team, business model and strategy. It also contains messages from the Chairman and CEO.



## Performance

This section provides information on our priorities and performance by customer segments and geographies. It also details what we are doing for employees and society.



## Governance and Risk Management

This section details our commitment to sound and effective governance, as well as how we manage risks.



### Financial Reports



### Annexure



### Shareholder Information

# Who we are

**DBS, a Singapore-headquartered commercial bank, provides a full range of services in consumer banking, wealth management and institutional banking. As a bank born and bred in Asia, we understand the intricacies of doing business in the region's most dynamic markets.**

**Safest Bank in Asia**
by Global Finance 2009 – 2015

**Asian Bank of the Year**
by IFR Asia 2015

**Most Valuable Banking Brand**
in ASEAN and Singapore
by Brand Finance 2015

**Total Assets**
SGD
**458 billion**

**Income**
SGD
**10.8 billion**

**Net Profit**
SGD
**4.45 billion**

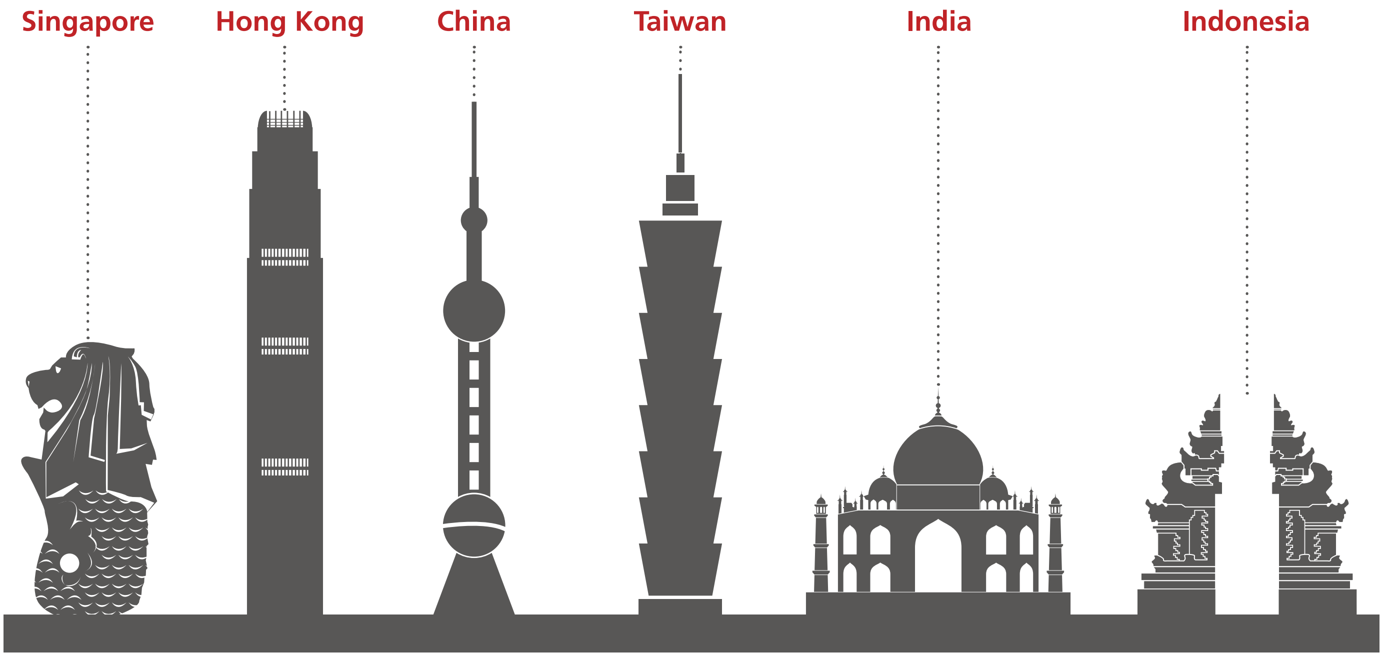
**Branches***
OVER
**280**
**includes sub-branches and centres*

**Institutional Banking Customers**
OVER
**200,000**

**Consumer Banking/ Wealth Management Customers**
OVER
**6 million**

**Employees**
OVER
**22,000**

## Footprint in our six priority markets




### Singapore

- Our home market
- Extensive network of more than 2,500 touchpoints† with close to 100 branches
- Leader in consumer banking, wealth management, institutional banking, treasury and capital markets

*† Touchpoints include DBS/POSB branches, self-service banking machines, AXS terminals and strategic partnerships*

**62%** of group income

### Greater China

- Hong Kong: Anchor of our Greater China franchise with 49 branches
- China: 34 branches and one representative office in 13 cities
- Taiwan: 43 branches in eight cities

**31%** of group income

### South and Southeast Asia

- India: 12 branches in 12 cities
- Indonesia: 44 branches in 11 cities
- Presence in Malaysia, Philippines, Thailand and Vietnam

### Rest of the world

- Presence in Australia, Japan, Korea, UAE, UK and US to intermediate business and investment flows into Asia

**7%** of group income

# Board of Directors

**The Board is committed to helping the bank achieve long-term success. The Board provides direction to management by setting the Group's strategy and overseeing its implementation. It ensures risks and rewards are appropriately balanced.**

### Board independence

Out of nine directors, seven (including the Chairman) are independent directors, one is a non-executive and non-independent director and one is an executive director (CEO).

### Gender diversity

Two of nine directors are female.

### Deep banking knowledge and experience

Two-thirds of the Board are seasoned bankers, while the rest have extensive industry experience ranging from consumer goods to accounting.

*For profiles of our directors, please refer to page 180. For our corporate governance report, please refer to page 48.*

# Group Management Committee

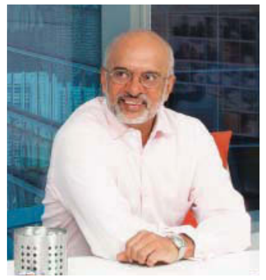
**The Group Management Committee sets the strategy and direction of the Group. It drives business performance and organisational synergies. It is also responsible for protecting and enhancing our brand and reputation.**


Average years of experience of the Group Management Committee

One-third of our Group Management Committee members are women

*Those marked by * are also in the Group Executive Committee.*

*For more information on the Group Management Committee, please refer to page 185.*



1
**Piyush Gupta***
Chief Executive Officer

2
**Jerry Chen**
Taiwan

3
**Chng Sok Hui***
Finance

4
**Eng-Kwok Seat Moey**
Capital Markets

5
**Neil Ge**
China

6
**David Gledhill***
Technology & Operations

7
**Lam Chee Kin**
Legal, Compliance & Secretariat

8
**Lee Yan Hong**
Human Resources

9
**Sim S Lim***
Singapore

10
**Andrew Ng***
Treasury & Markets

11
**Jimmy Ng**
Audit

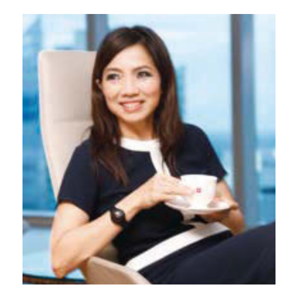
12
**Karen Ngui**
Strategic Marketing & Communications

13
**Sebastian Paredes***
Hong Kong

14
**Elbert Pattijn***
Risk Management

15
**Surojit Shome**
India

16
**Paulus Sutisna**
Indonesia



17
**Tan Su Shan***
Consumer Banking/ Wealth Management

18
**Jeanette Wong***
Institutional Banking

# Letter from the Chairman and CEO

**"Given the challenging operating environment, the Board and senior management are very pleased with how we were able to manage our risks and still grow the business sensibly."**

***Chairman Peter Seah***

**2015 was a year of two halves. Policy actions by various central banks bolstered markets and sentiment in the first half. However, investor and business confidence faltered in the second half on the back of growing uncertainty about the strength of the world economy.**

SGD 10.8bn

## Record income

Our total income crossed SGD 10 billion for the first time.

11.2%

## Higher return on equity

Despite headwinds, ROE improved, a testament to our commitment to customers, as well as strong brand and resilient franchise.

60 cents

## Higher dividends

We proposed full-year dividends of 60 cents per share, up from 58 cents per share in 2014.

Global growth slowed in 2015, with the IMF revising GDP forecasts from 3.5% at the start of the year to 3.1%. Even growth in the US economy, thought to be a bright spot, remained unconvincing, with full-year growth stuck at around 2% per annum. US GDP decelerated in the fourth quarter, but the job market continued to improve, showing a mixed picture.

China, the world's second-largest economy, also slowed in 2015, registering growth of only 6.9% – its weakest in 25 years. This belies the country's two-speed economy. While the services industry is growing quite strongly, China's manufacturing and investment sectors are suffering from overcapacity with some sectors in recession. The manufacturing slowdown contributed to a collapse in commodity prices across the board. The impact on the oil and gas sector was exacerbated by a supply glut, which took crude prices to an 11-year low.

China's financial sector reforms further unsettled markets. Faster-than-expected market liberalisation created volatility across several asset classes, and this was amplified by policy actions that sometimes contradicted each other.

## A strong, resilient franchise

Given the challenging operating environment, the Board and senior management are very pleased with how we were able to manage our risks and still grow the business sensibly.

For full-year 2015, income and earnings both rose 12%. Despite the headwinds, return on equity improved from 10.9% to 11.2%. Our commitment to customers, the strength of the DBS brand, and a capability and product set that increasingly rival the best in Asia and the world, have built resilience into the franchise. Strong governance and risk management processes also undergird our business.

The diversity of our franchise was best exemplified by our loan book. We were able to compensate for a decline in China trade loans by growing other forms of lending. We grew Singapore housing loans by gaining share in a competitive market. We also extended credit for regional clients' investments and corporate restructuring. With net interest margin at its highest since 2012, net interest income rose to a record.

Non-interest income benefitted from strong growth in wealth management, cash management and credit cards. Our bancassurance fees also grew strongly and we will continue to bolster this through a new 15-year, four-market partnership with Manulife Financial Asia.

Our core Singapore franchise had a stellar year, turning in record income and earnings. We gained market share in consumer and SME banking, and remained a leader in savings and current deposits, large corporate banking and capital markets.

Asset quality remained resilient. While non-performing loans and specific allowances inched up, these were in line with our expectations. We reviewed several portfolios, including China, commodities, oil and gas, and residential exposures. We are satisfied that potential losses, even under stressed conditions, are manageable.

We are pleased that we continue to receive recognition from the street: Asian Bank of the Year from IFR, Best Asia Commercial Bank, Best Asia Investment Bank, and Best Asian Private Bank from FinanceAsia to name a few of our accolades. We have also been named Safest Bank in Asia by Global Finance, a New York-based publication, for seven consecutive years.

## Building a sustainable organisation

### Customer experience

Since unveiling our strategy six years ago, we have been delivering consistently strong financial performance. The texture of our franchise has changed considerably. Wealth Management and SME Banking contribute 27% of Group income from 22% in 2010. Income from transaction services has doubled, while customer activities contributed half of Treasury income from 36% in 2010.

We have entrenched our position in Singapore, where in addition to market share gains, we are today widely acknowledged for our customer service and innovation.

We have repositioned our Hong Kong franchise for profitable growth. Income and earnings reached a record in 2015. We have expanded our franchises in China, Taiwan, India and Indonesia to improve our geographical mix and our ability to intermediate regional trade and capital flows. Income from these growth markets has risen 95% since 2009.

We have also strengthened the internal plumbing of the bank. Our risk architecture is more robust, the resiliency of our technology platforms has been strengthened and our systems are designed to "plug and play" new business applications. Our management information systems can measure profitability at granular levels. A dedicated corporate treasury now stewards our capital and liquidity.

*Singapore's Deputy Prime Minister Tharman Shanmugaratnam, our guest of honour, at the opening of the new DBS Academy in December 2015*

But taking DBS to the next level requires more than incremental steps in the same direction. Our industry, like several others, is being profoundly impacted by new technologies and changing customer expectations. Fintech start-ups are beginning to attack various parts of the financial services value chain. In such an environment, our future success depends on our ability to harness the digital revolution and completely re-imagine the banking experience. While this is a challenge, we believe it is also an opportunity to distinguish ourselves. By thinking deeply about customers' true needs and their real-jobs-to-be-done, we can make their banking truly simple and relevant, taking effort and anxiety out of their banking engagements.

**"We capture our vision for our relationship with customers, employees and society at large under a simple agenda – 'Making Banking Joyful'."**

***CEO Piyush Gupta***

### Being socially and environmentally responsible

In addition to the customer experience, we have to be relentlessly focused on earning the trust and goodwill of society at large. This can only come from playing a relevant role in people's real needs – helping companies grow, helping individuals prosper.

One of the bank's organisational values is being purpose-driven. Since the time of their establishment, DBS and POSB have had a strong social mandate. DBS was formed to finance Singapore's industrialisation, while POSB as the "People's Bank" had a mission of promoting the savings habit and facilitating home ownership. Today, DBS and POSB continue to uphold our responsibility to the communities we operate in, whether through the provision of inclusive and subsidised banking, the support of SMEs or our corporate philanthropy initiatives. DBS is also committed to responsible financing. When making loans to companies, we conduct assessments on how they address environmental, social and other material risks.

### Building a future-ready workforce

In an industry where people are the most important asset, equipping our 22,000 people to execute on strategy is key to success. We believe that we must have a work environment that is fun and empowering. At the same time, we need to be relentless about upskilling our people.

In 2015, we established DBS Academy learning centres in Singapore, Indonesia and Taiwan to build a strong talent pool able to shape the future of banking. Employees are encouraged to embrace a digital mindset through experiential learning and experimentation.

DBS was the first bank to incorporate hackathons into our talent development programme. At these hackathons, employees work with start-ups to create prototype mobile apps to address business problems. This enables them to gain exposure to the fintech culture, agile methodology and other digital working concepts. In all, the bank is running over 1,000 experiments, giving our people the exposure they need so we can innovate as a bank.

### Making Banking Joyful

We capture our vision for our relationship with customers, employees and society at large under a simple agenda – "Making Banking Joyful". We recognise that Joyful Banking would traditionally be seen as a contradiction in terms, but we are convinced that the holistic embrace of this mission can produce path-breaking results.

## Commemorating Singapore's Jubilee

2015 was a significant year for Singapore, being its 50th year of independence. As Singapore's largest bank, DBS and POSB spared no effort in giving back. After all, DBS' story has mirrored Singapore's, and we have played a key role in the nation's growth from early on, financing first the development of key industries post-independence, and later on, the regionalisation of Singapore Inc.

We established the SGD 50 million DBS Foundation in conjunction with the nation's Jubilee. The foundation actively nurtures and develops the social enterprise sector in a multitude of ways, including through the provision of loans, grants and mentoring. Singapore also has a rich heritage in the arts, and to make this more accessible to the public, we gifted SGD 25 million to the National Gallery Singapore.

Fifty years ago, Singapore differentiated itself by creating a first-world infrastructure (both hard and soft) in a third-world region. It can again set itself apart in the next 50 years by being the world's first truly digital city. DBS is well-placed to promote and facilitate Singapore's development into a Smart Nation, and the bank is committed to doing so.

## Dividends

The Board has proposed a final dividend of 30 cents per share for approval at the forthcoming annual general meeting. This will bring the full-year dividend to 60 cents per share compared to 58 cents per share a year ago.

## Going forward

2016 will not be easy. Global growth is likely to be slower, and we will have to stay focused and nimble. Nevertheless, we have demonstrated time and again an ability to navigate an uncertain environment. In all things, we are guided by our belief that we can create an impact beyond banking and change lives for the better. In particular, as a bank operating in an industry at the cusp of massive change, DBS will push forward to make banking simpler and more seamlessly integrated into customers' lives, so that they can "Live more, Bank less".

**Peter Seah Lim Huat**
Chairman
DBS Group Holdings

**Piyush Gupta**
CEO
DBS Group Holdings


*DBS and Manulife officially launching a 15-year, four-market partnership covering Singapore, Hong Kong, China and Indonesia*

**1,000**

### Experiments and prototypes

To inculcate a digital mindset and spur innovation, the bank is running over 1,000 experiments.

### Leading bank in Asia

DBS has been named Best Asia Commercial Bank, Asian Bank of the Year and Safest Bank in Asia, among our many accolades.

# CEO
# reflections

**Piyush Gupta shares his thoughts on some pertinent matters.**

## On business model and strategy

Our strategy of building a regional commercial bank with deep customer reach and broad product diversity has been delivering good results, with progress in areas such as wealth management, transaction services, debt capital markets and Singapore retail banking. Our basis of competitive differentiation (Banking the Asian Way), governance principles, management model and risk management architecture have proven to be robust. You can read about our existing business model in detail on page 14.

While our strategy is sound, we periodically review where we are at, taking into account emerging mega-trends, our operating environment, and what our stakeholders are telling us. These are material matters that can impact our ability to create value and you can read more about them on page 19.

One area where we would have liked to do more is our growth in the big geographies – China, India and Indonesia. Our large corporate franchise has done well; however, the SME and consumer businesses have been challenged by distribution limitations due to regulations, thereby resulting in longer payback periods.

Another area where we have done well when compared with our traditional competitors but perhaps not when compared to our new competitive landscape is the embrace of innovation and the digitalisation of our business. Fintechs are beginning to unravel the financial services value chain, and we need to be able to respond.

The good news is that harnessing the digital opportunity can not only help us protect our position in our core markets of Singapore and Hong Kong, it can also be a game changer to help extend our reach into the larger geographies. By harnessing the power of technology and the prevalence of smart mobile devices, we can reach customers anywhere and anytime. They can open accounts and conduct banking transactions without ever having to make a branch visit. This means we can reach out to a broader customer base in our growth markets without the need for an extensive physical branch network.

However, this is a lot more than adding a few digital apps in front of our clients. It requires a deep rethink about our basic value proposition, a shift in our culture and a comprehensive re-architecture of our technology. It is the challenge of culture and legacy technology that prevents most incumbents from true transformation.

We have spent the past three years deeply immersed in this agenda. On the technology front, we have made efforts to completely digitise the bank – such as using SOA (Service-Oriented Architecture) and an API (Application Programme Interface) framework to eliminate paper and provide instant fulfilment. We are already beginning to see income and expense benefits from this. On the culture front, we are making good headway in creating a "fintech-like" workforce that is consumed with re-imagining the customer experience – one that is simple, seamless and complete. This is instrumental to our goal of making banking joyful for our customers.

## On China

China's achievements over the past three decades have been unrivalled in history – a USD 11 trillion economy, lifting 500 million people out of poverty. The model of centrally-planned growth with twin engines of exports and investments has served it well. However, more recently, the

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**"Over the past five years, we have positioned ourselves well to benefit from China's trade account opening. Going forward, we are focused on seizing opportunities that emerge from China's liberalisation of its capital account."**

planned model resulted in a significant misallocation of resources with substantial overcapacity in the manufacturing sector. This was compounded by a credit binge in the aftermath of the Global Financial Crisis. Going forward, China has three imperatives:

- Supply side reform, notably addressing overcapacity in the short term and efficiency in the state-owned enterprise (SOE) complex in the medium term.
- Shifting to market-driven pricing for resource allocation to prevent future occurrence of inefficiency.
- Integrating into global capital markets with a strong currency to be able to reduce reliance on the USD.

The reform measures being undertaken are intended to achieve these outcomes and, if successful, will have enormous benefits for China and the world.

The socio-political dimensions aside, at a macroeconomic level, China has the resources and capacity to make the changes without an implosion. However, there are two key risks in the short term:

- Rapid financial liberalisation has come with large market volatility. In an effort to subdue the volatility, the Chinese have relied on policy measures that are sometimes misguided and often unclear. This risks a loss of market confidence. It is therefore quite easy to be caught on the wrong side of economic turbulence.
- The supply side restructuring and SOE reform will result in heightened levels of counterparty risk and higher corporate default. It is imperative to know who to deal with.

We are mindful of the risks and are managing our business appropriately.

Having said that, it is also likely that the financial markets' capital reform will create the biggest opportunities in financial services over the next decade. "The One Belt One Road", capital intermediation, and RMB internationalisation paths may be choppy, but building out suitable positions in these areas will have long term payoffs.

China has powered growth in Asia for the past decade and will continue to play a crucial role in the future growth of the region. Given this, it is important for a regional bank like DBS to continue capitalising on opportunities arising from China. Over the past five years, we have positioned ourselves well to benefit from China's trade account opening. Going forward, we are focused on seizing opportunities that emerge from China's liberalisation of its capital account.

## On our role in society

The global financial crisis' biggest damage to our industry was not through the erosion of capital or liquidity, but the erosion of a resource that is infinitely more dear – trust. Banks and bankers have been looked at with suspicion and our role in society and the macroeconomy questioned.

If we are to retain our position as a legitimate part of the macroeconomy, we need to go back to our core purpose and revalidate our role in the larger society. We will have to recognise that not all returns can be found in financial statements and our responsibility to shareholders must be balanced by responsibility to society at large. In some ways, there is no contradiction. Our licence to operate comes from civil society, and long-term shareholders' interests depend on the currency of that licence.

At DBS, we have worked hard at clarifying our purpose. Rooted in our DNA is a role beyond short-term profit maximisation. What makes us different is our fundamental belief that at the heart of it all, we must do real things for real people, while ensuring that DBS is a joy to deal with. Likewise, our desire to support those who believe in social reforms, and not just pure shareholder returns, took us down the social entrepreneurship path – our corporate social responsibility platform. Find out more about our approach to creating social value on page 44.

**"What makes us different is our fundamental belief that at the heart of it all, we must do real things for real people, while ensuring that DBS is a joy to deal with."**

We are also a firm believer that to uphold the trust stakeholders have in us, we need to embed a culture of doing the right thing within the organisation. Tied to this is a mindset of not simply following rules or the letter of the law, but embracing the principles behind them. This belief underpins our commitment to enhancing the transparency of our corporate disclosures year after year. With that, we have taken steps to present a more comprehensive and transparent view of how our business model and strategies inform the way we do business. Find out more about our approach to banking responsibly on page 45.

# Business model – how we create value

**Our business model seeks to create value for stakeholders in a sustainable way.**

Our strategy is clear and simple. It defines the businesses that we will do and will not do. We have clarity around our sources of competitive advantage given our resources. We have put in place a governance framework to ensure effective execution and risk management. Further, we have a balanced scorecard to measure our performance and align compensation to desired behaviours.

*Read more about "How we use our resources" on page 16.*

## Our strategy

Our strategy is predicated on Asia's megatrends, including the rising middle class, growing intra-regional trade, urbanisation, and the rapid adoption of technology that is fuelling new innovations.

We seek to intermediate trade and investment flows as well as support wealth creation to capitalise on Asia's long-term ascendancy. We are a regional bank with sufficiently-deep roots in key markets, making us a compelling Asian bank of choice. The strategy is encapsulated in the following four points:

- We are an Asian-focused bank, seeking to make banking joyful for our customers
- We intermediate trade and investment flows across Greater China, South Asia and Southeast Asia
- In Singapore, we are a universal bank serving all customer segments
- In other markets, we have traditionally focused on affluent individuals, large corporates, small and medium enterprises (SMEs) and institutional investors. Going forward, we will leverage digital technologies to extend our reach to individuals

## Our businesses

In Institutional Banking, we serve large corporates, SMEs and institutional investors, from helping them finance their business activities to managing their financial risks.

We offer a full range of credit facilities from short-term working capital financing to specialised lending. We also provide transaction services such as cash management and trade finance, treasury and markets products, capital markets and advisory solutions.

*Read more about our Institutional Banking business on page 30.*

In Consumer Banking, we serve individuals, from mass market to affluent, at every stage of their lives: from saving at a young age to buying a home as they start their own families, to investing for retirement. We offer a diverse range of banking products and services, including deposits, loans, cards, payments, investment and insurance products.

*Read more about our Consumer Banking business on page 33.*

In Treasury and Markets, we structure products for customers and are market makers for foreign exchange, interest rate, debt, credit, equity and other structured derivatives.

## Differentiating ourselves

**Banking the Asian Way**
We marry the professionalism expected of a best-in-class bank with an understanding of Asia's cultural nuances.

**Asian relationships:** We strive to embody the elements of what relationships are about in Asia. We recognise that relationships have swings and roundabouts, and look at relationships holistically, recognising that not every transaction needs to be profitable in its own right. We stay by our clients through down cycles.

**Asian service:** Our service ethos is built on the RED motto: being Respectful, Easy to deal with and Dependable, with the humility to serve and the confidence to lead.

**Asian insights:** We know Asia better; we provide unique Asian insights and create bespoke Asian products. Our customer conversations are underpinned by award-winning research that offers insights into markets and industries in Asia.

**Asian innovation:** We constantly innovate new ways of banking that are appropriate to our markets as we strive to make banking faster, more intuitive and more interactive.

**Asian connectivity:** We work in a collaborative manner across geographies, supporting our customers as they expand across Asia.

**Technology and infrastructure**
We invest heavily in technology, a crucial business differentiator, which allows us to be nimble, resilient and innovative. Our systems now operate on a common platform which allows us to scale up our business with lower marginal costs. This enables us to be nimble with faster speed-to-market. Our investments have strengthened the resilience of our network and fortified our defences against cyber intrusions. Our open platform enables us to integrate and leverage best in-breed technologies, allowing us to work seamlessly with technology partners such as research agencies and cloud-service providers to develop innovative solutions for our stakeholders.

**Nimbleness and agility**
We are of a "goldilocks" size, big enough to have meaningful scale and yet nimble enough to quickly identify and act on opportunities. We have a flat organisation structure and all our key leaders work cohesively as one team. Further, we are building a culture of innovation and experimentation.

## Governing ourselves

**Competent leadership**
Competent leadership starts at the top. We have a strong nine-member board, two-thirds of whom are former bankers and the remainder industry leaders. The Board is well-informed and fully engaged, and provides direction to management by reviewing and overseeing the implementation of the Group's strategy. Senior management is responsible for setting strategy, and driving business performance and organisational synergies. A matrix reporting structure with joint ownership between regional business/support unit heads and local country heads ensures that the decision-making process leverages our group-wide strengths and takes into account local market conditions.

*Read about our leaders from pages 4 to 7.*

**Effective internal controls**
Our framework for internal controls spans finance, operations, compliance and information technology, and is built on three lines of defence. The first comprises the identification and management of risks by businesses, support units and countries. The second is the corporate oversight exercised by control functions (such as Risk Management, Finance and Compliance). The third is in the form of regular internal audits, which provide an independent assessment of the adequacy and effectiveness of our internal controls.

*Read about internal controls on page 63.*

**Values-led culture**
Our organisational values, PRIDE!, shape the way we do business and work with each other.

**Purpose-driven**
We strive to be a long-term Asian partner, committed to making banking joyful and trustworthy, and transforming Asia for the better.

**Relationship-led**
We build long-lasting relationships and strong teams, and work together to find better solutions.

**Innovative**
We embrace change and are not afraid to do things differently.

**Decisive**
Our people are given the freedom to decide, take ownership and make things happen.

**E! – Everything Fun!**
We have fun and celebrate together!

## Measuring our performance

**Our balanced scorecard**
We use a balanced scorecard approach to measure how successfully we are serving multiple stakeholders and driving the execution of our long-term strategy. Our scorecard is based on our strategy and is used to set objectives, drive behaviours, measure performance and determine the remuneration of our people.

The scorecard is divided into two parts of equal weighting and is balanced in the following ways:
- Between financial and non-financial performance indicators; almost one-third of the total weighting is focused on control and compliance metrics
- Across multiple stakeholders
- Between current year targets and long-term strategic outcomes

The scorecard is updated yearly and approved by the Board before being cascaded throughout the organisation, ensuring that the goals of every business, country and support function are aligned to those of the Group. Performance is assessed against the balanced scorecard to determine remuneration.

*Read about our balanced scorecard on page 27.*

*Read about our remuneration policy on pages 68 to 73.*

# How we use our resources

**A sustainable business model requires us to manage our resources in a way that maximises value creation in the long term.**

We have various resources[1] available that we can use to create value for stakeholders. We seek to strike a balance between using them in the current period on the one hand, and enhancing and retaining them for future periods on the other.

We recognise the difficulty in measuring the exact value of many of these resources. Hence, we provide proxies of the values at discrete points and explain the initiatives undertaken during the year that enhanced or made use of the resources.

| Resources | | 2014[2] | How we manage our resources | 2015[2] |
|---|---|---|---|---|
| **Brand**<br>Our well-recognised name that embodies our values and differentiates us | Brand value[3] | **USD 4.2 bn** | Our brand value in 2015 reached a record high of USD 4.4 billion. The increase was driven by impactful branding and marketing activities, improvements in customer satisfaction, strong business results and positive analysts' outlook. | **USD 4.4 bn** |
| **Capital**<br>Our strong capital base | Shareholders' funds | **SGD 38 bn** | Another year of record earnings created distributable financial value of SGD 6.03 billion. We retained SGD 3.03 billion and in doing so strengthened our financial soundness, resulting in an increase in our Basel III fully phased-in CET1 CAR from 11.9% to 12.4%.<br><br>*Refer to "Capital management and planning" on page 109.* | **SGD 40 bn** |
| | Basel III fully phased-in Common Equity Tier 1 Capital Adequacy Ratio (CET1 CAR) | **11.9%** | | **12.4%** |
| **Funding**<br>Our diversified funding base | Customer deposits | **SGD 317 bn** | The Group's funding strategy is anchored on strengthening our core deposit franchise. Despite intense competition, we grew our customer deposits and achieved a significant improvement in the quality of deposit mix. | **SGD 320 bn** |
| | Wholesale funding | **SGD 32 bn** | DBS became the inaugural issuer of covered bonds in Singapore in 2015. This enabled us to raise cost-efficient term funding from a new class of institutional investors.<br><br>*Refer to "Liquidity management and funding strategy" on page 96.* | **SGD 38 bn** |
| **Employees**<br>The skills, knowledge, engagement and effectiveness of our people | Number of employees | **>21,000** | We grew our workforce by approximately 1,000, primarily in Institutional Banking (IBG) and Consumer Banking (CBG), to support strategic initiatives and meet business needs. | **>22,000** |
| | Employee engagement score[4] | **4.36** | We enhanced our human resources through training and development initiatives, which included establishing the DBS Academy and cultivating a digital mindset in our people. 129,000 training days were delivered. Our internal mobility programme also broadens employee skills and exposure.<br><br>*Refer to "Employees" on page 40.* | **4.39** |
| | Voluntary attrition rate | **13.6%** | | **13.2%** |
| **Customer Relationship**<br>Our loyal customer base | **Number of customers** | | We leverage technology to scale up our customer base in an efficient manner. We enhance customers' loyalty by understanding their needs and improving their experience with us. We achieve this through rigorous account management and initiatives to improve customer journeys.<br><br>Our efforts are corroborated by improvements in customer satisfaction scores and by higher cross-selling which indicate deeper relationships.<br><br>*Refer to "IBG" on page 30 and "CBG" on page 33.* | |
| | IBG | **> 200,000** | | **> 200,000** |
| | CBG/Wealth Management | **> 6 m** | | **> 6 m** |
| | **Customer engagement scores[5]** | | | |
| | SME | **4.08** | | **4.13** |
| | CBG | **3.93** | | **3.97** |
| | Wealth Management | **4.04** | | **4.10** |

**Value distribution**
***Refer to page 18***

| Resources | | 2014[2] | How we manage our resources | 2015[2] |
|---|---|---|---|---|
| **Technology** The IT hardware and software that support our regional operations | Cumulative expenditure in IT – rolling 5 years[6] | SGD 4.1 bn | Our investments in technology ensure our IT platforms support our growing franchise in a resilient manner. Over the years, our spending has shifted from strengthening the core IT infrastructure to building up our digital channels to enhance the customer experience. | SGD 4.6 bn |
| | *Of which relating to specific IT initiatives[7]* | SGD 1.6 bn | As we pursue this, we are using modern cloud-scaled technology to componentise and automate our deliveries. This has dramatically reduced the time to market – from the time an idea is first developed until the technology is in the hands of our customers. | SGD 1.7 bn |
| | Number of CBG/ Wealth Management customers using<br>– internet platform<br>– mobile platform | <br><br>> 2.7 m<br>> 1 m | *Refer to "Customers" on page 28.* | <br><br>> 2.9 m<br>> 1.3 m |
| | Number of IBG customers using DBS IDEAL™[8] | > 137,000 | | > 150,000 |
| **Society and other relationships** Our relationship with stakeholders (including regulators) in the communities we operate | Number of customers under Social Enterprise (SE) Package | 281 | As a purpose-driven bank, we are committed to being inclusive and providing banking services to everyone in the community. Our customer segments range from large corporates to mass market individuals, and include those who are less able to afford traditional banking services. As the "People's Bank", POSB plays an essential role in promoting financial inclusion in Singapore. We have a large segment of customers for whom we provide subsidised banking services. Fees are waived for many, including the young, silver-haired, national servicemen and people under public assistance schemes. We also waive fees for ex-offenders to help ease their reintegration into society. DBS is also the key bank to migrant workers in Singapore. | 398 |
| | Number of SEs awarded grants via DBS Foundation | – | We choose to support SEs as our primary means of corporate social responsibility. We established the DBS Foundation as the vehicle for carrying this out and awarded SGD 1.02 million in grants to support the growth of 16 SEs in seven countries in 2015. We also offer special subsidised banking packages to these enterprises. | 16 |
| | Volunteer hours | 16,000 | Our staff contributed 27,000 man-hours of volunteer work regionally. We are committed to implementing the guidelines issued by The Association of Banks in Singapore on responsible financing. As in previous years, we are in constant dialogue with regulators and participate actively in industry and global forums.<br><br>*Refer to "POSB" on page 36 and "Society and environment" on page 44.* | 27,000 |
| **Physical infrastructure** Our customer touchpoints | Number of branches | >280 | We optimised our branch footprint to enhance reach and transformed branches from pure service channels to sales outlets. Leveraging design principles and data analytics, we upgraded existing ATMs, focused on the user experience and reduced downtime. | >280 |
| | Number of touchpoints[9] | >2,500 | In Singapore, more people are now able to bank-on-the go. We increased our cash withdrawal points to over 2,000 by extending our partnerships with popular retail chains. In addition, we rolled out an SMS queue system across our branches, reducing wait time and eliminating queues.<br><br>*Refer to "CBG" on page 33.* | >2,500 |
| **Natural resources** The natural resources that we use for our operations | Energy consumption (kWh) | 79 m | While natural resources are not a material resource for DBS, we continue to undertake initiatives to reduce our environmental footprint. | 79 m |
| | Paper recycled (tonnes) | 297 | In 2015, we sold more than 8,000 decommissioned desktop computers and notebooks to a recycling vendor. We also started recycling corporate mobile phones with vendors who either resell, salvage reusable parts or otherwise dispose of them through a recycling company.<br><br>*Refer to "Managing our environmental footprint" on page 47.* | 308 |

**Value distribution**
*Refer to page 18*

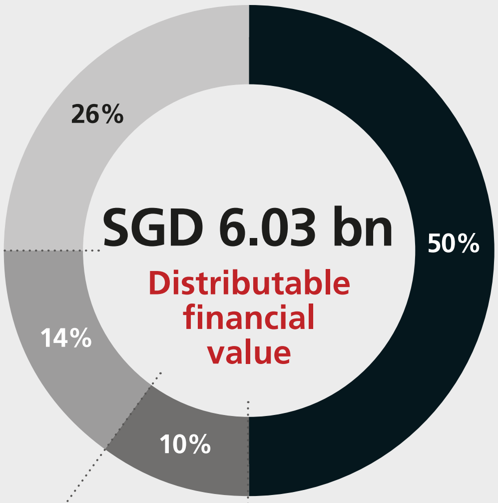
*(1) Resources are referred to as "Capitals" in the International Integrated Reporting <IR> Framework. We have classified our resources differently from the Framework to better reflect how we manage our resources*
*(2) Some amounts are not as at the balance sheet date but are the results of surveys or studies conducted during the year*
*(3) Source: Brand Finance Global 500 - League Table Report 2015*
*(4) In 2015, we transitioned away from Gallup Q[12] score to the My Voice employee engagement index. On a comparative basis, our Q[12] score would have been 4.39, placing us at the 96th percentile of all companies surveyed globally by Aon Hewitt*
*(5) Customer engagement scores (1 = worst, 5 = best) based on Nielsen SME Survey and customer engagement index for CBG and Wealth Management*
*(6) The amount represents the rolling 5-year cumulative amount of capitalised and expensed cost relating to outsourcing and professional fees, software, hardware and relevant related staff cost for IT. It excludes depreciation*
*(7) The amount represents the rolling 5-year cumulative amount of capitalised and expensed cost relating to specific IT initiatives such as digital channels and mobile banking and is a subset of our cumulative expenditure in IT. It includes an estimated apportionment of relevant related staff costs*
*(8) DBS IDEAL™ is our corporate internet platform. Amount represents number of inquiries and transactions (annualised)*
*(9) Touchpoints include DBS/POSB branches, self-service banking machines, AXS terminals and strategic partnerships*

# How we distribute value created

**We distribute value to our stakeholders in several ways. Some manifest themselves in financial value while others bring about more intangible benefits.**

We define distributable financial value as net profit before discretionary bonus, taxes (direct and indirect) and community investments. In 2015, the distributable financial value amounted to SGD 6.03 billion (2014: SGD 5.59 billion).

## Distributable financial value




**Shareholders**
Dividends paid to ordinary and preference shareholders and perpetual capital securities holders

**Society**
Contributions to society through direct and indirect taxes, and community investments including donations, in-kind contributions and associated management costs

**Retained earnings**
Retained for reinvestment in our resources and businesses for growth which, over time, should benefit all of our stakeholders

**Employees**
Discretionary bonus paid to employees through variable cash bonus and long-term incentive share plans

We also distribute non-financial value to our stakeholders in the following ways.

**Customers**
Delivering suitable products in an innovative, easily accessible and responsible way.

*For more information, see page 28.*

**Employees**
Training, enhanced learning experiences as well as health and other benefits for our employees.

*For more information, see page 40.*

**Society**
Supporting social enterprises, promoting financial inclusion, investing in and implementing environmentally-friendly practices.

*For more information, see page 44.*

**Regulators**
Active engagement with local and global regulators and policy makers on new reforms and initiatives that help ensure a sustainable banking industry.

*For more information, see page 20.*

# Material **matters**

**Material matters have the most impact on our ability to create long-term value. These matters influence how the Board and senior management steer the bank.**

*For more information on Board structure and processes, please refer to page 50.*

## Our material matters identification process

### Identify

We **identify** matters that may impact the execution of our strategy. This is a group-wide effort involving inputs from all business and support units, and takes into account feedback from stakeholders. Refer to page 20 for more information on stakeholder engagement.

### Prioritise

From the list of identified matters, we **prioritise** those that most significantly impact our business and relationships with stakeholders.

### Integrate

Where relevant, material matters are **integrated** into our balanced scorecard. Please refer to page 27 for more information on our balanced scorecard.

| | Material matters | What are the risks? | Where do we see the opportunities? | What are we doing about it? |
|---|---|---|---|---|
| **Operating environment** | Challenging macro-economic environment | The macroeconomic environment, characterised by lacklustre global growth, falling commodity prices and market volatility, gives rise to business and credit risks. | As regional and global competitors grapple with weaker earnings prospects and pull out of Asia, we see an opportunity to further expand in the region. | See "CEO reflections" on page 12 and "CRO statement" on page 78 |
| | Evolving regulatory landscape | The Basel Committee continues to calibrate capital requirements, which may affect banks' existing business models. | With capital well above regulatory requirements, we are in a strong position to serve existing and new customers. We also have greater flexibility for capital and liquidity planning. | See "CRO statement" on page 78 and "Capital management and planning" on page 109 |
| **Digital transformation** | Digital disruption and changing consumer behaviour | Technology and mobility are increasingly shaping consumer behaviour. Traditional banks risk losing their relevance as fintechs rise to capture market share in niche segments. | Digital disruption is also an opportunity if we successfully transform ourselves to capitalise on the shift towards digital and leapfrog the competition. | See "Customers" on page 28 |
| | Cyber security | The prevalent threat of cyber attacks on financial institutions remains one of our top concerns. | A well-defined cyber security strategy and capability gives confidence to customers and can differentiate us. | See "CRO statement" on page 78 |
| **Responsible banking** | Combating financial crime | Financial crime, including money laundering and corruption, has corrosive effects on society and gives rise to compliance and reputational risks. | By contributing to Singapore's reputation as a clean and trusted financial centre, we can uphold our reputation as the safest bank in Asia. Such a reputation can help us attract customers and investors. | |
| | Fair dealing | Failure to observe fair dealing guidelines gives rise to compliance and reputational risks. | Customers are more likely to do business with us if they believe that we are fair and transparent. This will lower the cost of customer acquisition and free up resources for stakeholder value creation. | See "Society and environment" on page 44 |
| | Responsible financing | The public demands that banks lend only for appropriate corporate activities. Failure to do so gives rise to reputational and credit risks. | We see an opportunity to make a positive impact to society and the environment through our lending practices. This will in turn make us appealing to investors who are increasingly looking to invest in sustainable companies. | |
| **People** | Talent management and retention | Failure to attract and retain talent impedes succession planning and expansion into new areas such as digital. | Talented and engaged employees will enable us to be nimble and agile in responding to changes in our operating environment. | See "Employees" on page 40 |

# What our stakeholders **are telling us**

**Dialogue and collaboration with our key stakeholders provide insights into matters of relevance to them.**

Our key stakeholders are those who most materially impact our strategy, or are directly impacted by it. These comprise our shareholders, customers, employees, regulators and society at large.

Engagement with stakeholders provide us with an understanding of the matters they are most concerned with. These matters help us define our strategic priorities and guide our initiatives.

| | Shareholders | Customers | Employees | Society | Regulators and Policy Makers |
|---|---|---|---|---|---|
| | We provide investors with the relevant information to make informed investment decisions about DBS as well as seek their perspectives on our financial performance and strategy. | We interact with customers to better understand their requirements so as to propose the right financial solutions for them. | We communicate with our employees via multiple channels to ensure they are aligned with our strategic priorities. Such interactions also allow us to be up to date with their concerns, enabling us to enhance this critical resource. | We actively engage the community to better understand the role that we can play as a bank to address the needs of society. | We strive to be a good corporate citizen and a long-term participant in our key markets by providing input to and implementing public policies. More broadly, we seek to be a strong representative voice for Asia in industry and global forums. |
| **How did we engage?** | We engage shareholders through detailed quarterly briefings of our financial performance as well as regular one-on-one or group meetings with top management and senior business heads. We also conduct roadshows and participate in investor conferences. | We engage our customers through day-to-day interactions – at our branches, through our call centres and via direct conversations with our relationship managers and senior management. We are also active on social media platforms such as Twitter, Facebook and LinkedIn. In addition, we seek feedback through targeted annual surveys which enable us to pinpoint areas where we can improve our services.<br><br>During the year, we undertook more than 100 customer journeys where customer engagement was integral to the redesign of our processes. | Senior management holds regular group-wide and departmental townhalls, while CEO Piyush Gupta hosts bank-wide online video webchats where he answers questions from staff. DBS ran its first week-long collaborative online brainstorming session, DBS Housewarming, in 2015, where employees shared their ideas, views and questions on the bank's strategic priorities. There was broad-scale participation from 4,470 employees (over 20% of staff), which generated 730 topics and over 1,600 comments.<br><br>This year, we transitioned to a new employee survey, My Voice, to measure our staff engagement level. | In 2015, more than 4,000 staff contributed to the community and reached out to 16,000 people through 27,000 hours of volunteering activities.<br><br>We work with social enterprises (SEs) across our key markets to understand their needs and help them become commercially viable while pursuing their social objectives.<br><br>In Singapore, we partner the Community Development Council and People's Association to further our outreach to the community. | Led by our country chief executives and supported by their respective heads of legal and compliance, we develop and maintain strong relationships with governments, regulators and other public policy agencies. In addition to frequent meetings and consultations, we provide data and thought leadership to help support them in ensuring financial stability. |
| **What were the key topics and concerns raised?** | The key concerns raised by shareholders in 2015 centred on our exposures to China and commodities, as well as on our asset quality in general. Shareholders also showed more interest in how we are embedding sustainability considerations in our business practices. | We received positive feedback on the development of new digital solutions. This was reflected in our increased customer satisfaction scores.<br><br>The customer journeys gave us feedback on how we can make banking simpler, more intuitive and time-efficient for our customers. | We received positive feedback on our ability to embed ourselves in the customer journey and that employees are embracing our PRIDE! values.<br><br>Areas highlighted by employees included ensuring that we continue to integrate new hires into a growing bank and helping our people manage and engage with a multi-generational workforce. | Responsible banking is a topic of increasing importance to our societal constituents. The worst haze to blanket Southeast Asia in years was one example highlighting the importance of having a sustainable banking model. It prompted calls among the public for banks to play a more influential role in ensuring employees and customers acted more responsibly. As a result, the concept of banking with a purpose also became more important.<br><br>Through our engagement with SEs, we identified the challenges they face, including a lack of funding and commercial expertise, and the inability to attract talent. SEs also suffer from inadequate public awareness about the work that they do. | During the year, key regulatory issues surrounding the banking industry included:<br>• Financial crime and cyber security<br>• Customer suitability<br>• Capital and liquidity<br>• The disruptive effect of financial technology<br>• Derivatives regulatory reform<br>• Conduct of business |
| **How did we respond?** | We provided detailed disclosures on the asset quality and stress test results of portfolios that were of concern to shareholders.<br><br>Additionally, we undertook various initiatives to embed sustainability considerations into our business model.<br><br>*For more information, see "CEO reflections" on page 12, "CRO statement" on page 78 and "Society and environment" on page 44.* | We embarked on instilling an "embedding ourselves in our customers' journey" mindset throughout the bank.<br><br>*For more information on our customer initiatives, see page 28.* | Results from My Voice were analysed and taskforces were set up to address specific areas of concern. Each department owns a plan for change and is held accountable for implementing the initiatives and improving their engagement results.<br><br>*For more information on our employee initiatives, see page 40.* | We are committed to implementing the Guidelines on Responsible Financing released by The Association of Banks in Singapore to support sustainable development across our key markets.<br><br>With this Annual Report, we are also compliant with the GRI G4 Sustainability Reporting Guidelines for the first time, which provides further clarity around our impact on society and the environment.<br><br>To address the needs of SEs across Asia, we launched the DBS Foundation in 2014.<br><br>*For more information, see "Society and environment" on page 44.* | We participated in the following regulatory initiatives in 2015:<br>• Sharing of information on DBS' approach to financial crime and cyber security as well as customer suitability initiatives<br>• Continuing dialogue on capital/liquidity as well as resolution/recovery<br>• Analysing risks and opportunities arising from financial technology<br>• Communicating the impact of derivatives and tax reforms in our markets<br>• Contributing to the design of a global approach to conduct of business in foreign exchange markets |

# CFO statement

**We turned in another set of record earnings despite challenging economic conditions in the second half. CFO Chng Sok Hui explains the salient aspects of the year's financial performance and the factors behind it.**

## Results demonstrate resilience of our franchise

Despite a tough operating environment in 2015, net profit rose to a record SGD 4.45 billion. Excluding one-time items, net profit rose 12% from the previous year to SGD 4.32 billion. Total income crossed the SGD 10 billion mark for the first time, growing 12% to SGD 10.8 billion with both net interest income and non-interest income reaching new highs. Return on equity improved from 10.9% to 11.2%.

The results underscored the breadth and resilience of our franchise as we successfully captured income opportunities and managed risks in a year marked by slower economic growth, weak commodity prices, financial market volatility and heightened asset quality concerns.

## Macroeconomic factors had a material influence on our performance

A favourable operating environment – supported by quantitative easing from various central banks – in the first half of the year increasingly gave way to uncertainty emanating from China. The resultant movements in interest rates and currencies had a material influence on our performance. While some of their effects were beneficial, others created challenges that we were able to successfully manage.

At home, benchmark interest rates used for pricing SGD loans rose steadily on expectations of higher US rates and from the adoption of a modest exchange rate policy by the Monetary Authority of Singapore. Interbank rates increased from 0.5% at the beginning of the year to 1.2% while swap offer rates rose by a similar magnitude to 1.7%. At the same time, we took effective steps to contain deposit costs. As a result, net interest margin rose nine basis points to 1.77%, which was the highest since 2012.

A convergence and subsequent reversal of offshore and onshore RMB rates – a consequence of China's monetary easing and currency depreciation – together with falling commodity prices resulted in an underlying 25% or SGD 13 billion contraction in trade loans. We were able to offset the decline with a 5% or SGD 11 billion increase in non-trade loans. We grew Singapore housing loans by 13% as we gained share in a quiet market by offering customers a more stable pricing mechanism than most competitors could. We also supported institutional banking customers borrowing for corporate restructuring, loan refinancing and infrastructure projects. As a result, we were able to keep overall loans stable in constant-currency terms during the year.

Central banks' policy actions in the early months of the year, some of which were unexpected, boosted risk appetite and contributed to especially strong performances in wealth management and treasury activities in the first half. This reversed in the second half as overall confidence became fragile after sharp declines in China's stock markets and an unexpected depreciation in August of the RMB. Lingering uncertainty over the timing and pace of US Fed tightening exacerbated the volatility in financial markets. As a result, the strong first-half growth in non-interest income moderated in the second half.

The 7% depreciation of SGD against USD during the year benefited our performance, contributing 3% points to reported income and earnings growth. It accounted for all of the year's reported loan growth of 3%.

## Balance sheet strength maintained

We took steps to ensure that the high quality of our balance sheet was maintained in a more challenging operating environment.

Asset quality continued to be resilient. Non-performing loan formation was offset by recoveries, upgrades and write-offs of existing NPLs. The non-performing loan ratio was unchanged at 0.9%. We took specific allowance charges of 19 basis points of loans during the year, little changed from the previous year. Our allowance coverage of 148% was higher than many of our peers', reflecting the prudent level of cumulative general allowances at SGD 3.2 billion. If collateral was considered, the coverage was 303%.

We kept ample liquidity to support growth and meet contingencies. The loan-deposit ratio was comfortable at 88% even as higher-cost deposits were managed out. Deposits were supplemented by wholesale funding across a range of tenors, and included USD 1 billion of inaugural issuances of covered bonds with triple-A ratings from Moody's and Fitch. The liquidity coverage ratio in the fourth quarter of the year was 122%, well above the final regulatory requirement of 100% effective 2019. We also met the requirement for net stable funding ratio effective 2018.

Despite having one of the highest risk densities in the world at 60%, our fully-phased in Common Equity Tier-1 ratio of 12.4% was well above regulatory requirements. After factoring in recently announced rule changes by the Basel Committee (the "Standardised Approach – Counterparty Credit Risk" to be implemented in 2017 and the "Fundamental Review of the Trading Book – Revised Standardised Approach" to be implemented in 2019), our capital ratios will continue to remain comfortably above requirements. Our leverage ratio was 7.3%, way above the minimum requirement of 3% envisaged by the Basel Committee. We will continue to assess the impact of regulatory reforms currently undergoing consultation.

Like other banks, we will manage our exposures to contain the impact of risk-weighted asset inflation. We intend to maintain our existing dividend policy, which is to pay sustainable dividends while maintaining capital ratios consistent with regulations and the expectations of rating agencies, investors and other stakeholders. Our payouts also take into account the long-term growth prospects of our businesses.

Net book value per diluted share increased 7% to SGD 15.82. The accretion in net book value was not reflected in the share price, which fell 19%, similar to domestic peers, as bank shares led a sell-down on the Singapore Exchange in the latter part of the year. DBS had a market capitalisation of SGD 42 billion at 31 December 2015.

*Read more about asset quality on page 86, liquidity on page 96 and capital management on page 109.*

## Integrated and sustainability reporting

Our 2015 report is fully in line with the Integrated Reporting framework issued by the International Integrated Reporting Council in December 2014. The enhancements we made this year include improved disclosures for "material matters", "stakeholders outreach" and our management of resources.

Our Integrated Reporting reflects the integrated thinking behind our strategy and embedded into our business practices.

We use a balanced scorecard with key performance indicators to drive alignment of strategy and priorities throughout the organisation.

*Read more about our balanced scorecard on page 27.*

This report also marks a milestone in our commitment towards sustainability reporting. It has been prepared to the G4 Sustainability Reporting Guidelines issued by the Global Reporting Initiative or GRI. These efforts position us well for meeting the proposed requirements by the Singapore Exchange for sustainability reporting in 2017.

*Refer to the GRI Index on page 196.*

## New impairment methodology

In 2018, International Financial Reporting Standard 9 will take effect. This new accounting standard will govern how reporting entities classify and measure financial instruments, take impairment (or allowance) charges and account for hedges.

At present, for impairment assessment, Singapore banks comply with the provisions of MAS Notice 612 where banks maintain, in addition to specific allowances, a prudent level of general allowances of at least 1% of uncollateralised exposures. This is an intended departure from the incurred loss provisioning approach prescribed under FRS 39, and possible changes to the current regulatory specifications will determine how IFRS 9's expected credit loss (ECL) model is eventually implemented. Any such changes are unlikely to result in additional allowance charges for DBS at the point of adoption. The Group has begun preparations in the meantime, leveraging existing credit rating systems, models, processes and tools.

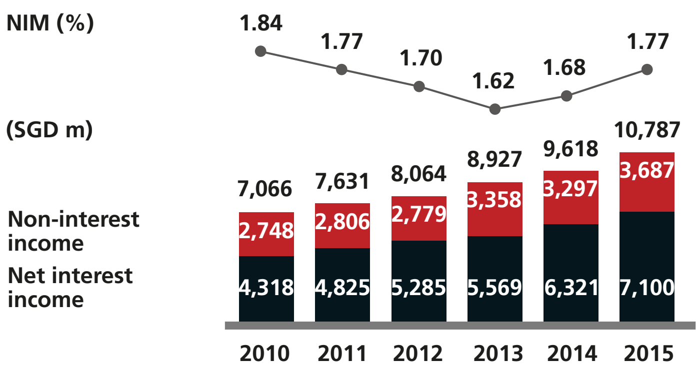
*Read more about ECL in the Enhanced Disclosure Task Force disclosures on page 108.*

## Starting 2016 from a position of strength

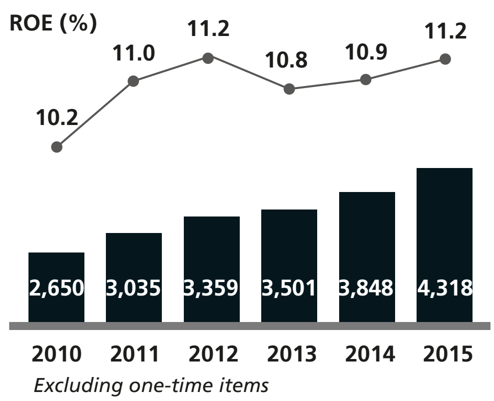
Our performance in 2015 was achieved in the midst of slower economic growth and financial market volatility. It attests to the resilience of our franchise, which is underpinned by multiple business engines, a solid balance sheet and prudent risk management. We will remain vigilant to risks while staying nimble across our businesses and regional network to capture the many opportunities that Asia continues to offer. The region's economic fundamentals are sound and its long-term growth potential remains undimmed. Our foundations are secure and we enter 2016 from a position of strength.

## Financial performance summary

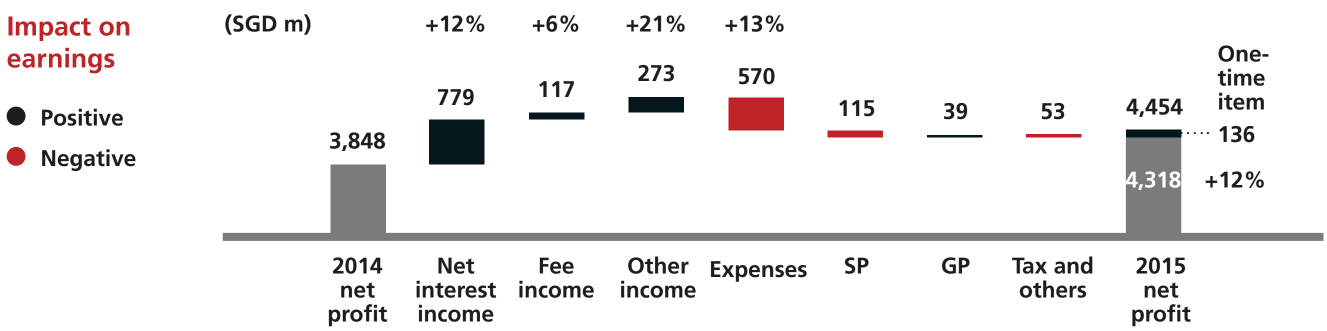
### Total income



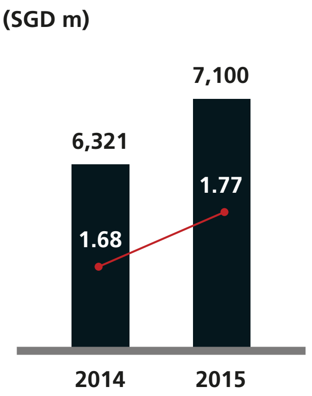

### Net profit

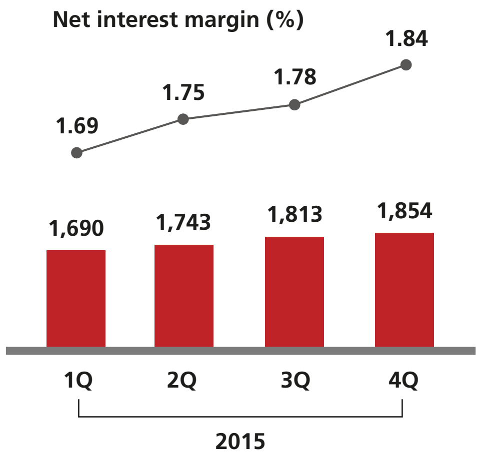


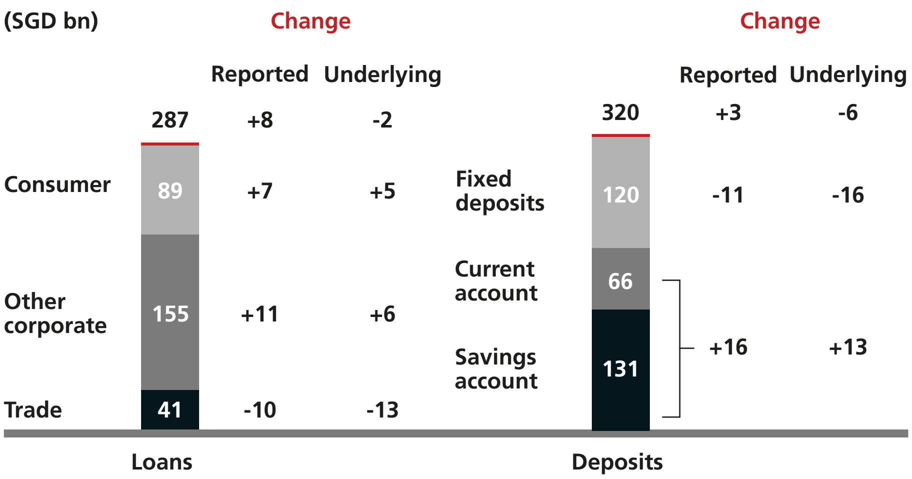

### Impact on earnings



## Net interest income




Net interest income increased 12% to SGD 7.10 billion as net interest margin for the full year rose nine basis points to 1.77%. We benefited from higher SGD loan yields as benchmark rates rose. We contained deposit costs by replacing higher-cost deposits with transactional accounts. Net interest margin rose progressively during the course of the year, from 1.69% in the first quarter to 1.84% in the fourth.

Gross loans rose by a reported 3% to SGD 287 billion but were little changed in constant-currency terms as a decline in trade loans was offset by higher consumer and corporate loans. Our market share of Singapore housing loans rose 2% points to 27% as customers refinanced loans from other banks with us due to our more stable pricing packages.

Deposits rose by a reported 1% to SGD 320 billion but declined 2% in constant-currency terms as fixed deposits were managed out. Savings and current accounts grew, reflecting the strength of our domestic savings deposit franchise as well as efforts to grow transactional accounts with corporate customers and institutional investors. Our market share of SGD savings deposits rose almost 1% point to 53%.

## Non-interest income

### Fee income

| (SGD m) | 2015 | 2014 | % chg |
|---|---|---|---|
| Brokerage | **180** | 173 | 4 |
| Investment banking | **165** | 219 | (25) |
| Trade and transaction services | **556** | 539 | 3 |
| Loan-related | **442** | 385 | 15 |
| Cards | **434** | 369 | 18 |
| Wealth management | **599** | 507 | 18 |
| Others | **76** | 83 | (8) |
| **Fee and commission income** | **2,452** | 2,275 | 8 |
| Less: fee and commission expense | **308** | 248 | 24 |
| **Total** | **2,144** | 2,027 | 6 |

### Other non-interest income

| (SGD m) | 2015 | 2014 | % chg |
|---|---|---|---|
| Net trading income | **1,204** | 901 | 34 |
| Net income from investment securities | **203** | 274 | (26) |
| Net gain on fixed assets | **90** | 43 | >100 |
| Others | **46** | 52 | (12) |
| **Total** | **1,543** | 1,270 | 21 |

Net fee income rose 6% to SGD 2.14 billion. The growth was broad-based. Wealth management fees increased 18% as a strong first half more than offset a slowdown in the second half when market volatility reduced investment appetite. Card fees also rose 18% from higher customer transactions in Singapore and Hong Kong, as well as from the consolidation of a credit card joint venture in Hong Kong. Loan-related fees increased 15% due to a larger number of sizeable transactions. Trade and transaction service fees grew 3% as growth in cash management was offset by lower income from trade. Investment banking fees fell 25% due to weaker second-half contributions as well as lumpy contributions in the previous year.

Other non-interest income grew 21% to SGD 1.54 billion. One-third of the increase was due to higher treasury customer flows. The remainder was mainly from surplus Singapore dollar deposits deployed into US dollar assets through funding swaps. Under accounting rules, interest income derived from funding swaps is accounted for under non-interest income.

## Business unit and geography performance

### Total income

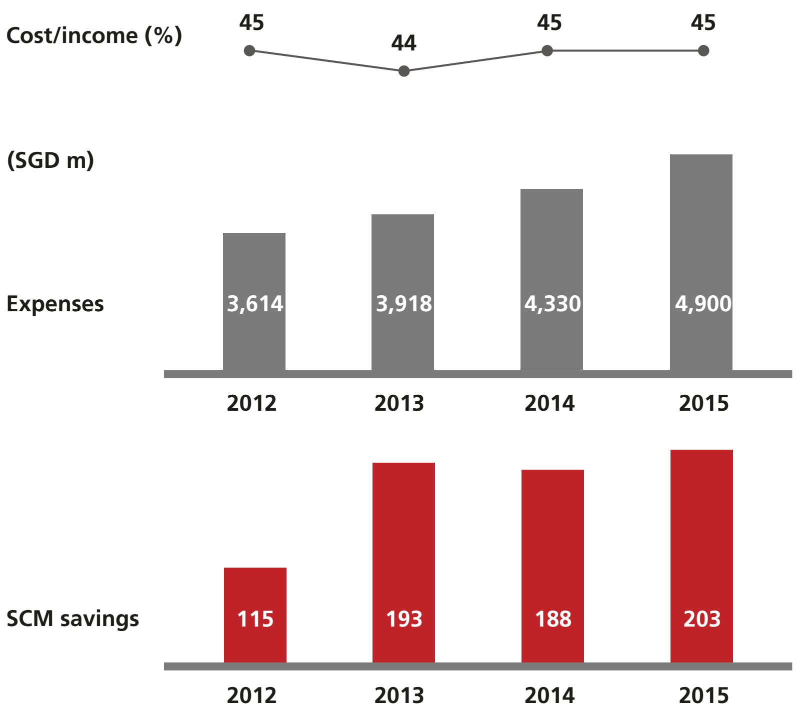
| (SGD m) | 2015 | 2014 | % chg |
|---|---|---|---|
| **By business unit** | | | |
| Consumer Banking/ Wealth Management (CBG) | **3,547** | 2,882 | 23 |
| Institutional Banking (IBG) | **5,290** | 4,967 | 7 |
| Treasury | **1,140** | 1,102 | 3 |
| Others | **810** | 667 | 21 |
| **Total** | **10,787** | 9,618 | 12 |
| **By country** | | | |
| Singapore | **6,676** | 5,950 | 12 |
| Hong Kong | **2,289** | 1,900 | 20 |
| Rest of Greater China | **1,019** | 950 | 7 |
| South and South-east Asia | **557** | 552 | 1 |
| Rest of the World | **246** | 266 | (8) |
| **Total** | **10,787** | 9,618 | 12 |

*Read more about our business units' performance on page 30 and 33 and our countries' performance on page 38.*

By business unit, total income for Consumer Banking / Wealth Management rose 23% to SGD 3.55 billion. Wealth Management segment income rose 29% to SGD 1.42 billion as assets under management grew 9% to SGD 146 billion. Income from the retail segment rose 20% to SGD 2.13 billion. Institutional Banking income increased 7% to SGD 5.29 billion despite a challenging environment in the second half. Higher income from lending activities and cash management was partially offset by lower trade finance income. Treasury income increased 3% to SGD 1.14 billion as a strong first half was offset by less favourable market conditions in the second half.

By geography, total income was led by double-digit percentage growth in Singapore and Hong Kong from higher net interest margin and a wide range of fee activities. Treasury customer activities and trading income in Singapore and property disposal gains in Hong Kong were also higher. Income in Rest of Greater China rose 7% as an increase in non-interest income activities more than offset the impact of lower net interest margin and trade loan volumes. South and South-east Asia income was little changed.

## Expenses

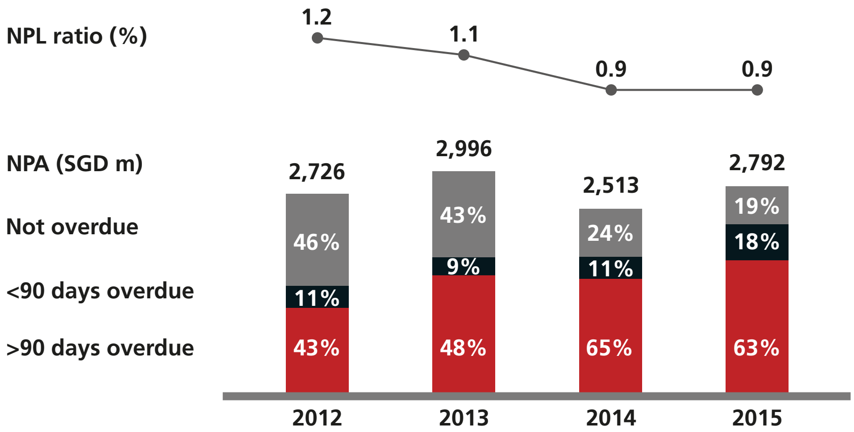



Expenses rose 13% to SGD 4.90 billion. The cost-income ratio was stable at 45%.

Three factors had a one-time impact on our expense (as well as income) growth: the acquisition of Soc-Gen private bank, which had been consolidated in October 2014; the consolidation of a credit joint venture in Hong Kong from 30 June 2014; and the 7% appreciation of the US dollar and Hong Kong dollar against the Singapore dollar. Adjusting for these effects, expenses would have risen 9%.

We had SGD 203 million of savings from a group-wide strategic cost management programme, which represented 4% of our cost base. The programme, which was initiated in 2012, aims to improve our operating efficiency by streamlining processes, managing sourcing costs and optimising our technology resources. These savings have created the capacity for us to invest in new areas, such as digital initiatives, while keeping the cost-income ratio at reasonable levels.

## Allowances and asset quality




| | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|
| **SP/loans (bp)** | 10 | 18 | 18 | 19 |
| **Cumulative general and specific allowances as % of:** | | | | |
| **NPA** | 142 | 135 | 163 | 148 |
| **Unsecured NPA** | 183 | 204 | 296 | 303 |

Non-performing assets rose 11% to SGD 2.8 billion. Most of the increase was accounted for by Singapore and Hong Kong.

Specific allowances for loans amounted to 19 basis points of loans, slightly higher than the previous year, when we had write-backs from significant loan resolutions. The allowance coverage of NPAs remained healthy at 148% and at 303% if collateral was considered.

Included in the calculation of allowance coverage are cumulative general allowances of SGD 3.2 billion, of which SGD 600 million are in excess of the amount that can be counted towards Tier-2 capital. This amount provides us with a strong cushion to offset against additional specific allowance charges without impacting our overall capital adequacy ratio.

We reviewed our commodities and China portfolios and were satisfied with their quality. We stress tested our oil and gas exposures at a price of USD 20 per barrel and found potential losses to be manageable.

## Key performance indicators

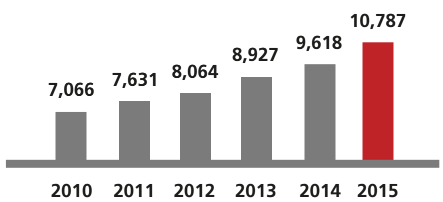
### Shareholder KPIs

### 1. Grow income

**Target:** Deliver consistent income growth.

**Outcome:** 12% income growth to SGD 10.8 billion, exceeding SGD 10 billion for first time.

**Income (SGD m)**

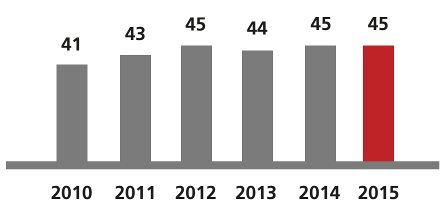



### 2. Manage expenses

**Target:** Be cost efficient while investing for growth, cost-income ratio target of 45% or better.

**Outcome:** Cost-income ratio in line with target of 45%. Continue to drive efficiency through strategic cost management efforts. Savings reinvested in headcount and new capabilities including digital initiatives.

**Cost/income (%)**

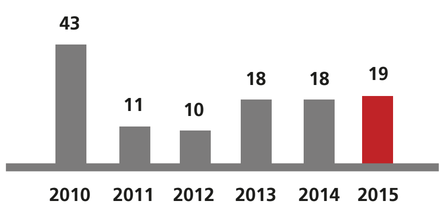



### 3. Manage portfolio risks

**Target:** Grow exposures prudently, aligned to risk appetite. Expect specific allowances to average 25 basis points (bp) of loans through the economic cycle.

**Outcome:** Specific allowances as a percentage of loans maintained at 19 bp.

**Specific allowances/average loans (bp)**

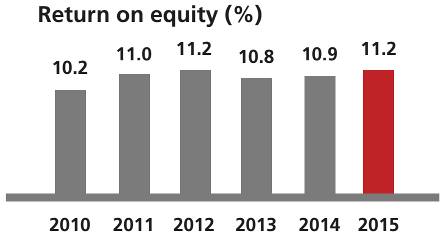



### 4. Improve returns

**Target:** Return on equity of 12% or better in a normalised interest rate environment.

**Outcome:** Return on equity rises to 11.2% in a challenging operating environment.

**Return on equity (%)**



# Our 2015 priorities

**Our balanced scorecard is based on our strategy and is cascaded throughout the organisation.**

To create value for multiple stakeholders, the scorecard is divided into two parts of equal weighting. The first part of the scorecard comprises KPIs and strategic objectives set for the current year. The second part of the scorecard sets out the initiatives we intend to complete in the current year as part of our long-term journey towards achieving our strategic objectives.

## Traditional KPIs

### Shareholders

**Achieve sustainable growth**
Shareholder metrics measure both financial outcomes achieved for the year as well as risk-related KPIs to ensure that the Group's income growth is balanced against the level of risk taken, including control and compliance.

*For more information, see page 22.*

### Customers

**Position DBS as bank of choice**
Customer metrics measure the Group's achievement in increasing customer satisfaction and depth of customer relationships.

*For more information, see page 28.*

### Employees

**Position DBS as employer of choice**
Employee metrics measure the progress made in being an employer of choice, including employee engagement and people development.

*For more information, see page 40.*

## Strategic priorities

### Geographies

- **Entrench leadership in Singapore**
- **Continue to expand Hong Kong franchise**
- **Rebalance geographic mix of our business**

*For more information, see page 38.*

### Regional businesses

- **Build a leading SME banking business**
- **Strengthen wealth proposition**
- **Build out transaction banking and treasury customer business**

*For more information, see pages 30 and 35.*

### Enablers

- **Place customers at the heart of the banking experience**
- **Focus on management processes, people and culture**
- **Strengthen technology and infrastructure platform**

*For more information, see pages 28 and 40.*

### Other areas of focus

- **Making Banking Joyful agenda**
- **Bancassurance partnership**
- **Expansion plans for growth markets: China, India and Indonesia**

*For more information, see pages 8, 12 and 38.*

### Regulators

**Contribute to the stability of the financial system**

*For more information, see page 20.*

### Society

**Enhance the communities we serve**

*For more information, see page 44.*

# Customers

New digital technologies (mobile, social, big data) are powerful tools available to banks today. But we are not enamoured with technology for its own sake. Instead, we are focused on how we can create joyful banking experiences for customers. To do this, we place ourselves in their shoes, focus on their needs and ensure we know what the real "customer job to be done" is. We look at their journey with us from beginning to end, and apply human-centred design to develop relevant solutions. We believe that embedding ourselves in the customer journey and embracing digital form a potent combination that will make banking increasingly simple and seamless.

**51%**

SME customers in Singapore who open accounts online

**over 90%**

Remittances done digitally

## Live simple

## We seek to seamlessly integrate banking into customers' everyday lives so that banking becomes simpler and they have more time to spend on people or things they care about.

### At the start of the banking relationship

Today, retail, wealth and corporate customers can open accounts with us through their mobile devices, anytime, anyplace. We are digitalising our customer on-boarding processes to be simple and intuitive, by simplifying forms, pre-populating fields on behalf of customers, and automating the entire process so that starting a bank relationship can be done almost instantaneously.

The strategy is paying off and we are increasingly acquiring new customers digitally in SME, credit card and unsecured banking. Even in private banking, which is a high-touch business, the digital option has been well-received. In 2015, 16% of new wealth customers opened accounts with us digitally. 51% of SME customers in Singapore did the same through our Online Account Opening Service. Online account opening saves them significant time, with the process now taking 15 minutes compared to the industry average of one or two hours.

### Day-to-day payments and transactions

We are investing in capabilities to simplify day-to-day banking. We are re-designing our operations to drive straight-though processing and instant fulfilment for customers. This also results in lower costs for us.

Simplifying day-to-day banking for customers is an ongoing journey, but we are already seeing success with some of our recent initiatives. For example, with DBS Remit, customers can instantly send funds across markets while on the go. This service has gained popularity and, today, over 90% of remittances are done digitally.

With DBS PayLah!, customers are able to make payments to friends and merchants easily with a few simple clicks on the phone. Our digital services allow customers to get instant approval for credit cards or receive an unsecured loan approval on-the-spot. In a first-of-its-kind service, SME owners are also able to apply for up to 11 types of loan products with no signatures required. They can track the application in real time and obtain instant notifications on the progress of their loan application.

### Stronger digital engagement to help customers with their decisions

We seek to seamlessly integrate banking into our customers' everyday lives so that banking becomes simpler, and they have more time to spend on people or things they care about.

With the DBS HomeConnect app, we engage customers during their house hunting process, giving them information such as the last transacted price, rentals and the nearest amenities, on their phones. The app contains a loan calculator to help customers work out the financing required. They can also contact a DBS loan specialist via the app.

SMEs in Singapore are able to access an online business community through our DBS BusinessClass app. The app connects them to 15,000 members and the brightest business minds in Asia. It also links them with tech start-ups to facilitate the adoption of new technologies to enhance productivity. We are currently regionalising the app to facilitate cross-border connections and support mass-scale virtual events.

*DBS employees brainstorming on how to make banking simpler for customers*


*SMEs access an online business community through the DBS BusinessClass app*

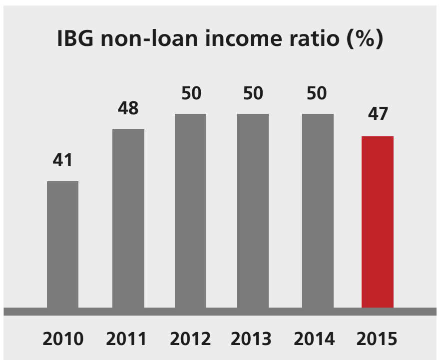
# Institutional
# Banking

**Institutional Banking Group (IBG) performed well in 2015, despite the macroeconomic headwinds in the second half of the year. The performance is testament to the strength and resilience of the franchise as IBG reaped the fruits of investments in product capabilities, industry knowledge, networks and cross-border expertise.**

We place the customer at the centre of all we do, and are committed to help institutional clients and investors with their financial needs. We aim to build a sustainable annuity business to supplement our core lending business and have continued to drive initiatives to add value to our customers.

## Financial performance

IBG's total income rose 7% to SGD 5.3 billion as net interest income grew 9% from improved net interest margin. Income from loans grew 14% to SGD 2.5 billion, largely from Singapore and Hong Kong customers for investments and corporate restructurings. Income from trade finance declined 14% due to the slowdown in China and depressed commodities pricing. Our focus on building quality deposits, coupled with cash mandates won in the year, resulted in strong cash management performance.

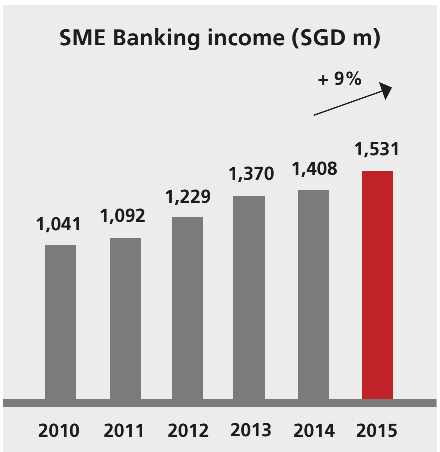



Non-interest income grew 3% to SGD 1.8 billion. Growth in fees from cash management and loan-related activities was offset by declines in trade and investment banking income. Treasury customer income rose 4%. IBG's non-loan to total income ratio declined to 47%.

Allowances rose SGD 18 million to SGD 558 million as higher specific allowances were partially offset by lower general allowances.

IBG continued to deepen our wallet share with customers. Our relationship teams, organised by industry segments, are able to understand our customers' business and risks better. Our insights into the region have also helped us foster deeper conversations and relationships with clients. In a survey of more than 500 companies by Greenwich, a market intelligence provider, the number of large corporates in Asia using DBS as a core bank rose from 20% in 2014 to 25%.

Building a leading SME banking franchise by leveraging digital innovation to drive client acquisition and deepen existing relationships continued to be a focus area in 2015. Income from SME banking grew 9% to a record SGD 1.53 billion as growth in transaction deposits and fees offset the impact of lower treasury customer flows. We also acquired 17% more SME customers across the region.




## Providing access to capital

We had another fruitful year working with our regional clients to raise new capital for investments and refinancing. We remained among the top three arrangers for syndicated loans across Asia (ex-Japan), with our involvement in 123 deals amounting to USD 74.8 billion. DBS also topped the league tables for arrangers in Southeast Asia and Singapore, collectively accounting for 36% of Asia (ex-Japan) volumes.

In debt capital markets, we employed our extensive capabilities to assist clients to issue bonds in the most efficient market to minimise their funding costs. We successfully worked with several first-time issuers, such as Huawei, a global networking and telecommunications solutions provider, which successfully completed a 10-year USD 1 billion issue. We also led benchmark-sized deals for leading regional companies such as Lenovo, Bank of China and Stats ChipPAC in the USD, SGD and offshore RMB bond markets. In Asia ex-Japan bonds, we made an impressive leap and were ranked fourth compared to 10th in 2014. Despite intense competition, we widened our lead in the SGD bond market as our share grew from 35% to 41%.

We continued to be the leading equity and REIT house in Singapore, retaining our pole position in the league tables. We played a key role in milestone transactions such as Keppel Infrastructure Trust's maiden equity fund raising, which was for its merger with Cityspring Infrastructure Trust. We also successfully listed BHG Retail REIT, the only initial public offering on the mainboard of the Singapore Exchange in 2015. It is the first Chinese enterprise-sponsored retail REIT to be listed offshore.

Our expertise and knowledge of the market allowed us to secure roles as the sole financial advisor and/or underwriter in multiple transactions, where we supported Singapore-listed entities' equity fund raising for cross-border acquisitions and other expansion plans. Despite volatile market conditions, we strengthened our position and more than doubled our participation in Singapore transactions from 33% to 72%.

At the other end of the spectrum, we launched DBS mLoan, an innovative short term working capital loan for small businesses, which are often unable to access financing because a lack of audited accounts or personal income statements prevents banks from carrying out credit assessments. We use their electronically verifiable cash flows, such as card payments, and measure them against a payment and collection model to assess creditworthiness.


*DBS Chairman Peter Seah, Singapore's High Commissioner to Australia Burhan Gafoor and DBS CEO Piyush Gupta at a client luncheon in Sydney to officially launch DBS' new Australia branch.*

We are one of the first banks to offer a venture debt solution for tech start-ups at the growth stage of their life cycle. They can use it for working capital, fixed asset acquisitions and project financing, minimising dilution to their equity base.

## Enabling cash flow optimisation

In 2015, global transaction banking income was little changed at SGD 1.6 billion. Our cash management, securities and fiduciary services and open account trade businesses all delivered strong double digit growth, offsetting a decline in documentary trade. Within trade, the shift towards open account trade resulted in higher margins and helped to mitigate the market driven decline seen in trade finance volumes.

Corporate treasurers seeking to improve the liquidity of their balance sheets tapped into our supply chain financing and account receivable purchasing solutions, which grew 24% in 2015. Our IDEAL digital platform made it easy for clients, their suppliers and buyers to integrate and take advantage of these facilities.

Our working capital management programme integrates our expertise in cash management and trade finance, providing advisory services to help clients improve working capital management and minimise funding costs. Our working capital advisory services provide clients with industry benchmarks, supply chain diagnostics and solutions to achieve best-in-class working capital management practices. We worked on close to 40 mandates in 2015.

## Helping customers manage financial risks

Treasury customer sales income from IBG customers increased 4% to SGD 829 million, despite the drop in RMB-related activities in the second half.

We helped clients structure treasury products to hedge their risks. In the offshore RMB market particularly, DBS has the infrastructure and capability to offer a wide range of products, enabling clients to minimise foreign exchange risk, manage investments denominated in RMB and gain access to a broad range of financing solutions.

## Making banking easier

Our digital initiatives were well received by customers as more of them transacted online or on the go. We added 16,000 new accounts to our corporate banking mobile app IDEAL.

The number of corporate subscribers to DealOnline increased almost 30% from the previous year. DealOnline is our full-fledged electronic foreign exchange online platform, which offers auto pricing and dealing in foreign exchange, swaps, forwards and non-deliverable forward contracts.

SME customers in Singapore and Hong Kong can now apply for a business account online in just 15 minutes, while in India, they can open an account within the day. We are also the only bank in Singapore to offer virtual account opening for customers to complete the account opening process via a simple voice or video call without having to step into a branch.

SME customers in Hong Kong are able to apply for loans via a mobile app and receive in-principle approval within an hour. In Singapore, SMEs can apply for up to 11 types of loan products online. They can track the application in real time and obtain instant notifications on the progress of their loan application.

## Facilitating regional connectivity

Our extensive network in Asia, as well as our presence in Japan, Korea, United Arab Emirates, United Kingdom and United States, enables us to connect corporates with opportunities in Asia. In 2015, we opened an office in Sydney to facilitate Australia-Asia business and investment flows.

We have completed several landmark cross-border transactions such as Bank of China's multi-currency, multi-market, first of its kind USD3.55 billion bond, in conjunction with China's One Belt One Road initiative.

Others included Formosa Group's USD 510 million bridge loan and USD 1.5 billion syndicated term loan to fund investments in Vietnam. We also provided a comprehensive financing solution to support the USD 1.8 billion acquisition of Singapore-based STATS ChipPac by Jiangsu Changjiang Electronics Technology.

## Unlocking shareholder value

As companies seek to grow in new markets or diversify their revenue sources, they look for domestic or cross-border M&A opportunities. In addition to helping them structure comprehensive financing solutions to support their acquisitions, DBS also served as financial advisor in several M&A transactions that have unlocked shareholder value. These include the acquisition of Keppel Land by Keppel Corporation, the acquisition of Biosensors International Group by CITIC Private Equity, the merger of Ascendas and Jurong International with SingBridge and Surbana, and the merger of Cityspring Infrastructure Trust with Keppel Infrastructure Trust, which created the largest infrastructure trust in Singapore.

## Placing customers at the heart of the banking experience

We redesigned more than 30 customer experiences based on human-centred design principles. For example, we redesigned our transaction banking organisational structure with inputs from customers.

Through the DBS BusinessClass programme, an online social network for SMEs, we have facilitated more than 400 conversations and 20 networking events among the member base of 15,000 SMEs. The network also linked SMEs with tech start-ups to facilitate the adoption of new technologies to enhance productivity.

## Key 2015 awards

The Banker

- Best Transaction Bank for Trade Finance Services, Global
- Most Innovative Investment Bank, Asia-Pacific

Global Finance

- Best Invoice Discount Management Deal, Global
- Best Debt Bank, Asia Pacific
- Best Corporate Digital Bank, Singapore

FinanceAsia Achievement Awards 2015

- Best Asia Commercial Bank
- Best Asia Investment Bank

The Asset Triple A Asian Awards 2015

- Best Regional Specialist Awards, Supply Chain Solutions, Asia-Pacific
- Best REIT House, Asia

AsiaRisk

- Regional House of the Year

IFR Asia Awards 2015

- Singapore Loan House

Euromoney Awards for Excellence 2015

- Best Transaction Services House, Asia

## 2016 FOCUS AREAS

- Invest in enhancing our product and people capabilities. This includes deepening our industry coverage and scaling up our business with institutional investors, who value banks like DBS with strong balance sheets, credit ratings, Asian insights and the ability to tailor products to capitalise on regional market conditions
- Continue to use technology to acquire new customers, simplify the way customers transact and enhance the customer experience. Experiments underway include the use of data analytics to detect fraud in trade finance, the commercial adoption of distributed ledger technology to transmit electronic documents in place of physical documents, more options for SME owners to bank on the go, and a digital platform for the real-time distribution of structured investment products
- Accelerate our cash management business, which includes expanding the range of global cash management solutions such as domestic and international liquidity management and next-generation commercial cards
- Focus on growth markets such as forging strategic alliances in India and Indonesia; capturing China connectivity opportunities including financial liberalisation, "One Belt One Road" and overseas expansion by Chinese companies

# Consumer Banking

**The performance of our consumer banking franchise was strong despite a challenging business environment in the second half of the year, speaking to the resilience of the franchise.**

## Key 2015 awards

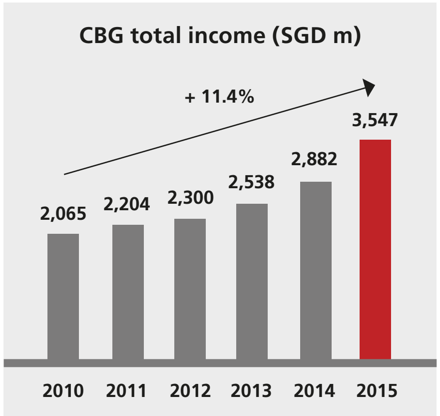
- Best Retail Bank, Singapore

- Best Mortgage-Lending Bank, Singapore

- Best Mobile Banking Experience, Asia-Pacific
- Best Digital Payment Experience, Asia-Pacific
- Best Digital Wallet Platform, Asia-Pacific

- Best App Content by a Consumer Brand (Gold), Southeast Asia
- Best User Experience (Gold), Southeast Asia

## Financial performance




Consumer Banking Group's (CBG) total income rose 23% to SGD 3.5 billion, led by broad-based growth across wealth management, customer deposits, housing loans and other secured lending. Net interest income grew by 28%. Non-interest income from investment and bancassurance product sales grew at a strong 19%. We also continued to improve our cost-income ratio from 67% to 64%. Allowances grew in line with loan growth, and profit before tax was SGD 1.17 billion, 34% higher than a year ago.

In Singapore, we continued to win market share and are the leading player in customer deposits, housing loans and cards. Despite increased competition for deposits, we maintained our 53% market share for retail savings accounts in Singapore. In the bancassurance business, we grew 20%, making us one of the top players in the market.

In Hong Kong, total income increased 27% with strong broad-based growth across wealth management, bancassurance, cards and unsecured loans. We gained good traction in building sticky deposits with current and savings account balances growing at 25%. We also further strengthened our market position in the cards and unsecured loans business. In 2015, card sales increased 10%, ahead of market growth rates. Similarly, our unsecured loan portfolio grew at a healthy 17%.

We also continued to make good progress across growth markets, delivering strong double-digit income growth in Indonesia and Taiwan.

## Accelerating digital innovation

As the pace of digital adoption increases, we are sparing no effort to deliver world class digital capabilities to our customers. We are upping the ante on not just the breadth of our digital offerings, but also on the holistic customer experience as they use our platforms. For example, we are one of the first banks in the region to build in-house design and user experience capabilities, which we incorporate as an integral part of our digital offerings.

### Onboarding our customers digitally

We continue to see strong growth in our online and mobile banking customers. In Singapore, we have the largest base of online banking customers with over 2.5 million iBanking users and 1.25 million mBanking users. Our mobile activity continued to lead the industry in Singapore and mobile accounted for over 60% of our daily logins of over 400,000. Close to 70% of financial transactions took place through digital channels, across the region.

We launched digital account opening for new customers. This breakthrough initiative means new-to-bank customers can open accounts at their convenience, without having to visit a branch. We accelerated our digital acquisition initiative. In Singapore, almost 38% of credit card customers came through digitally, from 27% in the previous year. We also revamped our equity trading capabilities to deliver a more user-friendly trading experience for customers in Singapore and Hong Kong.

We also enhanced our mobility platform which allowed our relationship managers to access their sales management tools on the go. The deployment of a unique customer onboarding feature in Singapore and Taiwan has made the onboarding journey not only paperless, but also more seamless and efficient.


*The launch of DBS Omni in Hong Kong offers our customers an innovative, yet simple and intuitive digital solution, enabling them to perform credit card transactions on the go, with the convenience of their mobile devices.*

### Transacting with us made easier

We continued to enhance our P2P payment capabilities through our mobile wallet DBS PayLah!, where we have a growing base of over 300,000 users. We were the first bank in Singapore to enable verification using thumbprint technology and brought the app to Apple Watch, making us the first wearable bank.

We revamped international remittances over the past few years. Our digital remittance services not only lead the market for convenience and speed, they also offer the most competitive pricing. Our focus on the end-to-end customer digital experience has led this business to grow from 320,000 annual transactions three years ago, to almost 2.1 million overseas remittance transactions in 2015.

We also continue to push our digital capabilities in our growth markets. We offer customers both mobile and internet banking capabilities in China, India and Taiwan, making it easier for them to transact on our platforms. We are continuing to see good digital traction among our Treasures customers and increased usage of our digital capabilities for forex transactions and unit trust purchases.

### Engaging our customers

While we are seeing good traction and feedback on our digital capabilities, we are not standing still. We revamped iBanking and improved mBanking to provide relevant and customised offerings to our customers. Our Online Recommendation Engine allows us to target customer needs more accurately to provide more relevant offers. Complex rules and data points such as customer profiles, preferences and transaction patterns are used to improve relevance and productivity.

In September 2015, we piloted DBS FasTrack, a first-of-its-kind app to be introduced by a bank in Singapore and more crucially, to help food and beverage businesses tackle many of their current challenges. DBS FasTrack provides a seamless ordering and payments solution for businesses while eliminating or drastically shortening customers' wait time. Businesses in turn can use the app to help enhance productivity and reduce manpower costs.

In Hong Kong, we launched the first-of-its-kind credit card app, DBS Omni. This revolutionary app has several market leading innovations, from budgeting, analysis of spends, to real-time reward redemption.

## Focus on delivering an exceptional customer experience

While we innovate on our digital offerings, we understand our customers' need to continue to access our physical locations and have provided new and innovative ways for them to do so. We were the first bank in Singapore to roll out an SMS queue management system across our branches. Customers simply request for a queue number via SMS prior to visiting branches and receive notifications when their turn comes up. This gives them better flexibility to use the time they would otherwise have spent waiting in line. We also removed traditional queues and provided seats for our customers, making branch visits more comfortable.

During the year, we partnered popular retail chains in Singapore such as Cold Storage, Market Place, Jasons and Giant stores to increase our cash withdrawal points in addition to previously formed partnerships. Together with our ATM network, this brings our cash withdrawal touchpoints in Singapore to close to 2,000 – the most for any bank.

To meet the higher demand for new notes during the Lunar New Year season, we were the first bank to introduce pop-up ATMs. DBS placed 29 specially-configured pop-up ATMs at 10 community clubs islandwide to dispense new notes. The initiative was well-received by our customers, who took the opportunity to withdraw new notes outside branch operating hours.

## Fulfilling customers' retirement and insurance needs

We officially announced our 15-year regional bancassurance partnership with Manulife Financial Asia at the beginning of 2016, making Manulife DBS' key provider of bancassurance solutions. Under the agreement, there will be a payment by Manulife to DBS of SGD 1.6 billion that will be accrued over the life of the partnership.

Through this partnership, DBS' customers will gain access to Manulife's best-in-class suite of life and health solutions. DBS and Manulife have also agreed to co-invest up to SGD 100 million over the next 15 years in digital technology and innovation enhancements. This joint fund will enable us to focus on developing innovative solutions to serve Asia's fast-growing consumer base, and help customers fulfil their retirement and insurance needs.

**2016 FOCUS AREAS**

- Continue to make significant improvement in customer experience across all our markets and customer segments
- Drive customer acquisition and deepen share of wallet, leveraging analytics and needs-based solutions and conversations
- Accelerate pace of digitisation – delivering real progress in acquisition, payments, mobile, analytics, wealth management, customer engagement and operating leverage
- Provide superior advice and planning to our customers in wealth planning, protection, and retirement needs
- Remain vigilant and be nimble to market changes

# Wealth
# Management

**The growth of our wealth management business continues, fuelled by the organic growth of emerging Asian new wealth and also by our successful execution of a wealth continuum, where we upgrade and segment our clients as they grow their wealth.**

## Key 2015 awards

The Banker

- Best Private Bank for Innovation, Global

Global Finance

- Most Innovative Private Bank in the World

Private Banker International

- Most Innovative Business Model, Global

FinanceAsia Achievement Awards 2015

- Best Asian Private Bank

The Asset Triple A Asian Awards 2015

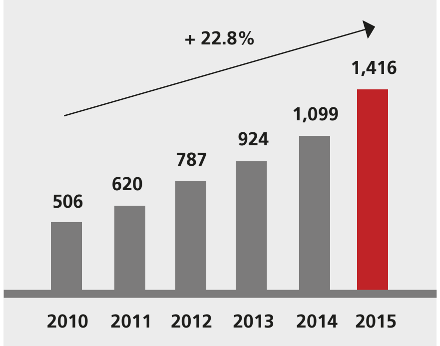
- Best Wealth Manager, Asia

## Financial performance

The development of our wealth continuum continues at a healthy pace with income growing 29% to SGD 1.42 billion. The business now constitutes 40% of our consumer bank and 13% of the Group by income.

We expanded our affluent client base by 10%, with total wealth customer assets under management (AUM) at SGD 146 billion.

**Wealth Management income (SGD m)**




We are the only Asian bank among the top eight leading wealth managers in Asia by AUM. We are committed to growing our wealth business and as the safest bank in Asia, we are in a prime position to further capture market share.

## Significant growth in high net worth client segment

We completed the acquisition of Societe Generale's Asian private banking business and select parts of its trust business in Singapore and Hong Kong in late 2014. With access to new clients and strong, experienced teams, the acquisition brought our business to greater heights and enabled us to access products and capabilities beyond Asia.

We enhanced the international dimension of our wealth business by including Societe Generale's expertise in structured products and strength in European research. Combined with DBS' robust investment advisory platform, full suite of banking facilities and deep insights into the Asian markets, we deliver a unique proposition to our clients. This was reflected in a strong showing in our private banking segment which grew 30%.

Our Treasures Private Client business, which caters to high net worth individuals with investible assets of SGD 1.5 – 5 million, saw exponential growth of more than 40% and is the fastest growing wealth segment.

## Focus on digital to enhance the customer experience

Our 2015 digital strategy was focused on enhancing the wealth customer experience. We are committed to delivering a next-generation client experience both in our advisory services and through the enhancement of our best-in-class digital wealth platform, iWealth. With the enhancement of our digital platforms, we were able to acquire more than 10,000 new clients online.

We deployed many new features on iWealth. These include eAppointment and Live Chat functionalities, and new capabilities such as real-time multi-currency transactions and Online Equity Trading. We received global recognition by MyPrivateBanking Research for having the best mobile app strategy and portfolio for the third year in a row. Online acquisitions through iWealth doubled during the year, with the platform now a significant contributor to the growth of new-to-bank wealth customers.

**2016 FOCUS AREAS**

- Provide customers with industry-leading digital capabilities
- Focus on client acquisition and deepening of wallet share
- Stay ahead of the curve in a changing regulatory environment

# POSB
# Neighbours first, bankers second

**As Singapore's oldest and most loved bank, POSB takes pride in serving generations of Singaporeans from all walks of life.**

Today, POSB continues to stay true to its mission of being the "People's Bank", bringing value to all segments of the population – the young, families, seniors and the community at large.

POSB is deeply woven into the fabric of Singapore, and as our nation celebrated its 50th birthday in 2015, we rolled out a series of initiatives to engage our customers and members of the community to celebrate SG50.

## For children and families

We brought back the iconic POSB National School Savings Campaign in conjunction with SG50. The original campaign, which was introduced in 1969 and ran through the 1970s and 80s, is remembered fondly by many customers. The deposits generated then helped fund the economic growth of Singapore, while cultivating values of saving and thrift among the youth.

We designed the new campaign to be fun and interactive. Within months of the launch, we achieved 100% participation from all primary schools in Singapore and received positive feedback.

To help parents plan for their children's future, we offered them an attractive interest rate of 2% p.a. on their Child Development Accounts. In addition, we introduced a joint POSBkids account, as well as a POSB Baby Bonus NETS Card, which allow them to enjoy discounts and privileges at various online, retail and dining merchants. All babies born in 2015 also received a limited edition "POSB Smiley Gift Bag" from the bank.

POSB and the People's Association (PA) marked their strong partnership with the seventh edition of POSB PAssion Run For Kids. A total of SGD 1.1 million was raised for the POSB PAssion Kids Fund, bringing the total amount raised to date to SGD 4.78 million. Over 126,000 children have benefitted. A deeper joint commitment was also made to enhance programmes to help children in Singapore achieve their aspirations. POSB and PA, with the support of the National Library Board and the Ministry of Culture, Community & Youth, launched a book – "Our Homeland in 2065: Musings from Singapore's Children". The book contains stories written by children aged six to 13 to mark their aspirations, hopes and dreams for the nation in the next 50 years. These stories were collected through the "POSB PAssion KidsWrite Campaign" which received over 5,000 submissions.

## For seniors

As the "People's Bank", our purpose goes beyond profits and this is embodied in the spirit of treating our customers as "Neighbours First, Bankers Second". POSB launched a financial literacy programme with community clubs to teach seniors basic financial management skills and how to access our digital banking services. One example was the North East Eldersurf Intergen Bootcamp, where we partnered the Infocomm Development Authority of Singapore and the North East Community Development Council to teach seniors about social media and email, as well as how to use self-service banking and SMS banking services among others.

To facilitate banking at POSB by the elderly, we hired over 80 active agers as part of the POSB Active Neighbours Programme. These seniors are employed on a part-time basis to assist their peers with banking transactions and encourage the use of self-service banking services. This programme has been well-received by our customers. It also gives our senior hires a sense of purpose as they are able to pick up new skills, interact with customers at work and bring value to the community they live in.

## For the community

We continue to bring value to Singaporeans by offering them products and services to help them stretch their dollar.

In July 2015, POSB partnered EZ-Link and Transit Link to launch the "Fare Free Friday" campaign, offering commuters unlimited free MRT, LRT and bus rides every Friday till the end of the year. Commuters simply had to link EZ-Link's automatic top-up facility service to their all-in-one POSB Everyday Credit Card or PAssion POSB Debit Card.

Both the POSB Everyday Card and PAssion POSB Debit Card are the most popular cards in Singapore, with over a million cards issued in total. The POSB Everyday Card leads the way in partnering well-known brands to bring exciting and relevant offers. The PAssion POSB Debit Card is the first community debit card in Singapore that offers community and lifestyle benefits at community clubs, grocery stores and libraries, in addition to payment functionalities.

We also aim to build a more inclusive society by ensuring that our services are easy to use while taking into account the diverse needs of our customers. A recently launched initiative was the "POSB Talking ATM" in Singapore. Enhancements to 86 ATMs across our network enabled us to provide braille instructions and audio guidance to aid our visually impaired and elderly customers, helping them perform basic ATM transactions independently. As part of our initiative to upgrade our ATM user interfaces, we have also added new functionalities such as having additional language options and larger font sizes for easier reading.

# Countries

**Asia's financial centres of Singapore and Hong Kong anchor our regional network, which also encompasses our growth markets of China, Taiwan, India and Indonesia.**

## Singapore awards

- Best Bank
- Best Retail Bank
- Best Corporate Digital Bank

## Hong Kong awards

- Best e-Bank
- Best Retail Bank

**Income SGD 6.7bn**

## Singapore

**Entrench leadership in Singapore**

**2015 Priority:** Maintain leadership across customer segments and products, build digital capabilities and introduce innovative products and services to create a differentiated and seamless customer experience

**Outcome:** Achieved record income and net profit, reflecting the strength of our franchise

Our Singapore franchise turned in a strong performance. Helped by higher interest rates, our core domestic franchise achieved new highs in total income and net profit. Despite intense competition, we maintained our lead in saving accounts, housing loans, auto loans, credit cards, large corporate banking and capital markets. We also gained share in the bancassurance, unsecured loans and SME segment. These gains resulted from a relentless focus on customer experience and from efforts to expand our physical channels and digital offerings.

We focused on delivering an exceptional customer experience that is simple and relevant. We were the first bank to roll out an SMS queue management system across branches so that our customers need not spend time waiting in line. We also expanded our partnerships with retailers to increase cash withdrawal points to supplement our ATM network, giving us the most number of cash withdrawal points in Singapore.

We enhanced our digital presence. We utilised data to provide relevant offers to our online banking customers. The payment capabilities of our mobile wallet DBS Paylah! were expanded and included the use of thumbprint technology for user verification for mobile devices. We were also the first to offer SME and retail customers the option of completing their account opening process remotely without stepping into a branch.

As a gateway to Asia, Singapore is the regional headquarters of leading companies and banks. We have dedicated country desks to support Asian and western multinationals as they expand into the region. We have also put to use our leadership in capital markets to enable them to raise funds through equity and debt offerings.

**Income SGD 2.3bn**

## Hong Kong

**Continue to expand the Hong Kong franchise**

**2015 Priority:** Focus on profitability, leverage innovation and digital technologies to grow our market position across large corporate, SME and wealth segments, intermediate Greater China flows

**Outcome:** Double-digit income and net profit growth to record highs amid a challenging operating environment

Our Hong Kong franchise achieved another year of strong growth, demonstrating its resilience amid challenging conditions and volatile markets, which included a depreciation of the RMB and a slowdown in RMB trade activities.

Our nimbleness enabled us to capture opportunities in the domestic market and China-related flows in the corporate, SME and wealth management businesses. We were able to mitigate the decline in trade loans with growth in other businesses, including cash management, syndicated finance, and investment and insurance products.

Wealth management income grew 30% during the year, boosted by favourable market conditions in the first half. Wealth customers grew in double-digit percentage terms. While treasury sales to corporates were affected by RMB depreciation, the decline was offset by higher sales to retail customers.

We further redefined the customer experience to distinguish ourselves in a

- Best SME Bank

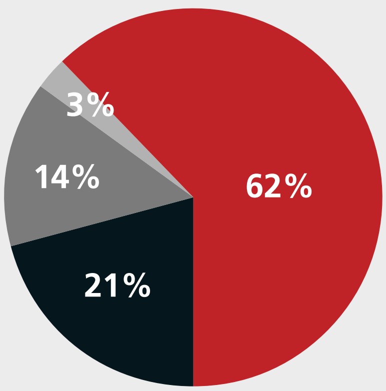
## Other market awards

- Best Consumer Bank (Foreign), China

- Best Foreign Cross-Border Cash Management Services in Taiwan as voted by small-, medium- and large-sized corporates

- Best Overall Treasury & Cash Management Bank, India
- Best Wealth Manager, Indonesia

## Income by geography




- Singapore
- Hong Kong
- China, Taiwan, India and Indonesia
- Rest of the world

highly competitive market. We launched a credit card app that allows customers to track their personal finances in a timely manner via mobile phones and instantly redeem cash rebates at selected merchants globally. SME customers can save significant time by opening accounts and accessing financial solutions online. We were the first bank in Hong Kong to launch a fintech accelerator programme and have continued to work with start-ups to introduce innovative solutions to the market. We leveraged our network, product range and research to capitalise on the Chinese government's initiatives to encourage companies to expand outside China. We deepened relationships with Chinese enterprises that have cross-border operations, offering credit facilities as well as strategic advisory, capital market and treasury solutions, enabling us to achieve double-digit income growth from this segment.

**Income SGD 1.5bn**

## Growth markets

**Rebalance geographic mix of our business**

**2015 Priority:** Build out our franchises in growth markets of China, Taiwan, India and Indonesia to achieve a more balanced geographic mix. Leverage growth and network countries to drive connectivity, supporting our customers as they expand across Asia

**Outcome:** In a challenging macroeconomic environment where credit costs increased, we underperformed in China and Indonesia, made some headway in Taiwan and started to see a turnaround in our India franchise.

Our growth markets of China, Taiwan, India and Indonesia, which accounted for 14% of the Group's income, grew a combined 4% in challenging macroeconomic conditions.

### China

China's growth slowed as it continued with efforts to transform the economy and liberalise the financial sector. As a result, total income from our China franchise was little changed. While trade loans and net interest margin fell, we compensated for this with growth in non-interest income from treasury, cash management and wealth management activities. We deepened relationships with leading corporates while pacing the growth of our SME business. While we set aside more allowances during the year, our prudent client selection process has ensured that our loan book remained healthy.

### Taiwan

Taiwan's economy was affected by falling domestic demand and exports. Despite the slowdown, we grew income by 13% as we continued to expand our corporate, SME, and CBG/Wealth Management businesses. Our position as the foreign bank with the largest SME franchise has been helped by our extensive treasury and cash management capabilities.

### India

India's macroeconomic turnaround took a little longer than expected. Even though we have taken steps to grow our customer franchise, total income was little changed. Having addressed credit weaknesses in our portfolio and taken steps to strengthen our management and franchise capability over the past two years, we are now well positioned for growth.

### Indonesia

The end of the commodity super cycle has affected many corporates in Indonesia. It contributed to a decline in total income and an increase in allowances during the year. Nevertheless, our Indonesia franchise remained resilient and we made headway in the trade, cash and wealth businesses. We are now the fifth largest foreign bank in the country.

## Other markets

During the year, we scaled up our London business, focusing on institutional investors, western MNCs and the private banking segments. We also set up a branch in Australia to intermediate business, trade and investment flows between Australia and Asia. Our franchises in South Korea and Japan continued to grow on the back of increased business activities.

# Employees

**We are committed to building a healthier, more diverse and future-ready workforce that will boost our ability to spearhead the transformation of banking in a fast-changing business environment.**

### Building a future ready workforce

- 15,000 training sessions each year
- 129,000 training days undertaken by DBS employees in 2015
- Three academies launched

### Establishing a strong culture

- 79% of our employees are engaged based on 2015 My Voice Survey, higher than the APAC FSI (Financial Services Industry) score

### Creating an inclusive and supportive environment

- 6,000 DBS employees participated in the iStep initiative to encourage exercise as part of healthy living
- Over two billion steps were collectively taken over 10 weeks as we had fun exercising
- DBS Cares programmes with SG50 initiatives such as SGD1,000 award for every employee ranked Vice President and below

**Live purposeful**

DBS is committed to creating a collaborative work environment and equipping employees with the latest tools and technology. It is imperative to have highly engaged employees who feel valued and take pride in the growth of the business.

The overall well-being and continual development of our 22,000 employees will help DBS to fulfill our aspiration to make banking with us a joy.

**"We hope to equip our employees with the relevant knowledge and skill sets that will better prepare them to innovate and lead change in the industry. We want them to embrace a digital mindset through greater experimentation and experiential learning."**

***Chairman Peter Seah***

## Building a future ready workforce

Continued investment in our people is a key priority for us. With the increasing threats posed by fintechs, it is necessary for us to future-proof our employees and inculcate a digital mindset in them.

We grew our workforce by approximately 1,000, primarily in Institutional Banking and Consumer Banking, to support strategic initiatives and meet business needs. We also grew headcount to support our digital initiatives. We hired a more diverse group of people including user experience designers and data analysts. Our talent pool in compliance, governance and risk management has also grown to meet the requirements of the evolving regulatory landscape.

The newly established DBS Academy learning centres in Singapore, Indonesia and Taiwan set a new benchmark for innovative learning spaces and approaches in the region. The DBS Academy conducts close to 15,000 training sessions each year, including a growing number of digital courses.

In Singapore, we also work with the government on future-proofing our employees. Over and above the government's SkillsFuture programme to promote life-long learning, Singapore employees ranked up to Senior Associates are given SGD500 DBS SkillsFlex Credit annually. They can use this to attend 10,000 courses organised through the government's SkillsFuture programme as well as 50 external courses that DBS has specially designed with NTUC LearningHub, a leading training provider. The courses cover topics that are relevant to the rapidly changing landscape including social intelligence, computational thinking and new media literacy.

In 2015, the number of training days undertaken by DBS employees rose to 129,000 days, which was 27% more than 102,000 days in 2013. This covers functional, leadership and future skills building. More than 450 customised learning roadmaps were built to cater to the different learning needs of our employees. Employees can also personalise their own learning roadmaps, assess their individual career progression and utilise the opportunities available in DBS to help them to accelerate their careers. In 2015, employees underwent an average of 6.4 days of training.

We encourage employees to embrace a digital mindset through experiential learning and experimentation through programmes such as DBS Hackathons, where they work with start-ups to develop solutions to business challenges. As a start, more than 2,000 employees gained exposure to digital culture, agile methodology and other digital working concepts through human-centred design workshops and hackathons held across the region. In 2015, when the bank launched the DBS HotSpot Pre-accelerator, a three-month programme to help digital start-ups grow their concepts into prototypes, a few employees jumped on the opportunity to go on paid sabbatical to work on their prototypes.

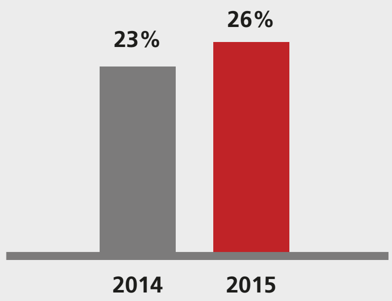
Beyond this, employees also get to work with research and analytics experts from A*STAR, a government science and technology research agency, and Singapore Management University to develop innovative products and services. This has helped to fast track the adoption of analytics across the bank.

We also have a well-established internal mobility programme that enables our employees to broaden their exposure across businesses and markets. Since the launch of the programme in 2010, participation has been steadily increasing. In 2015, 26% of positions were filled via internal transfers. This continues to be a priority for us as we strongly believe in creating more well-rounded bankers and providing opportunities for career development.

**Employee KPIs**

**Internal mobility**

**Positions filled internally**




*DBS women leaders sharing their career growth experiences with our colleagues in a panel discussion conducted in our new amphitheatre, The Curve, at DBS Academy*

To groom the next generation of leaders, we have in place a robust succession planning strategy to identify future leaders at all levels. We provide them with development opportunities and help them build a strong collaborative network. Our Leadership Institute, part of the DBS Academy, offers a series of programmes for employees at different stages of leadership development from aspiring to management leadership.

## Establishing a strong culture

Our people are our best ambassadors and all employees play a part in making banking joyful for our customers. This shared purpose is bolstered by our PRIDE! values – Purpose-driven, Relationship-led, Innovative, Decisive and E!verything Fun.

We believe effective communications is core to aligning our employees to organisation goals and priorities. To ensure that our employees embrace the PRIDE! values and understand our business priorities, our CEO and senior management actively engage employees through various platforms across the year including staff briefings, interactive blogs and webcasts.

In August, over 4,400 employees across the region participated in a week-long online exchange where they engaged in over 730 topics around digital, customer experience and innovation. The insights garnered from the exchange helped us discover even more ways to live our values. Additionally, about 800 senior leaders attended the PRIDE! Leaders Programme, and a majority signed up as change leaders to help champion our PRIDE! values.

All these efforts have resulted in a strong engagement outcome for DBS. 79% of our employees are engaged based on the 2015 My Voice Survey conducted by Aon Hewitt. The survey also shows that 84% of our employees are purpose-driven and believe what they do makes a difference.

## Creating an inclusive and supportive environment

We are committed to providing an inclusive work environment where every employee can develop professionally and personally. When it comes to gender diversity, we are ahead of peer commercial banks. 57% of our workforce are women. One-third of management positions are held by women.

We believe in being there for our people and supporting them with flexible benefits that meet their present and future needs. More recently we refocused our recognition and rewards programmes towards insuring for health and providing more choice to employees.

Employees can leverage the Flexi Work Arrangement programme to balance their professional and personal needs. Through iFlex@DBS, employees also receive a fixed sum of money every year to use for wellness activities including dental treatments or vacations.

We also believe that a healthier workforce is a more effective one. Since 2011, the bank has provided free annual health screenings for all employees. This enables staff to identify and address emerging health concerns early. DBS was also one of the first organisations in Singapore to pioneer the "Shield Companion Plan" – a medical plan that complements our employees' portable enhanced MediShield Plan. Under this scheme, the bank also pays a certain sum into employees' MediSave accounts to subsidise the premium for their portable medical plans.

This year, as part of the DBS Cares programme, we launched an integrated health management portal, iHealth@DBS, to promote holistic wellness among our employees. The portal connects seamlessly with mobile devices and wearables to provide our employees with greater insights into their overall well-being. The bank also launched a workout challenge, iStep Challenge, to get our employees to embrace healthy living in a fun way. Around 6,000 employees formed teams and took up the challenge to increase the number of steps they take each day.

Families are important to us and viewed as part of the extended DBS family. We organise annual events such as DBS Kids at Work and Family Day so that their loved ones can better appreciate how they are helping to shape the future of banking. Employees also receive birthday leave, which they can use to spend more time with their family or friends.

These initiatives go a long way in creating a fun and engaging environment for all of us at work. We continue to innovate and implement new ideas and concepts to strengthen our engagement with our employees.

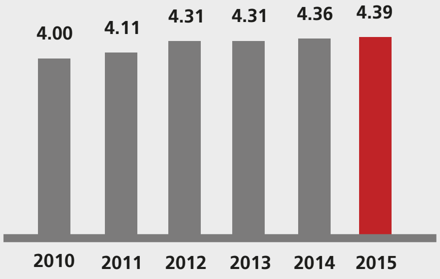
*Innovative learning facilities at the DBS Academy in Singapore – our employees having fun learning with crossword puzzles on a digital interactive screen.*

### Employee KPIs

**Employee Engagement Score**

This year, we achieved an employee engagement score of 79%, higher than the APAC FSI (Financial Services Industry) score. As this is the first year we transitioned away from Gallup $Q^{12}$ score to the My Voice employee engagement index, our $Q^{12}$ grand mean score would have been 4.39 on a comparative basis. This placed us at the 96th percentile of all companies surveyed globally by Aon Hewitt.

**DBS $Q^{12}$ grand mean score**

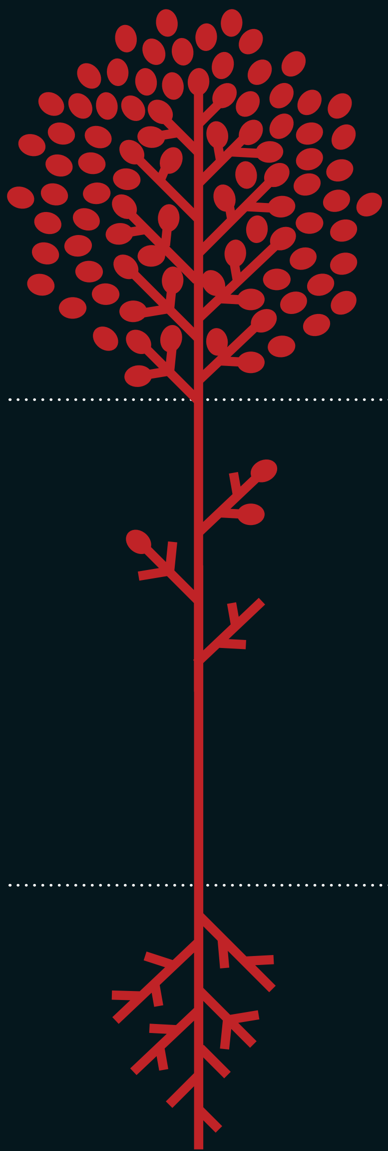



*Our employees embracing healthy living and participating actively in iHealth programmes.*

# Making DBS a great place to work

Our retention rates are better than the industry average, with more people choosing to grow their careers with DBS. Our efforts to build a great workplace have paid off and we continue to be an employer of choice.

In 2015, DBS won 31 HR awards across our core markets in recognition of our outstanding programmes. Key awards include the Gallup Great Workplace Award, the Institute of Banking and Finance Singapore Inspire Award and HRM's Hays Award for Employer of Choice in Singapore. In the 2016 eFinancialCareers 'Ideal Employer' rankings, DBS is among the Top 10 companies that financial professionals in Asia want to work for.



| | Key Highlights in 2015 | Key ongoing programmes & initiatives |
|---|---|---|
| **Feel valued** | • DBS Cares programmes with SG50 employee initiatives<br>• iHealth programmes – shift away from insuring for illness to insuring for health<br>• Initiatives that tie in with LESS – Live well, Eat well, Save well, Stay well<br>• iStep – collaborative, digital experience to healthy living | • Flexible work arrangements<br>• iFlex – flexible benefits scheme<br>• DBS Cares – Kids at work and family day programmes<br>• Enhanced banking privileges<br>• Banking the Asian Way Awards – internal recognition programmes for the five Asian pillars<br>• Spot awards – recognising the outstanding contributions of individuals |
| **Experience growth and progress** | • Launch of new DBS Academy across Singapore, Indonesia and Taiwan<br>• SkillsFlex – additional DBS funding for Singapore employees up to Senior Associate level (over and above SkillsFuture funding)<br>• Digital masterclass and hackathons to drive digital mindset | • iGrow – career growth framework<br>• 2+2, 3+3 internal mobility programmes – encourage growth and breadth of career experience across DBS<br>• Empowering learning at DBS through customised and personalised learning roadmaps (>450 roadmaps based on job families)<br>• Learning curriculum covering functional, leadership and personal effectiveness programmes |
| **Feel connected** | • Jam session – launch of new, interactive townhall format for employees to engage with the leadership on strategic and important priorities at DBS<br>• PRIDE! activities to embed the culture and core values at DBS<br>• DBS Power Up – a mobile platform delivered to employees by HR that puts information, learning and communities in the hands of employees | • Tell Piyush – direct feedback channel to Piyush<br>• Townhalls, blogs and quarterly briefings<br>• Senior leaders offsite – drive alignment and commitment to strategic priorities throughout the bank |

# Society and environment

# Live responsible

**We believe in contributing to society by generating profits responsibly and creating social value. This ties in with our corporate value of being purpose-driven and creating impact beyond banking that touches real people, real businesses and real lives.**

## Responsible banking

We are committed to conducting business honestly and ethically, and have zero tolerance for financial crime. We adopt fair dealing practices and are committed to advancing responsible financing as part of our role in promoting sustainable development.

## Creating social value

We seek to address the needs of society by staying true to our mission of being the "People's Bank", and championing social entrepreneurship in Asia.

## Responsible citizenship

As a good corporate citizen, we seek to give back to society through our volunteerism movement "People of Purpose". We are conscious about managing our direct environmental footprint and seek to influence our supply chain towards sustainable practices.

***Picture on the left:***
*Vasham Kosa Sejahtera offers loans, training and agribusiness solutions to smallholder farmers in Indonesia. This social enterprise received a grant from the DBS Foundation in 2015.*

# Responsible banking

### Combating financial crime

We do not tolerate the use of DBS' products or services in furtherance of financial crime, such as money laundering, financing of terrorism, fraud and bribery/corruption. Stakeholders can be assured that DBS engages in even-handed dealings.

*For more information, see "CRO statement" on page 80 and "Compliance risk" on page 100.*

### Fair dealing

We are committed to:
- Being responsive to our customers' needs and requests
- Selling products and services that are suitable for them
- Ensuring our sales staff are trained to deal with customers fairly
- Communicating with our customers in a clear and transparent manner

Our customers are central to our business. It is important that they trust the products and services we provide.

We undertook key initiatives to strengthen our sales process, such as expanding customer fact-finding, product risk disclosures and customer product suitability checks.

Staff remuneration is predicated on a balanced scorecard approach, which ensures better alignment between the interests of our staff and customers. A significant portion of staff remuneration depends on our staff's ability to understand customers' needs, recommend suitable products, provide adequate disclosures and conduct the advisory and sales process professionally.

All our employees receive annual training on compliance and fair dealing, in addition to training on our product suite. They also undergo product knowledge and skills tests regularly. We place great emphasis on the oversight of our sales staff and hold their supervisors accountable for their coaching, monitoring and supervision.

To improve our products and services, we avail various channels to customers through which they can provide valuable feedback.

### Responsible Financing

We recognise that our lending practices have a huge impact on society, and are committed to promoting sustainable development and shaping the expectations and behaviours of our employees and customers.

When making loans, we assess how our customers address material risks, including their exposure to environmental and social risks where relevant. In accordance with corporate policy, companies with business activities assessed to have material environmental and/or social risks require additional due diligence.

As part of the industry's push towards sustainable development, The Association of Banks in Singapore (ABS) released a set of industry guidelines to enhance the implementation of responsible financing. Developed in consultation with banks, including DBS, the guidelines underscore the sector's commitment to advancing responsible financing in a more structured and transparent manner. The guidelines will help achieve systematic environmental and social criteria integration into banks' lending decision-making, as well as provide higher levels of transparency and accountability. DBS is committed to fully implementing the ABS guidelines by 2017.

# Creating social value

### Being the "People's Bank"

We seek to provide access to financial services to all of our customers, including those with disabilities or other difficulties. We believe in empowering the community to make sound financial decisions to improve their lives, through enhancing their financial literacy.

*For more information on our financial inclusion initiatives, see "POSB" on page 36.*

### Championing social entrepreneurship

Social enterprises (SEs) offer innovative and sustainable solutions to address the myriad social challenges associated with a rapidly growing Asia. The DBS Foundation was launched in 2014 to help grow SEs across the region. This resonates with our heritage as a development bank, and we can add value by leveraging our expertise serving SMEs.

**DBS Foundation's three-pronged approach to supporting SEs**

| Spark | Nurture | Scale |
|---|---|---|
| 1. Reach & engage | 2. Innovate & incubate | 3. Grow & scale |
| **Build awareness and advocacy for SEs** | **Keep up with changing social needs through social innovation and incubation** | **Develop high potential SEs and enable success on a greater scale** |
| - Social Venture Challenge Asia<br>- Local forums, awards and workshops<br>- AsiaForGood.com | - Incubation programmes and bootcamps<br>- Toolkits and case studies<br>- Skilled volunteering | - Accelerator programmes<br>- Market access and advisory<br>- Customised financial tools |
| Prototype grant | Organisational grant | Scale up grants |

*Buy Directly from Farmers is an e-commerce platform that connects farmers with consumers. This Taiwanese social enterprise received a grant from DBS Foundation in 2015.*

*Shanghai Bai Te Education, a DBS Foundation grantee, helps latch-key children of migrant workers and low income families in China.*

### Reach and engage

Awareness and advocacy of the sector is vital to getting early-stage SEs started.

We seek to inform the public and engage aspiring SEs across our key markets through outreach activities such as the DBS-NUS Social Venture Challenge Asia. In 2015, we received over 680 entries from 30 countries, offering solutions in areas such as education, web/mobile, healthcare and environment. Winners walked away with total seed money of SGD 150,000 to develop their business models. Besides boot camps and workshops that reached out to close to 10,000 participants, local forums were also held to create positive perceptions of SEs.

To help improve the visibility of SE businesses, we developed the "Portraits of Purpose" video series, showcasing social entrepreneurs from Singapore, India and Taiwan who made genuine impact with their work. Further, our consumer-facing digital platform AsiaForGood.com connects people to SEs, encourages socially conscious behaviour and empowers people to make informed choices about the way they live and buy. In 2015, our digital platforms earned a cumulative 2.5 million views from 350,000 unique visitors.

### Innovate and incubate

SEs with ongoing operations continue to be sensitive to business realities and evolving social needs. We help promising SEs by providing them with both financial and non-financial support. Through our partner network across the region, we conducted incubation programmes as well as provided training and mentorship to over 65 mid-stage SEs in 2015.

Through the DBS Foundation SE Grant programme, we identify innovative SEs and provide grants to support their growth. In 2015, 16 SEs across seven countries were awarded grants amounting to SGD 1.02 million.

### Grow and scale

We leverage our corporate resources and expertise to provide executive advisory services to support high potential SEs, thereby accelerating their growth and enhancing their impact. During the year, more than 300 skilled volunteers across the bank made a positive difference to SEs by offering consultation and mentorship for their operations and strategies. They also joined DBS scalathons – intensive brainstorming sessions on strategic business challenges faced by SEs.

### Integrating SEs into DBS' culture and operations

We demonstrate commitment to SEs by providing banking solutions tailored to their needs and engaging them for our events and activities.

First launched in Singapore in 2008, the SE Banking Package allows SEs to open corporate accounts with no minimum deposit or balance. Apart from free transactions, the package also offers SEs unsecured business loans pegged at half the regular commercial rate. As at 31 December 2015, we had 398 customers under the SE Banking Package and SGD 1.74 million of unsecured SE business loans outstanding.

## Responsible citizenship

### "People of Purpose" – where volunteers lead

This year, instead of "one size fits all" volunteer programmes, we adopted a more targeted approach. We empowered our staff to adopt social causes they were interested in, and to develop solutions and plan activities directly relevant to their beneficiaries.

*Our staff volunteer teams in Singapore helping the elderly who are living alone with their day-to-day chores, such as weekly grocery shopping, cooking traditional dishes and documenting recipes.*

Over 100 volunteer leaders forged partnerships with community organisations, creating sustainable and long-term impact on the community. In 2015, more than 4,000 staff touched 16,000 lives in 27,000 hours of volunteering activities.

*DBS Taiwan staff bonding and spending quality outdoor time with the physically challenged beneficiaries of Eden Social Welfare Foundation.*

## Managing our environmental footprint

Our most direct environmental impact is the carbon emissions from our office buildings and branches. Hence, we ensure our offices incorporate sustainable designs and practices.

We attained the Building and Construction (BCA) Greenmark certification and the WasteWi$e Certificate – Excellence Level for all of our Singapore and Hong Kong office buildings respectively. In Taiwan, we are the first foreign bank to achieve the ISO 50001 certification for energy management.

For our branch network, we are the first bank in Singapore to be on board the BCA Green Mark Portfolio Programme, which seeks to encourage the adoption of energy-efficient designs, technologies and good environmental management systems among tenants. We target to achieve the Green Mark Certification for 20 retail branches by 2016.

While we embrace innovation and technology, IT waste management remains our priority. As part of our strategic cost management programme, we sold more than 8,000 decommissioned desktops and notebooks to a recycling vendor at the end of their four- or five-year refresh cycle.

We also started recycling corporate mobile phones with vendors who either resell, salvage reusable parts or otherwise dispose of them through a recycling company.

DBS is one of the first banks in Singapore to actively encourage customers to adopt electronic bank account statements instead of paper statements. We have also implemented paperless forms at our branches using iPads and e-forms tablets. We introduced good-as-new notes and e-red packets through DBS PayLah! to reduce the need for more new notes to be printed during the Lunar New Year.

E-storage solutions and recycling bins are readily available across all our office locations. All paper waste is disposed either directly or indirectly to recycling companies.

Regionally, key 2015 initiatives included replacing lightings with LEDs which have longer life spans and lower energy consumption. We continued to support the fight against climate change by observing "Earth Hour". We also rolled out meat-free meals in our staff canteens in Singapore to encourage staff to go meatless to reduce carbon footprint, and promoted the use of recyclable cups in our social hubs in Taiwan.

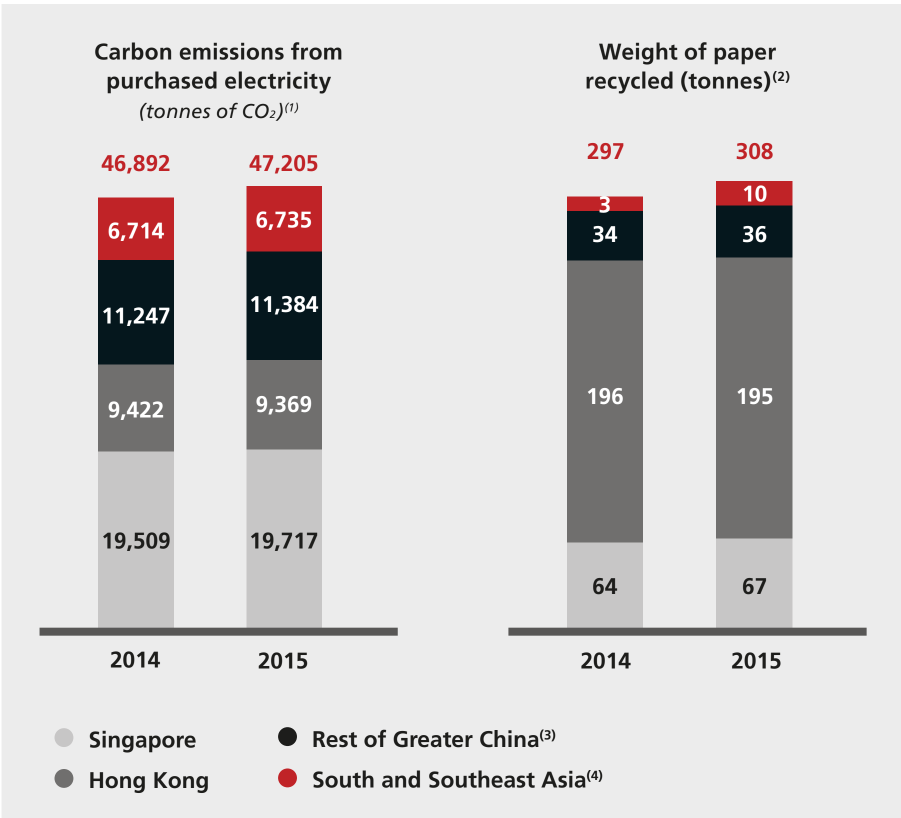
## Sustainable sourcing

DBS procures products and services from more than 6,000 suppliers, predominantly in Singapore and Hong Kong. Approximately 80% of our expenditure are for professional, real estate, sales and marketing, IT outsourcing and corporate services.

In 2015, we developed the DBS Sustainable Sourcing Principles (SSP). These principles outline our values and expectations in four key areas - human rights, safety and health, environment sustainability and business integrity and ethics.

The SSP set out minimum standards of behaviour and seek to drive commitment to ethical improvements within our supply chain.

We conducted a one-time exercise to notify all our existing suppliers in Singapore of the SSP via mail. All new suppliers who engage with DBS are required to sign up to the SSP with effect from 1 October 2015 under a revised supplier registration process. The new suppliers SSP sign-up rate is more than 95% as at 31 December 2015. We plan to roll out the SSP to all our key markets in 2016.




*(1) Based on relevant grid emission factor conversion for each country*
*(2) Based on weight of paper at recycling points*
*(3) Rest of Greater China includes branch and subsidiary operations in Mainland China and Taiwan*
*(4) South and Southeast Asia includes branch and subsidiary operations in India and Indonesia*

# Corporate governance

## Pushing ahead in our corporate governance journey

**We believe in strong and effective governance to help create value for our stakeholders.**

### Securities Investors Association (Singapore) (SIAS) Investors' Choice Awards 2015

- Corporate Governance Award
- Board Diversity Award
- Most Transparent Company
  - Finance category
  - Golden Circle Award
- Internal Audit Excellence
  - Hall of Fame

### Singapore Corporate Awards 2015

- Best Investor Relations
  - Gold Award

### Asean Corporate Governance Awards 2015

- Top 5 Asean Companies

*Note: Please refer to our website for a summary disclosure on our compliance with the Asean Corporate Governance Scorecard*



**"The Board owes a duty to shareholders to provide oversight and to guide management in developing strategies of the business and the implementation of the strategy. Board members must be encouraged to fully express their views and opinions. The Board and management must always have mutual respect for each other. The Board should always be reminded to allow management to manage, but it should always be there to support and guide."**

***Chairman, Peter Seah***
***shares his thoughts on corporate governance, and the principles and values which carry the most importance in his role in leading the Board***

## Compliance and approval

For the financial year ended 31 December 2015, we have complied with the Banking (Corporate Governance) Regulations 2005 (Banking Regulations), and complied in all material aspects with the principles laid down by the Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are incorporated in Singapore issued on 3 April 2013, which comprises the Code of Corporate Governance 2012 (Code) and supplementary guidelines and policies added by the Monetary Authority of Singapore (MAS) (Guidelines) to cater to the diverse and complex risks undertaken by financial institutions. We provide a summary disclosure on our compliance with the Guidelines on pages 74 to 77 of this Annual Report.

The disclosures in this report have been approved by the Board.

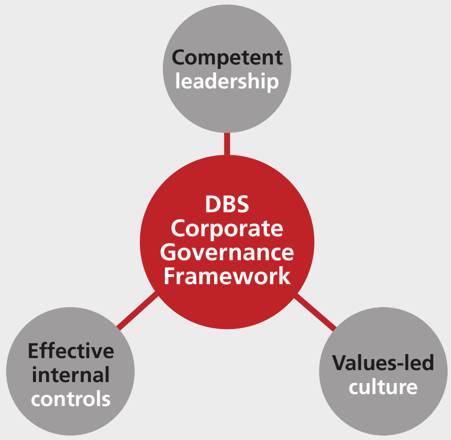
## Governance highlights

### Governance framework

We have a clearly defined governance framework that promotes transparency, fairness and accountability.

The Board believes that corporate governance principles should be embedded in our corporate culture. Our corporate culture is anchored on (a) competent leadership, (b) effective internal controls and (c) a set of common values. Our internal controls cover financial, operational, compliance, technology controls, as well as risk management policies and systems.

We work closely with our regulators to ensure that our internal governance standards meet their increasing expectations. We are committed to the highest standards of corporate governance, and have been recognised for it. We have won SIAS' Corporate Governance Award in the Big Cap category three years in a row (2013 to 2015).




### Key features of our Board

- Separation of the role of Chairman and Chief Executive Officer (CEO)
- Other than the CEO, none of the other Directors is a former or current employee of the Company or its subsidiaries (collectively, the Group)
- Chairpersons of the Board and all Board committees are Independent Directors
- Remuneration of Non-Executive Directors (including the Chairman) does not include any variable component
- To stimulate fresh thinking, external experts are regularly invited to the annual Board strategy offsite and to conduct Directors' training sessions

### Where to find key information on each Director?

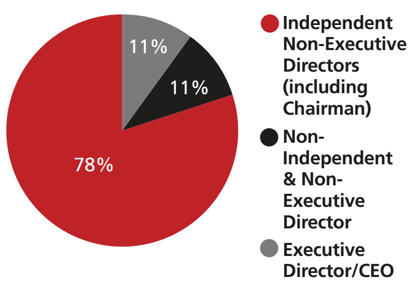
In this Annual Report:

- Pages 61 to 62 – Directors' independence status, appointment dates, meeting attendance and remuneration details
- Pages 180 to 184 – Director's length of directorship, academic and professional qualifications and present and past directorships

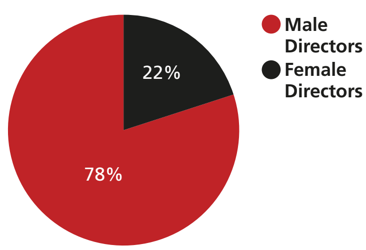
At our website (www.dbs.com):

- Director's biodata

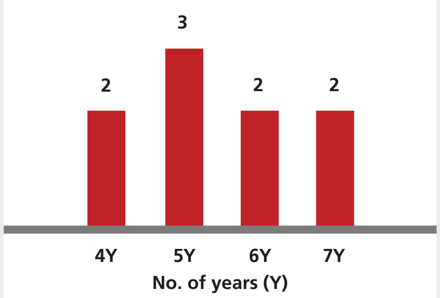
**Independence**



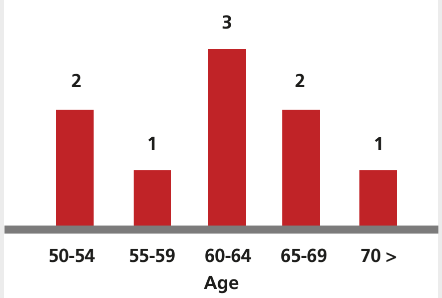

**Gender diversity**




**Director's length of service**




**Age group of our Directors**



# Leadership

## Board structure and processes

**Board composition**
Our Board members have a broad range of experience and deep industry expertise. The Board's solid bench strength is one of the key drivers of DBS' high performance in recent years.

The tenure of our Directors demonstrates a good balance between continuity and fresh perspectives. The size and composition of the Board is appropriate given the current size and geographic footprint of the Group's operations. The proportion of Independent Non-Executive Directors on the Board (seven out of nine) is high.

The make-up of our Board reflects diversity of gender, nationality, skills and knowledge. Our commitment to diversity has garnered recognition. DBS won the Board Diversity Award at the SIAS Investors' Choice Awards in 2014 and 2015.

*Please refer to pages 54 to 55 of this Annual Report on the 'Annual Review of Directors' Independence' for more details on how each individual Director's independence is assessed.*

## Role of the Board

**Directs the Group in conduct of its affairs**
- Ensures that corporate responsibility and ethical standards underpin the conduct of the Group's business

**Provides sound leadership to CEO and management**
- Sets the strategic vision, direction and long-term goals of the Group
- Ensures that adequate resources are available to meet these objectives

**Bears ultimate responsibility for the Group's:**
- Governance
- Strategy
- Risk management
- Financial performance

## Who are on our Board

**1 Non-Executive and Independent Chairman**
Mr Peter Seah Lim Huat

**6 Non-Executive and Independent Directors**
Dr Bart Joseph Broadman
Ms Euleen Goh Yiu Kiang
Mr Ho Tian Yee
Mr Nihal Vijaya Devadas Kaviratne CBE
Mr Andre Sekulic
Mr Danny Teoh Leong Kay

**1 Non-Executive and Non-Independent Director**
Mrs Ow Foong Pheng

*Note: Although Mrs Ow is considered a Non-Independent Director by virtue of substantial shareholder relationship, she does not have any business or management relationship with DBS*

**1 Executive Director/ CEO**
Mr Piyush Gupta

## Board's key areas of focus

- Review Group's strategic and business plans
- Monitor the responsibilities delegated to the Board committees to ensure proper and effective oversight and control of the Group's activities
- Establish a framework for risks to be assessed and managed
- Review management performance
- Determine the Group's values and standards (including ethical standards) and ensuring that obligations to its stakeholders are understood and met
- Develop succession plans for the Board and CEO
- Consider sustainability issues (including environmental and social factors) as part of the Group's strategy

### Role of the Chairman and the CEO

The working dynamics between our Chairman (Mr Peter Seah) and CEO (Mr Piyush Gupta) are very positive and constructive. The Group's leadership model clearly delineates their respective responsibilities. This ensures an appropriate balance of power, increased accountability and enhanced independence in decision-making. The CEO heads the Group Executive Committee and the Group Management Committee. He oversees the execution of the Group's strategy and is responsible for managing the day-to-day operations.

The Chairman is responsible for leading the Board in discharging its duties effectively, and enhancing the Group's standards of corporate governance. The Chairman provides clear leadership to the Board with respect to the Group's long-term growth and strategy. The Board members are of the view that the strong leadership of Mr Peter Seah is a key contributing factor to the effectiveness of the Board.

As the Chairman sits on all the Board committees, he plays an important role in managing the business of the Board and participating in the activities of the Board committees. The Chairman ensures that the Board operates effectively as a team and in its decision making processes.

The Chairman oversees, guides and advises the CEO and senior management. The Chairman maintains open lines of communication with senior management, and acts as a sounding board on strategic and operational matters.

***Time commitment of the Chairman's role***

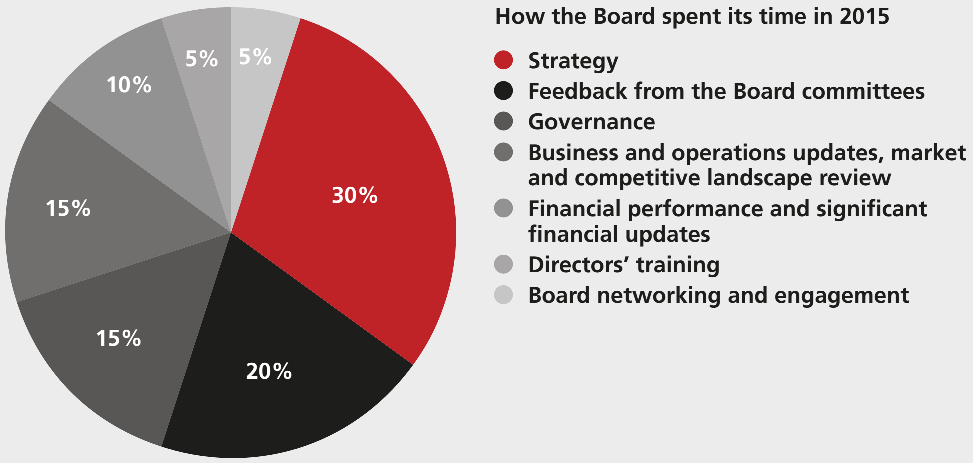
The role of the Chairman of DBSH requires significant time commitment. Mr Peter Seah performs a key role as an ambassador for the Group in our dealings with various stakeholders as well as ensuring effective communication with our shareholders. Mr Peter Seah regularly represents DBS in official external engagements, and he also sets aside time to attend the Group's internal events upon the invitation of management.

**Mr Peter Seah's role in our board committees**

| | | |
|---|---|---|
| **Lead** | **Board Executive Committee Chairman** | |
| | **Compensation and Management Development Committee Chairman** | |
| | **Nominating Committee Chairman** | |
| **Participate** | **Audit Committee (AC) member** | • There are separate chairpersons for the Board committees, which oversee the internal controls and risk management functions, namely the AC (Mr Danny Teoh) and the BRMC (Ms Euleen Goh) respectively<br>• Chairpersons of the AC and BRMC are Non-Executive and Independent Directors |
| | **Board Risk Management Committee (BRMC) member** | |

## Board meetings and activities

We have a highly engaged Board with diverse perspectives. Board and Board committee meetings are held regularly to discuss key topics such as strategic, governance and operational issues.




**Before meeting**

- To facilitate meaningful participation, all Board and Board committee meetings are planned and scheduled well in advance in consultation with the Directors
- Chairman oversees the setting of the agenda of Board meetings in consultation with the CEO to ensure that there is sufficient information and time to address all agenda items
- The agenda of the Board meetings is carefully thought out and well-managed. At the same time, the agenda allows for flexibility when it is needed
- Directors are provided with complete information related to agenda items in a timely manner. For example, management provides Board members with detailed reports on the Group's financial and franchise performance prior to the Board meeting
- All materials for Board and Board committee meetings are uploaded onto a secure portal which can be readily accessed on tablet devices provided to the Board members
- When exigencies prevent a Director from attending a Board or Board committee meeting in person, that Director can participate by telephone or video-conference
- Directors have the discretion to engage external advisers

**At every meeting**

- The Chairman promotes open and frank debates by all Directors at Board meetings
- The Board members come well prepared and engage in robust discussions on key matters pertaining to the Group
- If there are any situations where there is a conflict of interest, the Director in question will recuse him or herself from the discussions and abstain from participating in any Board decision
- Chairperson of each Board committee provides a thorough update on significant matters discussed at the Board committee meetings which are typically scheduled before the quarterly Board meeting
- The CEO gives a complete and comprehensive update on the Group's business and operations as well as a macro perspective on industry trends and developments
- The Chief Financial Officer (CFO) presents the financial performance and significant financial highlights
- Certain business heads provide an update on their areas of business
- As members of the Group Executive Committee are present at all Board meetings, Directors have the opportunity to discuss specific areas with them and give constructive challenge to ideas
- In compliance with the Banking Act, exposures of DBS Bank Ltd to the individual Directors and their respective related concerns are tabled
- The Board holds a private session for Directors
- External professionals or in-house subject matter experts are also invited to present key topics identified by the Board as well as updates on corporate governance, risk management, capital, tax, accounting, listing and other regulations, which may have an impact on the Group's affairs

**Frequent & effective engagement with the Board**

- The Board is regularly updated on the performance and prospects of the Group
- Outside of Board meetings, Board approvals for matters in the ordinary course of business can be obtained through the circulation of written resolutions
- Ad-hoc meetings are held when necessary. There was no ad-hoc Board meeting held in 2015
- The CFO provides the Board with detailed financial performance reports on a monthly basis
- Directors have direct access to senior management and may request from management any additional information to make informed and timely decisions
- Throughout the year, the Directors also have various opportunities to interact with members of the Group Management Committee (for instance at Board hosted dinners)
- Directors have ongoing interactions across various levels, functions and countries within the Group. These interactions equip Directors with a better understanding of the business and operations of DBS. In addition, some Directors also sit on the Boards of the overseas subsidiaries in the Group; this arrangement gives the Board access to first hand insight on the activities of these subsidiaries
- Directors have separate and independent access to the Group Secretary at all times. The Group Secretary attends all Board meetings, and generally assists Directors in the discharge of their duties and facilitates communication between the Board, its committees and management as well as the induction of new Directors. The appointment and removal of the Group Secretary require the approval of the Board

## Board committees

### Delegation by the Board to the Board committees

To discharge its stewardship and fiduciary obligations more effectively, the Board has delegated authority to various Board committees to enable them to oversee certain specific responsibilities based on clearly defined terms of reference. Any change to the terms of reference for any Board committee requires Board approval.

**5 Board committees**

- **Constituted in accordance with Banking Regulations**
- **Comprises Directors only**

**Terms of reference**
Sets out the:

- Responsibilities of the Board committee
- Conduct of meetings including quorum
- Voting requirements
- Qualifications for Board committee membership

| Board committee | Composition | Members |
|---|---|---|
| **Nominating Committee (NC)** | • Five members: All Non-Executive Directors (NED)<br>• Four out of five members including NC Chairperson are Non-Executive and Independent Directors (INED) | • Mr Peter Seah (Chairperson)<br>• Ms Euleen Goh<br>• Mr Ho Tian Yee<br>• Mrs Ow Foong Pheng<br>• Mr Danny Teoh |
| **Board Executive Committee (EXCO)** | • Three members<br>• Two out of three members including EXCO Chairperson are INEDs | • Mr Peter Seah (Chairperson)<br>• Mr Piyush Gupta<br>• Ms Euleen Goh |
| **Audit Committee (AC)** | • Five members: All NEDs<br>• Four out of five members including AC Chairperson are INEDs | • Mr Danny Teoh (Chairperson)<br>• Mr Peter Seah<br>• Mr Nihal Kaviratne<br>• Mrs Ow Foong Pheng<br>• Mr Andre Sekulic |
| **Board Risk Management Committee (BRMC)** | • Six members: All INEDs including BRMC Chairperson | • Ms Euleen Goh (Chairperson)<br>• Mr Peter Seah<br>• Dr Bart Broadman<br>• Mr Ho Tian Yee<br>• Mr Nihal Kaviratne<br>• Mr Danny Teoh |
| **Compensation & Management Development Committee (CMDC)** | • Four members: All INEDs including CMDC Chairperson | • Mr Peter Seah (Chairperson)<br>• Dr Bart Broadman<br>• Ms Euleen Goh<br>• Mr Andre Sekulic |

## Nominating Committee (NC)

The NC is chaired by Mr Peter Seah and comprises Ms Euleen Goh, Mr Ho Tian Yee, Mrs Ow Foong Pheng and Mr Danny Teoh.

All NC members are subject to an annual independence assessment as prescribed by the Guidelines and the Banking Regulations. The assessment takes into account the NC members' business relationships with the Group, relationships with members of management, relationships with the Company's substantial shareholder as well as the NC members' length of service.

- In accordance with the requirements of the Guidelines and Banking Regulations, a majority (four out of five members of the NC including the NC Chairperson) are Non-Executive and Independent Directors (INED).
- The only NC member who is not an INED is Mrs Ow Foong Pheng, who is a Non-Executive Director. Mrs Ow is considered non-independent by virtue of a substantial shareholder relationship, but she does not have any business or management relationship with DBS.

### Key responsibilities of the NC

- Review regularly the composition of the Board and Board committees
- Identify, review and recommend Board appointments for approval by the Board, taking into account the experience, expertise, knowledge and skills of the candidate and the needs of the Board
- Conduct an evaluation of the performance of the Board, the Board committees and the Directors on an annual basis
- Determine independence of proposed and existing Directors, and assess if each proposed and/or existing Director is a fit and proper person and is qualified for the office of Director
- Exercise oversight of the induction programme and continuous development programme for Board members
- Review and recommend to the Board the re-appointment of any Non-Executive Director having regard to their performance, commitment and ability to contribute to the Board as well as his or her skill-set
- Make an annual assessment of whether each Director has sufficient time to discharge his or her responsibilities, taking into consideration multiple board representations and other principal commitments
- Review the Board's succession plans for Directors, in particular, the Chairman and the CEO
- Review key staff appointments including the CFO and the Chief Risk Officer

Highlights of the NC's activities are as follows:

### Selection criteria and nomination process for Directors

The NC leads and has put in place a formal and transparent process for the appointment and re-appointment of Directors to the Board.

The NC recognises the importance of having an appropriate balance of industry knowledge, skills, background, experience, professional qualifications, gender and nationalities in building an effective and cohesive Board.

The NC oversees a rigorous process for the appointment of Directors. Directors are selected not just for their experience and competencies but also for their fit with the Group. The NC regularly reviews the composition of the Board and Board committees. The NC utilises a skills matrix, which takes into account each Director's skills and experience, to identify the staffing needs of each Board committee.

Before a new Director is appointed, suitable candidates are identified from various sources. Thereafter, the NC conducts an assessment to:

(i) review the candidate (including qualifications, attributes, capabilities, skills, age, past experience) to determine whether the candidate is fit and proper in accordance with the MAS' fit and proper guidelines; and

(ii) ascertain whether the candidate is independent from any substantial shareholder of the Group and/or from management and business relationships with the Group.

The NC then interviews the short listed candidates and makes its recommendations to the Board. Upon the appointment of a new Director, the NC will recommend to the Board his or her appointment to the appropriate Board committee(s) after matching the Director's skill-set to the needs of each Board committee.

### Board performance

The NC makes an assessment at least once a year to determine whether the Board and Board committees are performing effectively and identifies steps for improvement.

#### *Board evaluation process*

The NC uses a Board evaluation framework to track and analyse Board performance, which includes an annual evaluation of Board performance and appraisal of Directors. The Board evaluation process helps improve Board effectiveness and identifies areas for improvement. A well conducted Board evaluation is vital in helping the Board, Board committees and each individual Director to perform to their maximum capability.

The Board engages an independent external evaluator to facilitate the Board evaluation approximately once every three years. The Board believes that an independent external evaluator aids the Board by providing an independent perspective on the Board's performance. It also helps benchmark the Board's performance against peer boards and shares best practices.

#### *Annual Board evaluation in 2015*

The NC considered the results and action items from the 2014 Board evaluation and decided to use the same evaluation questionnaire for 2015.

Each Director was asked to complete the questionnaire and submit it directly to the Group Secretary who collated the responses and produced a summary report for the NC. The NC analysed the report and submitted its findings to the Board.

Each Director participated actively, giving honest feedback on issues such as Board composition, succession planning and the quality of information provided to the Board.

The Board discussed the findings of the evaluation and agreed to follow-up on certain items.

### Annual review of Directors' independence

The NC conducts a review and determines annually whether each Director is independent. Independence is assessed in compliance with the stringent standards required of financial institutions prescribed under the Banking Regulations.

In making its determination, the NC considers whether a Director is:

- independent from management and business relationships;
- independent from any substantial shareholder; and
- independent based on length of service

The Independent Directors are Dr Bart Broadman, Ms Euleen Goh, Mr Ho Tian Yee, Mr Nihal Kaviratne, Mr Peter Seah, Mr Andre Sekulic and Mr Danny Teoh.

Ms Euleen Goh, Mr Ho Tian Yee, Mr Nihal Kaviratne, Mr Peter Seah and Mr Danny Teoh are on the boards of companies that have a banking relationship with DBS, and are also directors of companies in which the Company's substantial shareholder, Temasek Holdings (Private) Limited (Temasek) has investments (collectively, Temasek portfolio companies). The NC considers these Directors (i) independent of business relationships as the revenues arising from such relationships are not material; and (ii) independent of Temasek as their appointments on the boards of Temasek portfolio companies are non-executive in nature and they are not involved in the day-to-day conduct of the businesses of the Temasek portfolio companies. In addition, none of these Directors sits on any of the boards of the Temasek portfolio companies as a representative of Temasek and they do not take instructions from Temasek in acting as director.

Mrs Ow Foong Pheng, who is a Permanent Secretary for the Ministry of Trade and Industry, Singapore, is considered not independent of Temasek as the Singapore government is its ultimate owner. However, Mrs Ow Foong Pheng is considered independent of management and business relationships with the Company.

**Directors' training**

The NC exercises oversight on the training of Directors including induction for new Directors and continuous development programme for all Directors.

***Induction for new Directors***

Upon appointment, a new Director receives a letter of appointment and a guidebook on Director's duties, responsibilities, and disclosure obligations as a Director of a financial institution. The new Director goes through a comprehensive induction programme. The new Director is introduced to the Group's senior management and briefed on the Group's activities (business, operations and governance practices, among others). The new Director also receives briefings on his/her key disclosure duties and statutory obligations. The Group encourages first-time Directors to attend the Singapore Institute of Directors' 'Listed Companies Directorships' programme.

***Continuous development programme for all Directors***

The NC oversees the continuous development programme. It monitors the frequency and quality of the training sessions, which are conducted either by external professionals or management. The NC selects topics which are relevant to the Group's activities. Board members also contribute by highlighting areas of interests and possible topics. In 2015, there were 3 training sessions: (i) a briefing on changes to the Companies Act, (ii) a talk on disruption and the impact to organisations (including Fintechs and the financial industry), and (iii) a training session on risk benchmarking. In addition, Directors received key updates on relevant SGX Listing Manual Amendments which came into effect in 2015.

**Terms of appointment of Directors**

The NC reviews and recommends to the Board the tenure of each Non-Executive Director.

The Group has a standing policy that a Non-Executive Director may serve up to a maximum of three 3-year terms. The Group considers this tenure to be appropriate for members to gain an understanding of the Group and contribute effectively to the Board. Prior to the end of each three-year term, the NC considers whether to re-appoint the Non-Executive Director for an additional term. Each member of the NC recuses him/herself from deliberations on his/her re-appointment.

**Rotation and re-election of Directors**

The NC reviews and recommends to the Board the rotation and re-election of Directors at the AGM.

One-third of Directors who are longest-serving are required to retire from office every year at the AGM. Based on this rotation process, each Director is required to submit himself or herself for re-election by shareholders at least once every three years.

Where an incumbent Director is required to retire from office, the NC reviews the composition of the Board and decides whether to recommend that Director for re-election taking into account factors such as the Director's attendance, participation, contribution and competing time commitments. Ms Euleen Goh, Mr Piyush Gupta and Mr Danny Teoh will be retiring by rotation at the AGM to be held on 28 April 2016 (2016 AGM). At the recommendation of the NC and as approved by the Board, they will be seeking re-election as Director at the 2016 AGM.

Mr Nihal Kaviratne is above 70 years of age and is required under Section 153 of the Companies Act (which was then in force) to step down at the 2016 AGM. At the recommendation of the NC and as approved by the Board, Mr Kaviratne will be seeking re-appointment as a Director at the 2016 AGM.

**Directors' time commitment**

The NC conducts a review of the time commitment of each Director on an ongoing basis.

The NC has implemented guidelines and a process to assess each Director's ability to commit time to the Group's affairs. The guidelines consider the number of other board and committee memberships a Director holds, as well as size and complexity of the companies in which s/he is a board member. Additionally, each Director is required to complete a self-assessment of his/her time commitments on annual basis. While the Board has not set a maximum number of listed company board representations a Director may hold, all Directors appreciate the high level of commitment required as a Director of DBSH. All Directors have met the requirements under the NC's guidelines. The Board is satisfied that each Director has committed sufficient time to the Company and has contributed meaningfully to the Group.

The meetings attendance records of all Directors as well as their list of directorships are fully disclosed in our Annual Report.

## Board Executive Committee (EXCO)

The EXCO is chaired by Mr Peter Seah and comprises Ms Euleen Goh and Mr Piyush Gupta.

- In accordance with the requirements of the Guidelines and Banking Regulations, a majority (two out of three members of the EXCO including the EXCO Chairperson) are Non-Executive and Independent Directors.

**Key responsibilities of the EXCO**

- Review and provide recommendations on matters that would require Board approval, including:
  - strategic matters such as country and business strategies
  - business plans, annual budget, capital structure and dividend policy
  - strategic investments or divestments
  - delegation of authority stipulated by the Group Approving Authority
  - weak credit cases
- Approve certain matters specifically delegated by the Board such as non-strategic investments and divestments, credit transactions, investments, capital expenditure and expenses that exceed the limits that can be authorised by the CEO

Highlights of the EXCO's activities are as follows:

**Key matters reviewed by EXCO in 2015**

The EXCO assists the Board to enhance the business strategies and strengthen core competencies of the Group. The EXCO meets frequently (16 meetings in 2015) and is able to offer greater responsiveness in the decision-making process of the Group.

In 2015, the EXCO reviewed proposed divestments and investments, and matters related to capital planning and expenditure as well as corporate actions. It also reviewed weak credit cases every quarter. In 2015, this included the winding down of the Islamic Bank of Asia, the joint venture with the Postal Savings Bank of China (PSBC) and 5 other Chinese corporates to set up a consumer finance company in China, the 15-year regional life bancassurance partnership with Manulife and the acquisition of a 30% stake in DBS China Square.

## Audit Committee (AC)

The AC is chaired by Mr Danny Teoh and comprises Mr Nihal Kaviratne, Mr Peter Seah, Mrs Ow Foong Pheng and Mr Andre Sekulic.

- In accordance with the requirements of the Guidelines and Banking Regulations, a majority (four out of five members of the AC including the AC Chairperson) are Non-Executive and Independent Directors (INED).
- The only AC member who is not an INED is Mrs Ow Foong Pheng, who is a Non-Executive Director. Mrs Ow is considered non-independent by virtue of a substantial shareholder relationship, but she does not have any business or management relationship with DBS.

Mr Teoh possesses an accounting qualification and was formerly the managing partner of KPMG, Singapore. All members of the AC are Non-Executive Directors, and have recent and relevant accounting or related financial management expertise or experience.

**Key responsibilities of the AC**

***Financial reporting***

- Monitor the financial reporting process and ensuring the integrity of the Group's consolidated financial statements
- Review the Group's consolidated financial statements and any announcements relating to the Group's financial performance prior to submission to the Board
- Review the significant financial reporting issues and judgements so as to ensure the integrity of the consolidated financial statements of the Group
- Ensure that the consolidated financial statements of the Group are prepared in accordance with Singapore Financial Reporting Standards

***Internal controls***

- Review the adequacy and effectiveness of internal controls, such as financial, operational, compliance and information technology controls, as well as accounting policies and systems
- Review the policy and arrangements by which DBS staff and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and to ensure that arrangements are also in place for such concerns to be raised and independently investigated and for appropriate follow-up action to be taken
- Approve changes to the Group Disclosure Policy

***Internal audit***

- Review the adequacy and effectiveness of the Group's internal audit function (Group Audit) and processes, as well as ensuring that Group Audit is adequately resourced and set up to carry out its functions, including approving its budget
- Oversee Group Audit
- Review Group Audit's plans, the scope and results of audits, and effectiveness of Group Audit
- Approve the hiring, removal, resignation, evaluation and compensation of Head of Group Audit

***External auditor***

- Determine the criteria for selecting, monitoring and assessing the external auditor. Making recommendations to the Board on the proposals to shareholders on the appointment, re-appointment and removal of the external auditor of DBS and approving the remuneration and terms of engagement of the external auditor
- Review the scope and results of the external audits and the independence and objectivity of the external auditor, and ensuring that the external auditor promptly communicates to the AC any information regarding internal control weaknesses or deficiencies, and that significant findings and observations regarding weaknesses are promptly rectified
- Review the assistance given by management to the external auditor

***Related party transactions***

- Review all material related party transactions (including interested person transactions) and keeping the Board informed of such transactions, and the findings and conclusions from its review

Highlights of the AC's activities are as follows:

**Oversight of financial reporting and other key matters**

The AC performed quarterly reviews of consolidated financial statements and made recommendations to the Board for approval. The CEO and CFO provided the AC and the external auditor with a letter of representation attesting to the integrity of the quarterly financial statements.

The AC reviewed the Group's audited consolidated financial statements with management and the external auditor.

The AC is of the view that the Group's consolidated financial statements for 2015 are fairly presented in conformity with relevant Singapore Financial Reporting Standards in all material aspects.

The AC reviewed the annual audit plan and the legal and compliance plans, and approved necessary changes.

The AC performed quarterly reviews of reports from Group Audit, Group Legal and Compliance. Key risks concerning legal or compliance matters, and actions taken (including policy and training), are tabled to the AC, which updates the Board as necessary.

The AC reviewed the Group's progress on the implementation of the Fair Dealing Outcomes across the Group, in line with the principles issued by MAS.

The AC has the authority to investigate any matter within its terms of reference, and has full access to and cooperation by management.

**Oversight of Group Audit**
The AC has direct oversight of Group Audit. Please refer to the section on 'Internal Controls' for details on Group Audit's key responsibilities and processes.

The AC assessed the effectiveness of Group Audit in compliance with Paragraph 12.4(c) of the Code. The 2015 annual assessment of Group Audit was facilitated by an independent assessor, KPMG Services Pte Ltd, Risk Consulting. The AC is of the view that Group Audit has performed well. It understands the risks that the Group faces and has aligned its work to review these risks.

There is at least one scheduled private session annually for the Head of Group Audit to meet the AC. The chair of the AC meets the Head of Group Audit regularly to discuss its plan, current work, key findings and other significant matters.

**Reviewing independence and objectivity of external auditor**
The AC makes recommendations to the Board for the appointment, re-appointment and dismissal of the external auditor including the remuneration and terms of engagement. Upon Board approval, the re-appointment of the external auditor is subject to shareholder approval at the AGM.

The AC has unfettered access to the external auditor. During the financial year, separate sessions were held for the AC to meet with the external auditor without the presence of management at each AC meeting to discuss matters that might have to be raised privately.

The Group has complied with Rule 712 and Rule 715 of the SGX Listing Rules in relation to its external auditor. The total fees due to the Group's external auditor, PricewaterhouseCoopers LLP (PwC), for the financial year ended 31 December 2015, and the breakdown of the fees for audit and non-audit services respectively are set out as follows:

| Fees relating to PWC services for 2015 | SGD million |
|---|---|
| For Audit and Audit-Related Services | 7.7 |
| For Non-Audit Services | 2.2 |
| Total | 9.9 |

The AC reviewed the non-audit services provided by the external auditor during the financial year and the associated fees. The AC is satisfied that the independence and objectivity of the external auditor has not been impaired by the provision of those services. The external auditor has provided a confirmation of their independence to the AC. At the recommendation of the AC and as approved by the Board, the re-appointment of the external auditor is subject to the shareholders' approval at the 2016 AGM.

**Keeping updated on relevant information**
The AC members are regularly kept updated on changes to accounting standards and issues related to financial reporting through quarterly meetings with Group Finance, Group Audit, and internal audit bulletins.

## Board Risk Management Committee (BRMC)

The BRMC is chaired by Ms Euleen Goh and comprises Dr Bart Broadman, Mr Ho Tian Yee, Mr Nihal Kaviratne, Mr Peter Seah and Mr Danny Teoh.

- **All BRMC members (including the BRMC Chairperson) are Non-Executive and Independent Directors (INED). The number of INEDs exceeds the requirements of the Guidelines and Banking Regulations.**

All BRMC members are appropriately qualified to discharge their responsibilities, and have the relevant technical financial expertise in risk disciplines or businesses.

**Key responsibilities of the BRMC**
- Guide the development of and recommend for Board approval the risk appetite for various types of risk and exercise oversight on how this is operationalised into individual risk appetite limits
- Monitor risk exposures and profile against risk limits and risk strategy in accordance with approved risk appetite and/or guidelines
- Review the risk dashboard to keep track of major risk positions and risk developments
- Monitor the quarterly portfolio reviews of total exposures as well as large exposures and asset quality
- Discuss large risk events and subsequent remedial action plans
- Monitor market developments, such as macro-economic, credit, industry, country risk and stress tests related to these developments
- Approve the Group's overall and specific risk governance frameworks
- Have direct oversight of the Chief Risk Officer
- Review (in parallel with the AC) the adequacy and effectiveness of the Group's internal control framework

- Approve risk models which are used for capital computation and monitoring the performance of previously approved models
- Oversee an independent Group-wide risk management system and adequacy of resources to monitor risks
- Exercise oversight of the Internal Capital Adequacy Assessment Process (ICAAP) including approval of stress scenarios and commensurate results for capital, risk-weighted assets, profit and loss and liquidity
- Approve the Business Continuity Management attestation and Group-wide Recovery Plan

Highlights of the BRMC's activities are as follows:

**Reviewing the risk landscape**
The risk dashboard (introduced in 2011) informs DBS of all major risk positions and risk development. During discussions, the BRMC monitored the global economic environment and, in particular, paid close attention to developments which could have material consequences for the key Asian countries where DBS operates. The BRMC also provided guidance, where appropriate, to management. The BRMC considered vulnerabilities such as the global economic outlook, political landscape, liquidity tightening, risk of rising interest rates and currency volatility as well as the outlook on commodity prices, all of which could impact DBS' strategy and portfolios in these countries.

Through the course of 2015, the BRMC discussed the findings and the impact arising from scenario analyses and portfolio reviews conducted on certain countries and specific sectors such as the downward adjustment in global growth and in particular, China; possibility of US interest rate hike and the contagion effect on emerging markets, the impact of government policy changes and increase of interest rates in Singapore and their effect on sectors such as property and small and medium size enterprises (SME) sectors. The BRMC also reviewed management's assessment of the impact of sustained low oil and other commodity prices on the Group's portfolios across the key countries. It was kept informed of the utilisation of market risk limits for the commercial banking as well as the trading books and the liquidity risk profile of the Group. In its review of key operational risk profiles and among other updates, the BRMC was advised on the bank's approach in dealing with various sanctions regimes as well as the conduct of business associated with the treasury activities.

The scenario analyses are in addition to the review of various stress testing results required by the regulators and under ICAAP. The BRMC also approved and monitored the performance of various risk models. The BRMC received regular updates on risk appetite and economic capital utilisation. It spent some time during 2015 to deliberate on the calibration of economic capital allocation to the various units and across the different types of risk. The BRMC was apprised of regulatory feedback and developments such as approaches for risk models and capital computation, Basel III and papers from the Financial Stability Board (FSB).

*Please refer to the section on 'Risk Management' in this Annual Report for more information on the BRMC's activities.*

## Compensation and Management Development Committee (CMDC)

The CMDC is chaired by Mr Peter Seah and comprises Dr Bart Broadman, Ms Euleen Goh and Mr Andre Sekulic.

- All CMDC members (including the CMDC Chairperson) are Non-Executive and Independent Directors (INED). The number of INEDs exceeds the requirements of the Guidelines and Banking Regulations.

The CMDC has direct access to senior management and works closely with the BRMC and the AC when performing its role. Dr Bart Broadman, Ms Euleen Goh and Mr Peter Seah are also members of the BRMC while Mr Peter Seah and Mr Andre Sekulic are members of the AC. As a result of their membership in other Board committees, the members of the CMDC are able to make strategic remuneration decisions in an informed and holistic manner.

**Key responsibilities of the CMDC**
- Oversee the governance of the Group's remuneration policy (including design, implementation and ongoing review) and the annual bonus pool (Board endorsement also required) in accordance with the corporate governance practices as stipulated under the Guidelines and the Banking Regulations
- Oversee the remuneration of senior executives, including reviewing and approving the remuneration of the Executive Director/CEO
- Oversee the Group's principles and framework of compensation to ensure alignment with prudent risk-taking principles (deferral mechanism is adequate as a risk management process) in order to build a sustainable business in the long term
- Ensure alignment between reward and the Group Talent Management initiatives with particular focus on attraction and retention of talent including current and future leaders of the Group
- Oversee management development and sucession planning for management
- Oversee plans to deepen core competencies, bench strength and leadership capabilities of management
- Oversee talent development and talent pipeline

Highlights of the CMDC's activities are as follows:

**Group remuneration policy and annual variable pay pool**

*Please refer to the section on 'Remuneration Report' for details on remuneration of the CEO and on the DBS Group remuneration strategy.*

The CMDC reviews and approves the Group's remuneration policy and the annual variable pay pool which are also endorsed at the Board level.

The CMDC provides oversight of the remuneration of the CEO, senior executives and control functions in line with the FSB's guidelines. The CMDC also reviews cases where total remuneration exceeds a pre-defined threshold, or where a deferral mechanism is implemented as a risk control process.

**Remuneration of Non-Executive Directors**

*Please refer to pages 61 to 62 of this Annual Report for details of remuneration of each Non-Executive Director (including the Chairman) for 2015.*

The CMDC reviews and recommends a framework to the Board for determining the remuneration of Non-Executive Directors, including the Chairman.

The remuneration of Non-Executive Directors, including the Chairman, has been benchmarked against global and local financial institutions. Non-Executive Directors will receive 70% of their fees in cash and the remaining 30% in share awards. The share awards are not subject to a vesting period, but are subject to a selling moratorium whereby each Non-Executive Director is required to hold the equivalent of one year's basic retainer fees for his or her tenure as a Director and for one year after the date he or she steps down. The fair value of share grants to the Non-Executive Directors shall be based on the volume-weighted average price of the ordinary shares of the Company over the 10 trading days immediately following the AGM. The actual number of ordinary shares to be awarded will be rounded down to the nearest share, and any residual balance will be paid in cash. Other than these share awards, the Non-Executive Directors did not receive and are not entitled to receive any other share incentives or securities pursuant to any of the Company's share plans during the financial year.

There is no change to the annual fee structure for the Board for 2015 from the fee structure in 2014. As per previous years, remuneration of Non-Executive Directors does not include any variable component. The table below sets out the proposed annual fee structure for the Non-Executive Directors for 2015. Shareholders are entitled to vote on the remuneration of Non-Executive Directors at the 2016 AGM.

| Annual fee structure for 2015 | SGD |
|---|---|
| **Basic annual retainer fees** | |
| Board | 80,000 |
| **Additional Chairman fees for:** | |
| Board | 1,350,000 |
| Audit Committee | 75,000 |
| Board Risk Management Committee | 75,000 |
| Compensation and Management Development Committee | 65,000 |
| Executive Committee | 75,000 |
| Nominating Committee | 35,000 |
| **Additional committee member fees for:** | |
| Audit Committee | 45,000 |
| Board Risk Management Committee | 45,000 |
| Compensation and Management Development Committee | 35,000 |
| Executive Committee | 45,000 |
| Nominating Committee | 20,000 |

In 2015 there was one employee of DBS Bank Ltd, Ms Lesley Teoh, who is an immediate family member (daughter) of a Director, Mr Danny Teoh. Ms Lesley Teoh's remuneration for 2015 falls within the band of SGD 50,000 to 100,000. Mr Teoh is not involved in the determination of his family member's remuneration. Apart from Ms Lesley Teoh, none of the Group's employees was an immediate family member of a Director in 2015.

## Group Approving Authority

An integral part of our corporate governance framework is the Group Approving Authority (GAA) which clearly sets out the delegations of authority by the Board to Board committees, the Chairman and the CEO, as well as the specific matters that have been reserved for the Board's approval.

The Board's responsibilities are well defined in the GAA. The Board is the decision-making body for matters with significant impact to the Group as a whole; these include matters with strategic, financial or reputational implications or consequences.

The Board approves the GAA and any change to it. The GAA ensures that appropriate controls and decision-making are consistently applied throughout the Group. The GAA covers internal authority only, and does not override any specific provisions arising from statutory, regulatory, exchange listing requirements, or the DBSH Articles of Association. It is applied Group-wide.

The GAA is regularly reviewed and updated to accommodate changes in the scope and activities of the Group's business and operations.

**Scope of delegation of authority in the GAA**

| Board | | |
|---|---|---|
| Board committees | Chairman | CEO |

### Specific matters that require Board approval under the GAA include:

- Group's annual and interim financial statements
- Strategic investments and divestments
- Group's annual budget
- Capital expenditures and expenses exceeding certain material limits
- Capital-related matters including capital adequacy objectives, capital structure, capital issuance and redemption
- Dividend policy
- Risk strategy and risk appetite

## Annual Board strategy offsite

Each year, the Board and our senior executives attend a four-day strategy offsite held in one of our markets. This year, the Board strategy offsite was held in London.

**Main objectives of our 2015 annual Board strategy offsite**

- Opportunity for the Board to focus on the Group's long-term strategy apart from the regular agenda at the quarterly Board meetings
- Dynamic and in-depth strategic discussion to promote deeper understanding of our business environment and our operations, and refine our strategy
- Engagements with our stakeholders in host country
  - Regulators, customers and media
  - CEOs and CFOs of over 80 corporate and high net worth customers from Europe
  - Staff in local franchise

**Strategic discussions**

- Long-term strategy including progress review, refinements based on external developments and competitive analysis, as well as validation against risk appetite and capital availability
- Digitalisation of the bank
- Strategy for our SME business, particularly with respect to the 2.0 strategies in India, China and Indonesia
- Strategy for our institutional investor business and review of the progress we have made on this front
- Strategy for our London and United States offices and how these are helping us in the western MNC space
- Outlook and insights on Europe, including political and economic developments

## Key information on each Director

| **Director**<br>***independence status*** | **Meetings attendance record (1 January to 31 December 2015)**<br>BOD[1] | NC[2] | EXCO[3] | AC[4] | BRMC[5] | CMDC[6] | AGM | EGM | **Total Directors' remuneration for 2015 (SGD)** | Directors' fees[a] (SGD) | Share-based remuneration[b] (SGD) | Others[c] (SGD) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| No. of meetings held in 2015 | 5 | 4 | 16 | 5 | 4 | 4 | 1 | 1 | | | | |
| **Mr Peter Seah, 69**<br>*Non-Executive and Independent Chairman*<br>• Chairman since 1 May 10<br>• Board member since 16 Nov 09<br>• Last re-elected on 23 Apr 15 | 5 | 4 | 16 | 5 | 4 | 4 | 1 | 1 | **Total: 1,870,263** | 1,272,600 | 545,400 | 52,263 |
| **Dr Bart Broadman, 54**<br>*Non-Executive and Independent Director*<br>• Board member since 17 Dec 08<br>• Last re-elected on 28 Apr 14 | 5 | – | – | – | 3 | 3 | 1 | 1 | **Total: 219,000** | 153,300 | 65,700 | – |
| **Ms Euleen Goh, 60**<br>*Non-Executive and Independent Director*<br>• Board member since 01 Dec 08<br>• Last re-elected on 29 Apr 13 | 5 | 4 | 16 | – | 4 | 4 | 1 | 1 | **Total: 366,278** | 252,350 | 108,150 | 5,778 |
| **Mr Ho Tian Yee, 63**<br>*Non-Executive and Independent Director*<br>• Board member since 29 Apr 11<br>• Last re-elected on 28 Apr 14 | 5 | 4 | – | – | 4 | – | 1 | 1 | **Total: 208,500** | 145,950 | 62,550 | – |
| **Mr Nihal Kaviratne, 71**<br>*Non-Executive and Independent Director*<br>• Board member since 29 Apr 11<br>• Last re-appointment on 23 Apr 15 | 5 | – | – | 5 | 4 | – | 1 | 1 | **Total: 250,500** | 175,350 | 75,150 | – |
| **Mr Andre Sekulic, 65**<br>*Non-Executive and Independent Director*<br>• Board member since 26 Apr 12<br>• Last re-elected on 23 Apr 15 | 5 | – | – | 5 | – | 3 | 1 | 1 | **Total: 265,000** | 185,500 | 79,500 | – |
| **Mr Danny Teoh, 60**<br>*Non-Executive and Independent Director*<br>• Board member since 1 Oct 10<br>• Last re-elected on 29 Apr 13 | 5 | 4 | – | 5 | 4 | – | 1 | 1 | **Total: 295,500** | 206,850 | 88,650 | – |

| Director *independence status* | Meetings attendance record (1 January to 31 December 2015) | | | | | | | | Total Directors' remuneration for 2015 (SGD) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | BOD[1] | NC[2] | EXCO[3] | AC[4] | BRMC[5] | CMDC[6] | AGM | EGM | Directors' fees[a] (SGD) | Share-based remuneration[b] (SGD) | Others[c] (SGD) |
| | No. of meetings held in 2015 | | | | | | | | | | |
| | 5 | 4 | 16 | 5 | 4 | 4 | 1 | 1 | | | |
| **Mrs Ow Foong Pheng, 52**<br>*Non-Executive and Non-Independent Director*<br>• Board member since 26 Apr 12<br>• Last re-elected on 23 Apr 15 | 5 | 4 | – | 5 | – | – | 1 | 1 | **Total: 213,500[d]**<br>213,500[d] | – | – |
| **Mr Piyush Gupta, 56**<br>*Executive Director/CEO*<br>• Board member since 9 Nov 09<br>• Last re-elected on 28 Apr 14 | 5 | 1# | 16 | 5# | 4# | 4# | 1 | 1 | Please refer to the Remuneration Report on page 73 of this Annual Report for details on the CEO's compensation | | |

*• Appointment Dates*
*# Mr Gupta attended these meetings at the invitation of the respective committees*

*(1) Board of Directors (BOD)*
*(2) Nominating Committee (NC)*
*(3) Board Executive Committee (EXCO)*
*(4) Audit Committee (AC)*
*(5) Board Risk Management Committee (BRMC)*
*(6) Compensation and Management Development Committee (CMDC)*

*(a) Fees payable in cash, in 2016, for being a Director in 2015. This is 70% of each Director's total remuneration and is subject to shareholder approval at the 2016 AGM*
*(b) This is 30% of each Director's total remuneration and shall be granted in the form of the Company's ordinary shares. The actual number of the Company's ordinary shares to be awarded will be rounded down to the nearest share, and any residual balance will be paid in cash. This is subject to shareholder approval at the 2016 AGM*
*(c) Represents non-cash component and comprises (i) for Mr Peter Seah: car and driver, and (ii) for Ms Euleen Goh: carpark charges*
*(d) Director's remuneration payable to Mrs Ow Foong Pheng will be paid fully in cash to a government agency, the Directorship & Consultancy Appointments Council*

*(Note: Directors are also paid attendance fees for Board and Board committee meetings, as well as for attending the AGM and the annual Board offsite)*

## Controls

### Board's commentary on adequacy and effectiveness of internal controls

The Board has received assurance from the CEO and CFO that, as at 31 December 2015:

(a) the Group's financial records have been properly maintained, and the financial statements give a true and fair view of the Group's operations and finances; and

(b) the Group's risk management and internal control systems were adequate and effective to address financial, operational, compliance and information technology risks which the Group considers relevant and material to its operations.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, reviews performed by management and various Board committees and assurances received from the CEO and CFO, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls and risk management systems were adequate and effective as at 31 December 2015 to address financial, operational, compliance and information technology risks which the Group considers relevant and material to its operations.

The Board notes that the internal controls and risk management systems provide reasonable, but not absolute, assurance that the Group will not be affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. In this regard, the Board also notes that no system can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, fraud or other irregularities.

**Internal controls framework**

Our internal controls framework covers financial, operational, compliance and information technology controls, as well as risk management policies and systems. The Board, supported by the AC and BRMC, oversees the Group's system of internal controls and risk management.

DBS has three lines of defence when it comes to risk taking where each line of defence has a clear responsibility.

| Board / CEO / Senior Management — Provides oversight of the 3 lines of defence | | Responsibility | Function | Key activities |
|---|---|---|---|---|
| | First line of defence | Strategy, performance and risk management | Business units, countries and support units | Identification and management of risk in the businesses |
| | Second line of defence | Policy and monitoring | Corporate oversight and control functions | Framework, risk oversight and reporting |
| | Third line of defence | Independent assurance | Group audit | Independent challenge and review of adequacy and effectiveness of processes and controls |

Working closely with the support units, our business units are our first line of defence for risk. This includes identification and management of risks inherent in their businesses/countries and ensuring that we remain within approved boundaries of our risk appetite and policies.

Corporate oversight and control functions such as Risk Management Group (RMG), Group Compliance, Group Legal and Group Technology & Operations form the second line of defence, and are responsible for design and maintenance of the internal control frameworks covering financial, operational, compliance and information technology controls as well as risk management policies and systems. In addition, RMG is responsible for identifying individual and portfolio risk, approving transactions and trades and ensuring that they are within approved limits, and monitoring and reporting on the portfolio. These are done in view of current and future potential developments, and evaluated through stress testing.

Group Audit forms the third line of defence. It provides an independent assessment and assurance on the reliability, adequacy and effectiveness of our system of internal controls, risk management procedures, governance framework and processes.

**Assessing the effectiveness of internal controls**

The Group has a risk management process that requires all units to perform a half-yearly Control Self Assessment (CSA) to assess the effectiveness of their internal controls. In addition, all units of the Group are required to submit quarterly attestations on their controls relating to the financial reporting process, and annual attestations on their compliance with the overall internal controls framework. Based on the CSA and the quarterly and annual attestations, the CEO and CFO provide an annual attestation to the AC relating to adequacy and effectiveness of the Group's risk management and internal control systems. Group Audit performs regular independent reviews to provide assurance on the adequacy and effectiveness of the Group's internal controls on risk management, control and governance processes. The overall adequacy and effectiveness of the Group's internal controls framework is reviewed by the AC and BRMC.

## Group audit

**Key responsibilities and processes**
Group Audit is independent of the activities it audits. Its objectives, scope of authority and responsibilities are defined in the Audit Charter, which is approved by the AC. Group Audit reports functionally to the Chairman of the AC and administratively to the CEO.

Group Audit's responsibilities include:

(i) Evaluating the reliability, adequacy and effectiveness of the Group's risk management and internal controls systems, including whether there is prompt and accurate recording of transactions and proper safeguarding of assets;

(ii) Providing an objective and independent assessment of the Group's credit portfolio quality, the execution of approved credit portfolio strategies and control standards relating to credit management processes;

(iii) Reviewing whether the Group complies with laws and regulations and adheres to established policies; and

(iv) Reviewing whether management is taking appropriate steps to address control deficiencies

Group Audit adopts a risk-based approach in its auditing activities. An annual audit plan is developed using a structured risk and control assessment framework through which the inherent risk and control effectiveness of each auditable entity in the Group is assessed. The assessment also covers risks arising from new lines of business or new products. Audit projects are planned based on the results of the assessment, with priority given to auditing higher risk areas and as required by regulators.

Group Audit has unfettered access to the AC, the Board and management, as well as the right to seek information and explanation. Group Audit has an organisational and strategic alignment to the Group. The head of Group Audit has a seat in the Group Management Committee, and attends all the business reviews and strategic planning forums. In each of the five key locations outside Singapore, the country head of audit also sits in the country management team.

Group Audit adheres to the Code of Conduct and the Code of Ethics established by the Institute of Internal Auditors (IIA). It is also guided by the Mission Statement in the Audit Charter and has aligned its practices with the latest International Professional Practices Framework released in July 2015 by IIA. Group Audit's effectiveness is measured with reference to the IIA's new set of Ten Core Principles for the professional practice of internal auditing.

Audit reports containing identified issues and corrective action plans are reported to the AC and senior management. Progress of the corrective action plans is monitored and past due action plans are included in regular reports to the senior management and the AC.

Group Audit apprises the regulators and external auditors of all relevant audit matters. It works closely with the external auditor to coordinate audit efforts.

**Quality assurance and key developments**
In line with leading practices, Group Audit has a quality assurance and improvement programme (QAIP) that covers all aspects of its audit activity and conforms to the International Standards for the Professional Practice of Internal Auditing. As part of our QAIP programme, external quality assessment reviews (QAR) are carried out at least once every five years by qualified professionals from an external organisation. The most recent assessment was conducted in 2013 by KPMG. KPMG also conducts Group Audit's quarterly internal QARs in 2014 and 2015.

In 2015, Group Audit achieved several milestones: (a) Group Audit was inducted into the SIAS Hall of Fame for Internal Audit Excellence. This reflects the recognition by the industry for exemplary corporate governance and transparency. (b) Group Audit won the "IES Prestigious Engineering Achievement Award 2015 – Technology Innovation" for a predictive auditing project on Branch Risk Profiling – in collaboration with A*Star Institute of Infocomm Research (I2R). The Award from the Institute of Engineering Singapore (IES) is the first ever to be won by a financial institution.

Group Audit continues to leverage on technology and automation in providing greater insights and timely warnings on emerging risks. Besides industrialising the use of computer-assisted auditing techniques for Continuous Auditing, Group Audit collaborates with A*Star (I2R) in developing predictive models to anticipate emerging risks.

**Significant incident protocol and Code of Conduct**
The Group has a significant incident protocol that sets out processes and procedures for incidents according to the level of severity. In this way, appropriate levels of management are made aware of such incidents and can take action accordingly. There are also well-defined procedures for the escalation, investigation and follow up of any reported wrong-doing by a DBS employee, customer, vendor or third party.

All employees of the Group are required to read and acknowledge the Code of Conduct on an annual basis. Members of the public may access the Code of Conduct on the Group's website, as well as write in via an electronic feedback form on the website.

The Code of Conduct encourages employees of the Group to report their concerns to the Group's dedicated, independent investigation team within Group Compliance which handles whistle-blowing cases according to a well defined protocol. Alternatively, in case of actual or potential conflict of interest or fear of retribution, employees of the Group may write in confidence to Human Resources, Group Audit, or even the CEO or Chairman. In addition, employees of the Group have the option of using the 'DBS Speak Up' service.

*Please refer to 'Whistle-blowing policy' on page 66 of this Annual Report.*

## The DBS Code of Conduct ("Code of Conduct"):

- Sets out the principles and standards of behaviour that are expected of employees of the Group (including part-time and temporary employees) when dealing with customers, business associates, regulators and colleagues. The principles covered in the Code of Conduct include professional integrity, confidentiality, conflicts of interests, fair dealings with customers and whistle-blowing
- Defines the procedures for employees of the Group to report incidents and provides protection for those staff for these disclosures

**Related party transactions**
The Group has embedded procedures to comply with all regulations governing related party transactions, including those in the Banking Act, MAS directives and the SGX Listing Rules. The Banking Act and MAS directives impose limits on credit exposures by the Group to certain related entities and persons, while the SGX Listing Rules cover interested person transactions in general.

All new Directors are briefed on all relevant provisions that affect them. If necessary, existing credit facilities to related parties are adjusted prior to a Director's appointment, and all credit facilities to related parties are continually monitored. The Group has robust procedures to manage potential conflict of interest between a Director and the Group. Checks are conducted before the Group enters into credit or other transactions with related parties to ensure compliance with regulations.

As required under the SGX Listing Rules, the following are details of interested person transactions in 2015. These interested person transactions are for the purpose of carrying out day-to-day operations such as leasing of premises, telecommunication/ data services, IT systems and related services, logistics as well as security services.

| Name of interested person | Aggregate value of all interested person transactions in 2015 (excluding transactions less than SGD 100,000) |
|---|---|
| Aetos Holdings Pte Ltd Group | 2,384,586 |
| Ascendas-Singbridge Pte Ltd Group | 12,087,343 |
| CapitaLand Limited Group | 155,941,049 |
| Certis CISCO Security Pte Ltd Group | 30,198,620 |
| Mapletree Investments Pte Ltd Group | 3,362,857 |
| MediaCorp Pte Ltd Group | 5,040,000 |
| SATS Ltd Group | 387,000 |
| Singapore Power Limited Group | 4,858,260 |
| Singapore Technologies Telemedia Pte Ltd Group | 164,000 |
| Singapore Telecommunications Limited Group | 57,517,128 |
| SMRT Corporation Ltd Group | 1,558,656 |
| StarHub Ltd Group | 7,910,938 |
| Total Interested Person Transactions (SGD) | 281,410,437 |

**Material contracts**
Since the end of the previous financial year, no material contracts involving the interest of any Director or controlling shareholder of the Group has been entered into by the Group or any of its subsidiary companies, and no such contract subsisted as at 31 December 2015, save as disclosed via SGXNET.

**Dealings in securities**
In conformance with the "black-out" policies prescribed under SGX Listing Rules, the Group's Directors and employees are prohibited from trading in the Group's securities one month before the release of the full-year results and two weeks before the release of the first, second and third quarter results. In addition, business units and subsidiaries engaging in proprietary trading are restricted from trading in the Group's securities during the black-out period. Group Secretariat informs all Directors and employees of each black-out period ahead of time.

In addition, Group Management Committee members are only allowed to trade in the Group's securities within specific window periods (15 market days immediately following the expiry of each black-out period) subject to pre-clearance. Group Management Committee members are also required to obtain pre-approval from the CEO before any sale of the Group's securities. Similarly, the CEO is required to seek pre-approval from the Chairman before any sale of the Group's securities. As part of our commitment to good governance and the principles of share ownership by senior management, the CEO is expected to build up and hold at least the equivalent of three times his annual base salary as shareholding over time. Directors and officers are prohibited at all times from trading in the Group's securities if they are in possession of material non-public information. The Group has put in place a personal investment policy which prohibits employees with access to price-sensitive information in the course of their duties from trading in securities in which they possess such price-sensitive information. Such employees are also required to seek pre-clearance before making any personal trades in securities, and may only trade through the Group's stockbroking subsidiaries and bank channels for securities listed in Singapore and Hong Kong. The personal investment policy discourages employees from engaging in short-term speculative trading, and states that investment decisions should be geared towards long-term investment.

## Culture

We believe that effective safeguards against undesired business conduct have to go beyond a "tick-the-box" mentality. In DBS, other than relying on published codes of conduct, we also advocate the following organisational safeguards to maintain a strong risk and governance culture.

- Tone from the top: The tone set by the Board and senior management is vital; it is equivalent to the moral compass of the organisation. In addition to having in place comprehensive policies, we conduct a robust self-assessment on the Group's risk culture
- Aligning strategies and incentives via balanced scorecard: Please refer to the section "Our 2015 Priorities" on page 27 of this Annual Report for more information
- Respecting voice of control functions: We believe that respect for the voice of the control functions is a key safeguard. We ensure that control functions are well integrated into our organisational structure so that they can properly discharge their responsibilities
- Risk ownership: Please refer to page 63 of this Annual Report for details on our three lines of defence
- Having established escalation protocols: We designed a notification protocol that makes it mandatory for staff to report significant incidents. This means that the organisation is prepared to receive bad news and take necessary remedial actions without shooting the messengers
- Encouraging constructive challenges at all levels: More fundamentally, we inculcate a culture that encourages constructive challenges and debate, where all views are evaluated for decision-making. We also operate a culture where we actively engage the Board for their views early
- Reinforcing cultural alignment: Finally, we conscientiously reinforce our cultural norms by rewarding right behaviours and censuring wrong ones

### Whistle-blowing policy

#### DBS Speak Up service

DBS Speak Up is a hotline service run by an independent external party that gives employees of the Group the opportunity to speak up on misconduct and/or wrong-doing by a DBS employee, customer, vendor or third party.

DBS Speak Up service includes:
- A dedicated hotline number, website, email address, fax number and postal address for reporting of suspected incidents of misconduct and wrongdoing
- Specialist call centre operators with knowledge of individual organisations
- Expert forensic investigators to analyse reports
- Timely reporting of incidents to dedicated representatives within an organisation
- Recommendations on corrective action

### Focus on our shareholders

**Shareholder rights**

The Group's robust corporate governance culture and awareness promote fair and equitable treatment of all shareholders. All shareholders enjoy specific rights under the Singapore Companies' Act and the Company's Articles of Association. All shareholders are treated fairly and equitably.

These rights include, among others, the right to participate in profit distributions and the right to attend and vote at general meetings. Ordinary shareholders are entitled to attend and vote at the AGM by person or proxy. Pursuant to the introduction of the new multiple proxies regime under the Singapore Companies (Amendment) Act 2014, indirect investors who hold DBSH shares through a nominee company or custodian bank or through a CPF agent bank may attend and vote at the AGM.

The Group respects the equal information rights of all shareholders and is committed to the practice of fair, transparent and timely disclosure. All price-sensitive information is publicly released prior to any sessions with individual investors or analysts.

**Communication with shareholders**

The Board provides shareholders with quarterly and annual financial reports. In presenting these statements, the Board aims to give shareholders a balanced assessment of the Group's financial performance and position. The Board also ensures timely and full disclosure of material corporate developments to shareholders.

The Group's investor relations activities promote regular, effective and fair communication with shareholders. Briefing sessions for the media and analysts are conducted when quarterly results are released. All press statements and quarterly financial statements are published on our website and the SGX website. A dedicated investor relations team supports the CEO and the CFO in maintaining a close and active dialogue with institutional investors. The Group's website provides contact details for investors to submit their feedback and raise any questions.

During the year, management met investors at more than 350 one-on-one and group meetings. Management participated in nine local and foreign investor conferences and non-deal road shows. These meetings provide a forum for management to explain the Group's strategy and financial performance. Management also uses meetings with investors and analysts to solicit their perceptions of the Group.

The Group has a disclosure policy to ensure that all disclosures of material information are timely, complete and accurate. The policy sets out how material information should be managed to prevent selective disclosure. Our Group Disclosure Committee (GDC) assists the CEO and CFO in implementing the Group's disclosure policy. The GDC's objectives are to: (a) periodically review the Group's disclosure policy and update it as needed, (b) ensure that all material disclosures are appropriate, complete and accurate, and (c) ensure selective or inadvertent disclosure of material information is avoided.

At the IR Magazine Awards and Conference South East Asia 2015, the Group won for the second consecutive year both the Grand Prix for Best Overall Investor Relations (large cap) and the Best Investor Relations by a Singaporean company. The Group also won the Best Sustainability Practice award and, for the fifth consecutive year, the Best Investor Relations in the Financial (excluding Real Estate) Sector. The Group's efforts to improve disclosure continued to be recognised at the 2015 SIAS Investors' Choice Awards, where it won the Golden Circle Award for the Most Transparent Company.

**Conduct of shareholder meetings**

The AGM provides shareholders with the opportunity to share their views and to meet the Board, including the chairpersons of the Board committees and certain members of senior management. The Group's external auditor is available to answer shareholders' queries.

At the AGM, the Group's financial performance for the preceding year is presented to shareholders.

At general meetings, the Chairman plays a pivotal role in fostering constructive dialogue between shareholders, Board members and management. The Group encourages and values shareholder participation at its general meetings.

In accordance with the recommendations contained in the Code and the Guidelines, resolutions requiring shareholder approval are tabled separately for adoption at the Company's general meetings unless they are closely related and are more appropriately tabled together.

**Starting from 2015, the minutes of our AGM and EGM may be accessed via our website. We have disclosed the names of the Directors and senior executives who attended the 2015 AGM and EGM as well as detailed records of the proceedings including the questions raised by the meeting attendees.**

## Electronic poll voting process

To enhance shareholder participation, the Group puts all resolutions at general meetings to vote by electronic poll and announces the results by showing the number of votes cast for and against each resolution and the respective percentage.

The Group appoints an independent external party as scrutineers for the electronic poll voting process. Prior to the commencement of the AGM/EGM, the scrutineers would review the proxies and the proxy process. The Group also has a proxy verification process which has been agreed upon with the scrutineers.

At the DBS AGM/EGM, mobile devices are used for poll voting.

When shareholders register their attendance at the meeting, they are handed the mobile device with details of their shareholding registered to the device. The shareholder is able to view his or her name and shareholding details which are clearly displayed on the device.

When the Chairman opens the poll on a resolution, the shareholder presses the relevant voting button on the device. Upon vote submission, the shareholder will receive a vote response acknowledgment on the device.

The results of the electronic poll voting are announced immediately after each resolution has been put to a vote, and the number of votes cast for and against and the respective percentage are displayed in real-time at the AGM/ EGM. The Group maintains an audit trail of all votes cast at the AGM/EGM. The outcome of the AGM/EGM (including detailed results of the poll vote for each resolution) is promptly disclosed on SGXNET after the meetings, on the same day of the AGM/EGM.

# Remuneration Report

**At DBS, we believe that our long-term success depends in large measure on the contributions of our employees. Our remuneration framework is designed to be consistent with market best practices while supporting our aim of driving business strategy and creating long-term shareholder value. Remuneration policies and practices as set out in the following report are governed by a set of sound principles which are in compliance with various regulatory requirements.**

## 1 Objectives of DBS Group remuneration strategy

DBS' remuneration policy, which is applicable to DBS Bank and all our subsidiaries and overseas offices, seeks to ensure that we are able to attract, motivate and retain employees to deliver long-term shareholder returns taking into consideration risk management principles and standards set out by the Financial Stability Board (FSB) and the Code. There has been no significant change made to our remuneration policy in 2015.

When formulating our remuneration strategy, consideration was given to align our remuneration approach with DBS PRIDE! values in order to drive desired behaviours and achieve the objectives set out in our balanced scorecard.

The following shows the three main thrusts of our remuneration strategy and how they are implemented within DBS:

| Main thrusts | How |
|---|---|
| Pay for performance measured against the balanced scorecard | • Instill and drive a pay-for-performance culture<br>• Ensure close linkage between total compensation and our annual and long-term business objectives as measured through the balanced scorecard<br>• Calibrate mix of fixed and variable pay to drive sustainable performance and alignment to DBS PRIDE! values, taking into account both the "what" and "how" of achieving KPIs |
| Provide market competitive pay | • Benchmark our total compensation against other organisations of similar size and standing in the markets we operate in<br>• Drive performance differentiation by benchmarking total compensation for top performing employees against the upper quartile or higher in each market |
| Guard against excessive risk-taking | • Focus on achieving risk-adjusted returns that are consistent with our prudent risk and capital management, as well as emphasis on long-term sustainable outcomes<br>• Design payout structure to align incentive payments with the long-term performance of the company through deferral and clawback arrangements |

## 2 Summary of current total compensation elements

An employee's total compensation is made up of the following elements:

| Total compensation | Fixed pay | Variable pay | Variable pay |
|---|---|---|---|
| | Salary + | Cash bonus + | Long-term incentive |

The table below provides a breakdown of total compensation elements, their purpose and link to our compensation strategy, and the policy governing their execution.

| Elements | What | Why and linkages to strategy | How |
|---|---|---|---|
| **Fixed pay** | **Salary** | • Attract and retain talent by ensuring our fixed pay is competitive vis-a-vis comparable institutions | • Set at an appropriate level taking into account market dynamics, skills, experience, responsibilities, competencies and performance of the employee<br>• Paid in cash monthly<br>• Typically reviewed annually |
| **Variable pay** | **Cash bonus & long-term incentive** | • Provide a portion of total compensation that is performance-linked<br>• Focus employees on the achievement of objectives which are aligned to value creation for our shareholders and multiple stakeholders<br>• Align to time horizon of risk | • Based on overall Group, business or support unit and individual performance<br>• Measured against a balanced scorecard which is agreed to at the start of the year<br>• Awards in excess of a certain threshold are subject to a tiered deferral rate that ranges from 20% to 60%<br>• Deferred remuneration is paid in restricted shares and comprises two elements: the main award and the retention award (constituting 20% of the shares given in the main award and designed to retain talent and compensate staff for the time value of deferral)<br>• Deferred awards vest over four years<br>• Unvested deferred share awards are subject to clawback |

## 3 Determination of variable pay pool

The variable pay pool is derived from a combination of a bottom-up and top-down approach. It is underpinned by our aim to drive a pay-for-performance culture which is aligned to our risk framework.

| | | |
|---|---|---|
| **Determining total variable pool** | A function of net profit before tax benchmarked against market and calibrated against the following prisms:<br>• Risk adjustment through review of Returns on Risk-Adjusted Capital (RoRAC)<br>• Distribution of earnings between employees and shareholders | Modulated by our performance against balanced scorecard<br>• Comprises financial and non-financial metrics encompassing employees, customers, shareholders, risks and compliance objectives<br>• Evaluated by CMDC, with pool subsequently endorsed by the Board |
| **Allocating pool to business units** | Pool allocation takes into account the relative performance of each unit<br>• Measured through each unit's balanced scorecard and evaluated by the CEO | Inputs from control functions such as Audit, Compliance and Risk are sought. Country heads are also consulted in the allocation process |
| **Determining individual award** | Unit heads cascade their allocated pool to their teams and individuals<br>• Performance measurement through balanced scorecard | Individual variable pay determined based on individual performance<br>• Linked to achievement of quantitative as well as qualitative objectives as set out in individual's key performance indicators (KPIs) |

Control functions (Risk, Finance, Compliance and Audit) are measured independently from the business units they support to prevent any conflicts of interests. The remuneration of the Chief Risk Officer (CRO) and Group Head of Audit are endorsed by the Chairman of BRMC and AC respectively and subsequently endorsed by the Board.

Sales employees are incentivised to promote the development of mutually beneficial long-term relationships with their customers, rather than a sole focus on short term gains. Non-financial metrics such as customer satisfaction and compliance with fair dealing principles are incorporated into their KPIs.

## 4 Long-term share incentives

| Plan objectives | Award types |
| --- | --- |
| • Foster a culture that aligns employees' interests with shareholders<br>• Enable employees to share in the bank's performance<br>• Talent retention | • Annual Deferred Remuneration<br>  • DBSH Share Plan ("Share Plan") for Vice President & above<br>  • DBSH Employee Share Plan ("ESP") for Assistant Vice President & below<br>• Awards as part of talent retention ("Special Award") |

### Award elements

• Long-term share incentives are delivered in the form of restricted share awards ("Share Awards") which comprise two elements:

**Main Award** + **Retention Award*** → **Long-term incentive**

* *Constitutes 20% of Main Award under the Annual Deferred Remuneration*

| Vesting schedule | Clawback of unvested awards |
| --- | --- |
| **Main Award**<br>• 33% vest two years after grant date<br>• Another 33% vest three years after grant date<br>• Remaining 34% vest four years after grant date<br><br>**Retention Award**<br>• 100% vest four years after grant date | Clawback will be triggered by<br>• Material violation of risk limits<br>• Material losses due to negligent risk-taking or inappropriate individual behaviour<br>• Material restatement of DBS' financials due to inaccurate performance measures<br>• Misconduct or fraud |

*Details of the Share Plan appear on pages 174 to 175 of the Annual Report.*

# 5 Summary of 2015 remuneration outcomes

### Senior management and material risk takers

The balance between fixed and variable elements of total compensation changes according to performance, rank and function. This is in line with the FSB principle of ensuring that employee incentives remain focused on prudent risk-taking and effective control, depending on the employee's role.

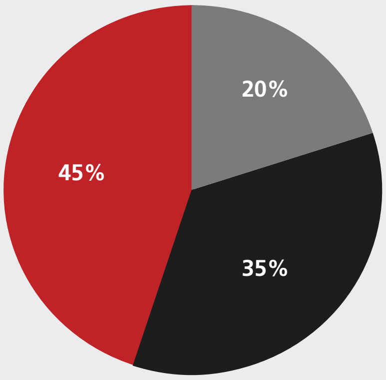
It is aimed at incentivising employees whose decisions can have a material impact on DBS to adopt appropriate risk behaviours. These employees include senior management, key personnel at business units and senior control staff. We define this group of staff based on their roles, quantum of their variable remuneration and the ratio of their variable to fixed pay.

In 2015, an external management consulting firm, Oliver Wyman, was engaged to provide an independent review of the Group's compensation system and processes to ensure compliance with the FSB Principles for Sound Compensation Practices. Oliver Wyman and its consultants are independent and not related to us or any of our Directors.

During the year, we recorded strong performance against the balanced scorecard. Against a backdrop of slow global growth and significant market volatility, we managed to grow the DBS franchise. Net interest margin was at a multi-year high, while fee income grew 6% from a year ago. The bank's solid performance is underpinned by strong financial discipline and risk management. We also continued to make headway in creating a differentiated culture around embracing digital, in order to make banking simpler and more seamless for customers. DBS is also increasingly lauded for our innovation efforts and improved customer satisfaction.

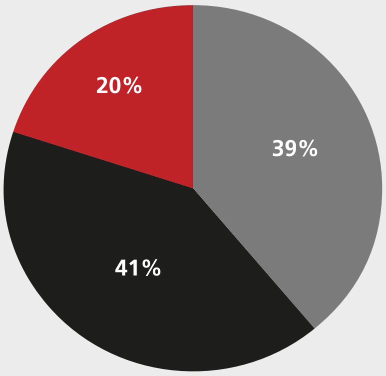
The following charts show the mix of fixed and variable pay for senior management and material risk takers in respect of performance year 2015.

**Senior management**




*Note:*
*We do not provide any other forms of fixed and variable remuneration aside from those disclosed in this section*

**Material risk takers**




- **Fixed pay**
- **Variable pay-cash**
- **Variable pay-deferred shares (including retention shares)**

Senior Management (SM) is defined as the CEO and members of the Group Management Committee who have the authority and responsibility for the Group's overall direction and executing to strategy.

Material risk takers (MRTs) are defined as employees whose duties require them to take on material risk on our behalf in the course of their work. These can be either individual employees or a group of employees who may not pose a risk to DBS' financial soundness on an individual basis, but may present a material risk collectively.

**Table 1: Guaranteed bonuses, sign-on bonuses and severance payments**

| Category | SM | MRTs |
|---|---|---|
| Number of guaranteed bonuses | 0 | 0 |
| Number of sign-on bonuses | 2 | 9 |
| Number of severance payments | 0 | 0 |
| Total amounts of above payments made during the Financial Year (SGD '000) | 4,991* | |

* *Due to data confidentiality, the total amount of payments for SM and MRTs have been aggregated for reporting*

### Table 2: Breakdown of long-term remuneration awards

| Category | SM | MRTs |
|---|---|---|
| **Change in deferred remuneration awarded in current financial year[1]** | 5 (3)[4]% | 11 (6)[4]% |
| **Change in amount of outstanding deferred remuneration from previous financial year[2]** | -16[3] (-17)[4]% | -18[3] (-18)[4]% |
| **Outstanding deferred remuneration (breakdown):** | | |
| Cash | 0 | 0 |
| Shares & share-linked instruments | 100% | 100% |
| Other forms of remuneration | 0 | 0 |
| **Total** | **100%** | **100%** |
| **Outstanding deferred remuneration (performance adjustments):** | | |
| Of which exposed to ex-post adjustments | 100% | 100% |
| Reductions in current year due to ex-post adjustments (explicit) | – | – |
| Reductions in current year due to ex-post adjustments (implicit)[2] | 16[3] (17)[4]% | 18[3] (18)[4]% |
| **Outstanding retained remuneration (performance adjustments):** | | |
| Of which exposed to ex-post adjustments | – | – |
| Reductions in current year due to ex-post adjustments (explicit) | – | – |
| Reductions in current year due-to ex-post adjustments (implicit) | – | – |
| **Headcount** | 20 | 288 |

*(1) Value of DBSH ordinary shares (including retention shares) granted in respect of performance year 2015 vs. value of DBSH ordinary shares (including retention shares) granted in respect of performance year 2014. Share price taken at date of grant*
*(2) [No. of unvested DBSH ordinary shares as at 31 Dec 15 x share price as at 31 Dec 15] / [No. of unvested DBSH ordinary shares as at 31 Dec 14 x share price as at 31 Dec 14]*
*(3) The reduction is mainly due to the difference in share prices as at 31 Dec 2015 and 31 Dec 2014*
*(4) Figures in parentheses show the change in deferred remuneration awarded if the same population of staff that fulfils the definition of SM and MRTs for both performance year 2015 and 2014 is used*

*Examples of explicit ex-post adjustments include malus, clawbacks or similar reversal or downward revaluations of awards.*

*Examples of implicit ex-post adjustments include fluctuations in the value of DBSH ordinary shares or performance units.*

*Other Provisions*
*We do not allow accelerated payment of deferred remuneration except in cases such as death in service or where legally required.*
*There are no provisions for:*
- *Special executive retirement plans;*
- *Golden parachutes or special executive severance packages; and/or*
- *Guaranteed bonuses beyond one year*

## Chief Executive Officer

Our CEO (Mr Piyush Gupta) has led DBS since November 2009. During his tenure, DBS has grown from strength to strength, and the bank is today firmly entrenched as a leading Asian bank and the largest bank in Southeast Asia. DBS' 2015 earnings have more than doubled to SGD 4.45 billion from 2010. Income grew 12% from a year ago to SGD 10.8 billion, crossing the SGD 10 billion mark for the first time. Net interest margin was at a multi-year high, while fee income grew 6% from a year ago. Return on equity rose to 11.2% from 10.9%.

All this has been made possible through focused execution against a clearly-defined strategic roadmap and, as a result, we have built a broad-based and sustainable regional franchise with multiple business engines. The bank's solid performance is also underpinned by strong financial discipline and risk management. Well-defined management processes allow for focused and disciplined execution of priorities across all businesses and countries.

DBS also continued to make headway in creating a differentiated culture around embracing digital, in order to make banking simpler and more seamless for customers. We are also increasingly lauded for our innovation efforts and improved customer satisfaction. During the year, our employees are encouraged to embrace a digital mindset through experiential learning and experimentation through programmes such as DBS Hackathons, where they work with start-ups to develop solutions to business challenges.

On the employee front, the DBS workforce remains one of the most engaged. In 2015, we achieved an employee engagement score of 79%, higher than the APAC FSI (Financial Services Industry) score. As a result, our employee turnover is among the lowest in the markets we operate in as people choose to grow with DBS. With the establishment of the DBS Foundation, the bank also supports social enterprises, and gives back to the community.

On the back of these achievements, the CMDC with the Board's endorsement has decided on the remuneration for the CEO, taking into account our strong and sustained performance despite slower global growth and significant market volatility. This is further considered taking into account competitiveness of the CEO's compensation package and our commitment to creating long-term value for all of our stakeholders, while delivering risk-adjusted returns which contribute towards sustainable shareholder value creation.

**Breakdown of remuneration for performance year 2015 (1 January – 31 December)**

| | Salary remuneration SGD | Cash bonus (1) SGD | Share Plan (3) SGD | Others (2) SGD | Total (4) SGD |
|---|---|---|---|---|---|
| Mr Piyush Gupta | 1,200,000 | 4,117,000 | 5,563,000 | 55,439 | 10,935,439 |

*(1) The amount has been accrued in 2015 financial statements*
*(2) Represents non-cash component and comprises club, car and driver*
*(3) At DBS, dividends on unvested shares do not accrue to employees. For better comparability with other listed companies, this figure excludes the estimated value of retention shares amounting to SGD 1,112,600, which serve as a retention tool and compensate staff for the time value of deferral. This is also similar in nature to practices in those companies which provide accrual of dividends for deferred awards*
*(4) Refers to current year performance remuneration – includes fixed pay in current year, cash bonus received in following year and DBSH ordinary shares granted in following year*

## Other key executives

Although the Code and the Guidelines recommend that at least the top five key executives' remuneration be disclosed within bands of SGD 250,000 and in aggregate, the Board believes that such disclosure would be disadvantageous to our business interests, given the highly competitive conditions in the banking industry where poaching of executives is commonplace. Nonetheless, the aggregated total remuneration for our Senior Management (excluding the CEO) in 2015 amounts to SGD 55.9 million.

# Summary of disclosures

**Express disclosure requirements in the Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are incorporated in Singapore (which comprises the Code of Corporate Governance 2012), and the applicable disclosures pursuant to the Corporate Governance Disclosure Guide issued by the Singapore Exchange on 29 January 2015.**

| Principle and guidelines | Page reference in DBS Annual Report 2015 |
|---|---|
| Guideline 1.3<br>Delegation of authority, by the Board to any Board committee, to make decisions on certain Board matters | Pages 53 to 59 |
| Guideline 1.4<br>The number of meetings of the Board and Board committees held in the year, as well as the attendance of every Board member at these meetings | Pages 61 to 62 |
| Guideline 1.5<br>The type of material transactions that require Board approval under guidelines | Page 60 |
| Guideline 1.6<br>The induction, orientation and training provided to new and existing Directors | Page 55 |
| Guideline 1.16<br>An assessment of how these programmes meet the requirements as set out by the NC to equip the Board and the respective Board committees with relevant knowledge and skills in order to perform their roles effectively | Page 55 |
| Guideline 2.1<br>Compliance with the guideline on proportion of independent Directors on the Board | Pages 54 to 55 |
| Guideline 2.3<br>The Board should identify in the Company's Annual Report each Director it considers to be independent. Where the Board considers a Director to be independent in spite of the existence of a relationship as stated in the Code that would otherwise deem a Director not to be independent, the nature of the Director's relationship and the reasons for considering him as independent should be disclosed | Pages 54 to 55 |
| Guideline 2.4<br>Where the Board considers an independent Director, who has served on the Board for more than nine years from the date of his first appointment, to be independent, the reasons for considering him as independent should be disclosed | Not applicable |
| Guideline 2.6<br>(a) The Board's policy with regard to diversity in identifying Director nominees<br>(b) Whether current composition of the Board provides diversity on skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate<br>(c) Steps that the Board has taken to achieve the balance and diversity necessary to maximise its effectiveness | Pages 49, 50 and 54 |
| Guideline 2.13<br>Names of the members of the EXCO and the key terms of reference of the EXCO, explaining its role and the authority delegated to it by the Board | Page 56 |
| Guideline 3.1<br>Relationship between the Chairman and the CEO where they are immediate family members | Not applicable |

| Principle and guidelines | Page reference in DBS Annual Report 2015 |
|---|---|
| Guideline 4.1<br>Names of the members of the NC and the key terms of reference of the NC, explaining its role and the authority delegated to it by the Board | Page 54 |
| Guideline 4.4<br>(a) The maximum number of listed company Board representations which Directors may hold should be disclosed<br>(b) Reasons for not determining maximum number of listed company Board representations<br>(c) Specific considerations in deciding on the capacity of Directors | Page 55 |
| Guideline 4.6<br>Process for the selection, appointment and re-appointment of new Directors to the Board, including the search and nomination process | Page 54 |
| Guideline 4.7<br>Key information regarding Directors, including which Directors are executive, non-executive or considered by the NC to be independent | Pages 50, 54, 55, 61 and 62 |
| Guideline 4.13<br>Resignation or dismissal of key appointment holders | Not applicable |
| Guideline 4.14<br>Deviation and explanation for the deviation from the internal guidelines on time commitment referred to in Guidelines 4.4 and 4.10 | Page 55 |
| Guideline 5.1<br>The Board should state in the Company's Annual Report how assessment of the Board, its Board committees and each Director has been conducted. If an external facilitator has been used, the Board should disclose in the Company's Annual Report whether the external facilitator has any other connection with the Company or any of its Directors. This assessment process should be disclosed in the Company's Annual Report | Page 54 |
| Guideline 6.1<br>Types of information which the Company provides to independent Directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company, and how frequent is such information provided. | Pages 52, 58 and 63 |
| Guideline 7.1<br>Names of the members of the Remuneration Committee (RC) and the key terms of reference of the RC, explaining its role and the authority delegated to it by the Board | Page 58 |
| Guideline 7.3<br>Names and firms of the remuneration consultants (if any) should be disclosed in the annual remuneration report, including a statement on whether the remuneration consultants have any relationships with the Company | Page 71 |
| Principle 9<br>Clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration | Pages 68 to 71 |

| Principle and guidelines | Page reference in DBS Annual Report 2015 |
|---|---|
| Guideline 9.1<br>Remuneration of Directors, the CEO and at least the top five key management personnel (who are not also Directors or the CEO) of the Company. The annual remuneration report should include the aggregate amount of any termination, retirement and post-employment benefits that may be granted to Directors, the CEO and the top five key management personnel (who are not Directors or the CEO) | For the CEO and management:<br>Page 72<br>For the Company's other Directors:<br>Pages 61 to 62 |
| Guideline 9.2<br>Fully disclose the remuneration of each individual Director and the CEO on a named basis. There will be a breakdown (in percentage or dollar terms) of each Director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives | For the CEO:<br>Page 73<br>For the Company's other Directors:<br>Pages 61 to 62 |
| Guideline 9.3<br>Name and disclose the remuneration of at least the top five key management personnel (who are not Directors or the CEO) in bands of SGD 250,000. There will be a breakdown (in percentage or dollar terms) of each key management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives. In addition, the Company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not Directors or the CEO). As best practice, companies are also encouraged to fully disclose the remuneration of the said top five key management personnel | Page 73 |
| Guideline 9.4<br>Details of the remuneration of employees who are immediate family members of a Director or the CEO, and whose remuneration exceeds SGD 50,000 during the year. This will be done on a named basis with clear indication of the employee's relationship with the relevant Director or the CEO. Disclosure of remuneration should be in incremental bands of SGD 50,000 | Page 59 |
| Guideline 9.5<br>Details and important terms of employee share schemes | Pages 70, 174 and 175 |
| Guideline 9.6<br>For greater transparency, companies should disclose more information on the link between remuneration paid to the executive Directors and key management personnel, and performance. The annual remuneration report should set out a description of performance conditions to which entitlement to short-term and long-term incentive schemes are subject, an explanation on why such performance conditions were chosen, and a statement of whether such performance conditions are met | Pages 68 to 71 and 73 |
| Guideline 11.3<br>The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems. The commentary should include information needed by stakeholders to make an informed assessment of the Company's internal control and risk management systems. The Board should also comment on whether it has received assurance from the CEO and the CFO: (a) that the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (b) regarding the effectiveness of the Company's risk management and internal control systems | Page 63 |
| Guideline 11.14<br>Names of the members of the Board risk committee and the key terms of reference of the Board risk committee, explaining its role and the authority delegated to it by the Board | Pages 57 to 58 |

| Principle and guidelines | Page reference in DBS Annual Report 2015 |
| --- | --- |
| Guideline 12.1<br>Names of the members of the AC and the key terms of reference of the AC, explaining its role and the authority delegated to it by the Board | Pages 56 to 57 |
| Guideline 12.6<br>Aggregate amount of fees paid to the external auditors for that financial year, and breakdown of fees paid in total for audit and non-audit services respectively, or an appropriate negative statement | Page 57 |
| Guideline 12.7<br>The existence of a whistle-blowing policy should be disclosed in the Company's Annual Report | Page 66 |
| Guideline 12.8<br>Summary of the AC's activities and measures taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements | Pages 56 to 57 |
| Guideline 13.1<br>Whether the Company has an internal audit function | Pages 57 and 64 |
| Guideline 15.4<br>The steps the Board has taken to solicit and understand the views of the shareholders e.g. through analyst briefings, investor roadshows or Investors' Day briefings | Pages 66 to 67 |
| Guideline 15.5<br>Where dividends are not paid, companies should disclose their reasons | Not applicable |
| Guideline 17.4<br>Material related party transactions | Page 65 |

# CRO statement

## Top and emerging risks

**As part of our risk management process, we proactively identify and monitor top and emerging risks. Such risks can have a material impact on our business activities, financial results and reputation as well as affect our ability to deliver against our strategic priorities. Our identification process starts with a discussion among senior management about our key areas of focus and the risk outlook for the banking industry. It is further supplemented by discussions with the board and management risk committees. Periodic updates on action plans are provided to the relevant risk committees.**

**2015 FOCUS AREAS**

1. Credit risk and portfolio management
2. Regulatory compliance and engagement
3. Cyber security and digital banking
4. Risk and control construct – Cross border transactions and local practices
5. Technology risk – Onshoring of data centre and disaster recovery planning
6. Liquidity management
7. Outsourcing management – Data
8. Large programme initiatives
9. Risk appetite and capital management
10. Data management

## Credit risk

Credit risk remains our most material risk as it incurs the highest usage of capital. Changes in our credit risk profile are largely determined by the global economic environment, the economic situation of the countries we operate in, and the concentration risks of our portfolio. We continually monitor the environment to assess whether our positions remain in line with our risk appetite. In late 2013, we set up a dedicated team of practitioners and project managers to strengthen and standardise our credit process. We have made significant improvements across the areas of underwriting and risk monitoring. These included enhanced industry focus with more developed nuances, clearer Target Market and Risk Acceptance Criteria (TMRAC)[1], greater consistency in credit approvals across locations, earlier identification of problem accounts via objective and subjective criteria, and enhancements in portfolio oversight across countries and industries.

Commodity prices have been under pressure since 2014. Our exposure to the whole oil and gas complex – comprising not only producers and traders but also processors and support services in offshore marine transportation, oil field services and shipyards – was SGD 22 billion, of which SGD 17 billion was loans. Our exposure to the producer, trader and processor segments amounted to SGD 13 billion and was healthy – the majority was to global trading houses, international oil companies, state-owned enterprises (SOE), national oil companies and investment grade-equivalent borrowers. The exposure was also typically in short-term and trade-related facilities.

Our exposure to the support service segment comprising offshore marine transportation, oil field services and shipyards amounted to SGD 9 billion. The borrowers in oil field services and shipyard segment accounted for about 60% of our exposure and were mainly in the investment grade-equivalent range. The remaining exposure was to the offshore marine transportation companies. They have been faced with falling charter rates, shortened charter periods and declining fleet utilisation.

We conducted stress tests of our oil and gas portfolios at varying Brent crude prices, down to USD 20 per barrel to identify weak credits. The vulnerable names identified in the earlier stress tests, primarily from the offshore marine transportation segment, remain largely unchanged. This portfolio is largely collateralised with average loan-to-value in the 60% range. Where needed, we have been working with borrowers to better match their cash flows with loan repayment schedules.

Our exposure to commodities other than oil and gas was SGD 12 billion, of which SGD 10 billion was loans. This portfolio was spread over 400 clients and largely in short-term and trade-related facilities. We paid close attention to the structure and collateral of individual trades. We also conducted several portfolio reviews and remained generally comfortable with our exposure. The only segments that warranted some attention were the steel and coal exposures.

*(1) We use Target Market (TM) to define industry and geographical target markets and identify acceptable business/industry segments. Risk Acceptance Criteria (RAC) is used as a client screening tool to guide credit extension and how much risk is acceptable or tolerable.*

We see some stress in steel because of the chronic oversupply. In China, government-led reforms involving capacity reductions and mergers of SOE might result in credit impairments, but we do not expect the amounts to be large. Our exposure to coal was under SGD 1.5 billion and mainly to the larger established players. We see some stress in a few smaller Indonesian coal producers but the expected credit losses are manageable and within budget.

Our exposure to China fell from SGD 48 billion at end 2014 to SGD 37 billion as trade loans fell. Trade loans accounted for three-fifths of the exposure or SGD 21 billion and were mostly backed by letters of credit issued by systematically-important institutions. Of the remaining SGD 16 billion of non-trade exposure, large corporates accounted for the majority and remained healthy. Our exposure to SMEs was small but we further tightened lending criteria owing to the increasing number of delinquencies. In the property sector, our lending business targeted top local and international names.

Some customers in Greater China took positions against RMB appreciation, usually for hedging payables denominated in RMB. These positions began incurring losses since the RMB weakened in August 2015. While the size of these hedges generally matched the customers' business requirements and therefore should not have had significant detrimental effects, the speed and extent of the depreciation created cashflow problems for several customers. We worked with such customers to explore options to mitigate the impact of their exposures.

High debt levels and continued stresses in certain sectors slowed the pace of recovery of our India portfolio. Nevertheless, we were encouraged by the improving pace of reforms. Meanwhile, we continued to conduct stress tests and portfolio reviews, tighten our TMRAC and strengthen our early warning monitoring.

The residential housing market in Singapore remained subdued as property prices declined and low transaction volumes persisted. We stress tested our portfolio rigorously to ensure it continued to be resilient. We remain vigilant to early signs of weakness and continue to exercise prudence in underwriting new loans.

## Country risk

Our operations are concentrated in a few countries. Instability in these markets, arising from political and economic developments, may give rise to country risk events. This risk is mitigated by setting limits for the maximum transfer and convertibility risk ("transfer risk") exposure to each country. Transfer risk is the risk that capital and foreign exchange controls may be imposed by authorities that would prevent or materially impede the conversion of local currency into foreign currency and/or transfer of funds to non-residents. A transfer risk could therefore lead to a default of an otherwise solvent borrower. The risk of each country is also evaluated against the tenor and type of exposure; shorter tenors and trade loans are deemed less risky. It also takes into account transfer wrong-way risk (in situations where transfer risk and credit exposure in forward and currency swaps are adversely correlated), as well as offshore funding of local currency assets.

The limits and exposures are adjusted to stay within DBS' risk appetite in response to macroeconomic outlook and country transfer risk. In addition, country risk is an important consideration in the credit approval process.

## Regulatory trends

The global regulatory landscape continues to develop, posing risks and challenges to the banking industry. We continue to track international and domestic developments to ensure that we remain on top of trends and changes impacting our business.

New requirements are promptly analysed and disseminated to the respective action parties and, where applicable, embedded into our processes and systems. We participate in Quantitative Impact Studies (QIS), led by Basel Committee on Banking Supervision (BCBS), to assess the impact of the regulatory reforms.

One continually evolving international trend is financial market conduct. This has been influenced by enforcement actions in the United States and European markets as well as the work of global bodies such as the Bank of International Settlements Foreign Exchange Working Group. As a global market participant, DBS always seeks to align with best practices as consensus develops.

For a bank with operations in multiple countries, risk from cross-border transactions is to be expected as global regulatory reforms interact with a local policy and economic agenda. We have put substantial work into enhancing our approach to and

## Regulatory trends (cont.)

controls of cross-border transactions to ensure that we are in line with regulatory requirements.

We recognise the importance of maintaining consistency in the adoption and rollout of policies across the Group. We have put in place a set of governance and operational standards in our overseas locations and will continue to maintain oversight in this area.

We have in place robust processes to identify, escalate and report on suspicious matters, to cooperate with all relevant authorities, to investigate each such incident and to ensure that it is duly and appropriately managed and resolved. As a matter of policy, all significant incidents are escalated to senior management and where appropriate, to the Board. This ensures that all such incidents are subjected to appropriate governance and reporting. Our overall approach to regulatory risk management is presented to the Board Audit Committee, refreshed on a quarterly basis and reviewed annually, to ensure we remain up to date.

As a regulated financial institution with licences to operate in multiple countries, we may from time to time be subject to various actions by country regulators. These vary considerably in scale and severity and are not uncommon in this industry, reflecting the growing intensity of regulatory scrutiny over time.

We have not incurred any material penalty in 2015 for a breach or non-compliance with the laws and regulations of any country in which we operate.

## Cyber security and data governance

Cyber security continues to dominate the agenda of governments and regulators globally with the growth of cyber attacks against public and private infrastructure. With respect to financial institutions, there is an expectation from regulators that the Board and senior management are responsible for the protection of the bank's critical assets, including sensitive information of its customers, and they are expected to play a proactive role in ensuring effective cyber security risk management.

Traditionally, cyber security has been seen as a technology issue with the focus of protecting our systems and the various information held within. However, the threat to our information is broader than technology and the focus at DBS is to ensure our collective business teams understand their risk ownership and management accountability of the security agenda.

Throughout 2015 we continued to focus on cyber security. This included working with the government, regulators and industry to uplift sharing of threat intelligence to support prevention, detection and response to cyber events. This information is used in our 24/7 Security Operations Centre, and by our business and technology teams to understand and respond to threats against our customers, products and services. During the year, we continued to strengthen our online transaction authorisation controls and security for our ATM network. We have a structured staff awareness programme to support the understanding of cyber security risk.

We have, and continue to evolve, scenarios to ensure incident response readiness for cyber events. Our programme is continuously reviewed to respond to the changing threat environment. To further improve our governance of cyber security, we recently appointed a Chief Information Security Officer (CISO). The CISO supports our business and support functions to understand cyber security risk, and in the design of appropriate controls and processes to manage that risk.

We are not aware of any material data privacy enforcement action or significant data loss incidents in 2015 which has resulted or could result in material loss or material reputational damage.

## Financial crime

Financial crime risk is a focus area for many banks. This has been a trend for a number of years and we expect this to continue. Heightened penalties are imposed by regulators for issues in sanctions, money laundering, tax evasion and bribery. Fraud ranks highly on financial crime risk mitigation agendas globally. The focus in 2015 was on trade finance and wealth management, particularly around tax evasion risk.

Our financial crime risk mitigation controls include policy framework, subject matter advisory capabilities on anti-money laundering/sanctions and anti-bribery/corruption matters, training, transaction screening and periodic testing. We enhanced our policies, systems and operations to address 2015 changes in the regulatory framework and to chart a holistic plan to address evolving risks. We also conducted a specific review of our sanctions risk and a benchmarking exercise to assess our systems capabilities. We will continue to focus on improving policies, systems and operations in 2016. Key projects include the upgrade of anti-money laundering platforms in overseas locations and continued enhancement of our processes and capability to manage current and future risk. These will ensure that we are closely tracking regulatory developments, and are benchmarked well against international standards.

**2016**
**FOCUS AREAS**

**Our top focus areas in 2016 are similar to 2015 with heightened focus on digitalisation as we continue on our digital journey.**

*For more details on our principal risks and risk management approach, please refer to pages 81 to 108.*

# Risk **management**

**We have implemented most of the Enhanced Disclosure Task Force (EDTF) recommendations for improved bank risk disclosures(1) in 2015. We have also implemented the temporary and permanent disclosure recommendations(2) of the EDTF's November 2015 report "Impact of expected credit loss (ECL) approaches on bank risk disclosures" insofar as they are applicable to DBS.**

*For an overview of the recommendations and where we have incorporated the relevant disclosures, please refer to Appendix on page 103.*

The table below gives an overview of the locations of our risk disclosures.

| | Risk management section | | Other locations in Annual Report | | Pillar 3 quantitative disclosures(3) |
|---|---|---|---|---|---|
| Risk overview | **1** Risk overview<br>**2** Risk-taking and our business segments | 82<br>82 | Capital management and planning | 109 | **1** Introduction<br>**2** Capital adequacy<br>**3** Exposures and risk-weighted assets (RWA) |
| Risk governance | **3** Risk governance | 83<br>84 | Corporate governance report | 48 | |
| Risk Appetite | **4.1** Risk constraining thresholds and use of economic capital<br>**4.2** Stress testing | 85<br>86 | Remuneration report | 68 | |
| Credit risk | **5.1** Credit risk management at DBS<br>**5.2** Credit risk mitigants<br>**5.3** Internal credit risk models<br>**5.4** Credit risk in 2015 | 86<br>89<br>89<br>91 | **Note 14** Financial assets and liabilities subject to netting agreement<br>**Note 40.1** Maximum exposure to credit risk<br>**Note 40.2** Loans and advances to customers<br>**Note 40.3** Credit quality of government securities and treasury bills and bank and corporate debt securities<br>**Note 40.4** Credit risk by geography and industry | 131<br>156<br>157<br>161<br>161 | **4.1** Credit risk assessed using internal ratings-based approach<br>**4.2** Credit risk assessed using standardised approach<br>**4.3** Credit risk mitigation<br>**4.4** Counterparty credit risk-related exposures<br>**5** Equity exposures under IRBA<br>**6** Securitisation exposures<br>**7.1** Credit exposures<br>**7.2** Major credit exposures by geography and industry<br>**7.3** Loans and advances to customers (by performing/non-performing)<br>**7.4** Movements in specific and general allowances |
| Market risk | **6.1** Market risk management at DBS<br>**6.2** Market risk in 2015 | 94<br>95 | | | **7.6** Interest rate risk in the banking book<br>**7.7** Equity exposures in the banking book |
| Liquidity risk | **7.1** Liquidity risk management at DBS<br>**7.2** Liquidity risk in 2015<br>**7.3** Liquid assets<br>**7.4** Regulatory requirements | 96<br>98<br>99<br>99 | **Note 41.1** Contractual maturity profile of assets and liabilities | 163 | **7.5** Total assets by residual contractual maturity |
| Operational risk | **8.1** Operational risk management at DBS<br>**8.2** Operational risk in 2015 | 100<br>101 | | | |
| Reputational risk | **9.1** Reputational risk management at DBS<br>**9.2** Reputational risk in 2015 | 102<br>102 | | | |

*(1) See 'Enhancing the Risk Disclosure of Banks' published by the Financial Stability Board in October 2012*
*(2) The additional considerations under the existing EDTF recommendations fall into the following three categories:*
- *Permanent: Disclosures made in the pre-transition period, which should continue following adoption of the ECL framework*
- *Temporary: Disclosures made in the pre-transition period, which should cease following adoption of the ECL framework*
- *Post ECL Adoption Permanent: Disclosures to be made following adoption of an ECL framework only*

*(3) Please refer to http://www.dbs.com/investor/index.html for DBS' Pillar 3 Quantitative Disclosures*

## The sections marked by a grey line in the left margin form part of the Group's audited financial statements

# 1 Risk overview

**Business and strategic risk**
Is an over arching risk arising from changes in the business environment and from adverse decisions that can materially impact DBS' long term objectives. This risk is managed separately under other governance processes. See page 19 for a discussion of our material matters.

**Credit risk (page 86)**
Arises from the failure of borrowers or counterparties to meet their debt or contractual obligations.

**Market risk (page 94)**
Arises from adverse changes in interest rates, foreign exchange rates, equity prices, credit spreads and commodity prices, as well as their correlations and implied volatilities.

**Liquidity risk (page 96)**
Arises from the inability of DBS to meet obligations when they become due.

**Operational risk (page 100)**
Arises from inadequate or failed internal processes, people or systems, or from external events. It includes legal risk, but excludes strategic and reputational risk.

**Reputational risk (page 102)**
Is the current or prospective risk to our shareholder value (including earnings and capital) arising from adverse perception of DBS' image on the part of its stakeholders. It affects DBS' ability to establish new relationships or services, continue servicing existing relationships, and have continued access to sources of funding. Reputational risk is typically an outcome of failure to manage the other risk types.

# 2 Risk taking and our business segments

In addition to the above risk dimensions, we also take a business segment view. Our focus on Asia naturally exposes us to concentration risk in the region. We manage our risks through industry diversification and concentration management of individual exposures. In addition, we use specialist knowledge of regional markets and industry segments to assess risk against a range of criteria.

As a commercial bank, a higher allocation of economic capital is given to our Institutional Banking and Consumer Banking businesses compared to the Treasury business. We also maintain a buffer for other risks such as country risk, operational risk, reputational risk and model risk.

The chart below provides a high level overview of the risks arising from our business segments. The asset size gives an indication of the contribution of the business segments to the balance sheet, while the risk-weighted assets (RWA) is the regulatory measure of the risks incurred with respect to each business segment.

*Please refer to Note 43 to the Financial statements on page 166 for more information on DBS' business segments.*

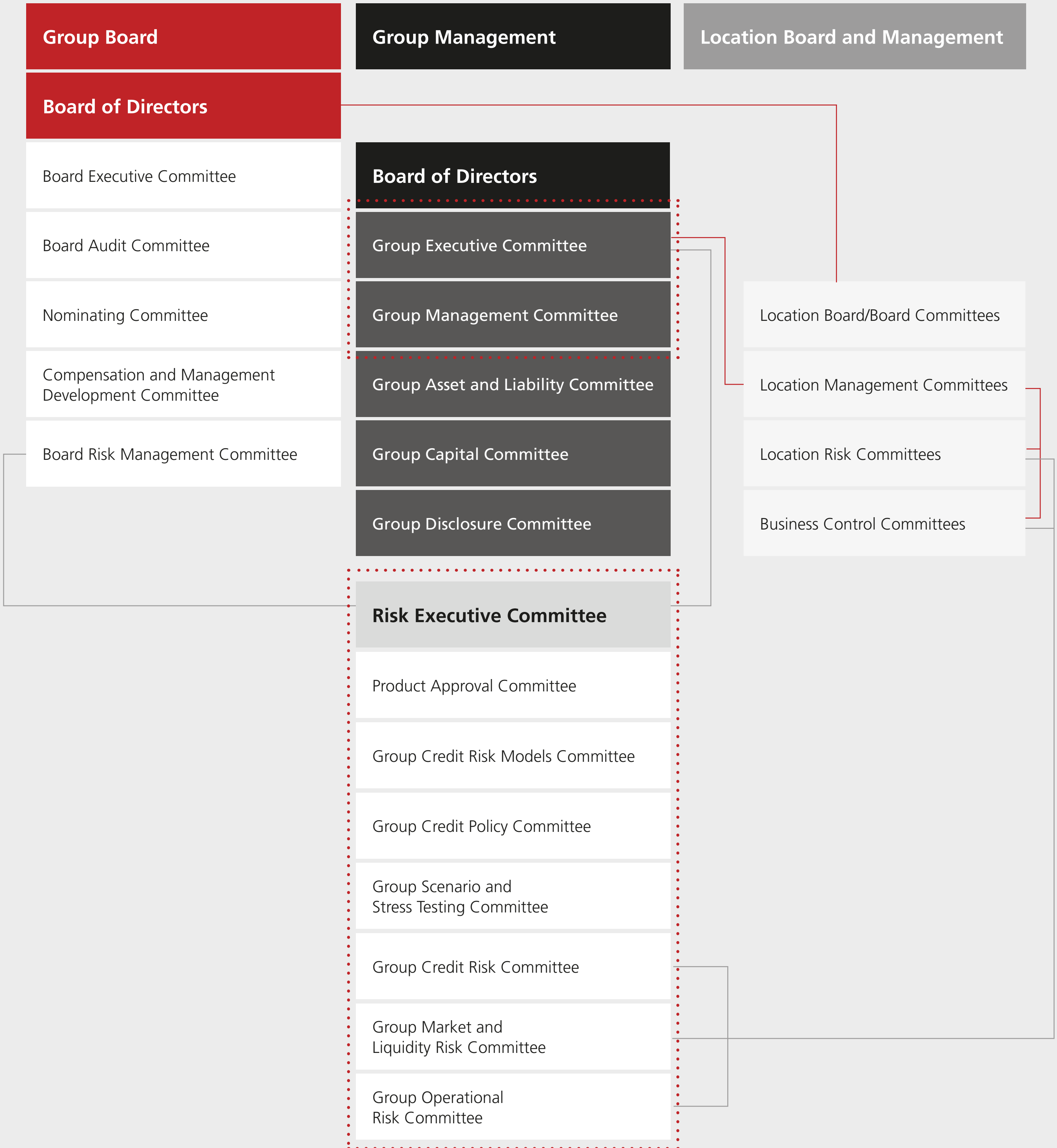
| | Consumer Banking/ Wealth Management | Institutional Banking | Treasury | Others[(a)] | Total |
|---|---|---|---|---|---|
| **SGD million** | | | | | |
| Assets[(b)] | 90,685 | 224,196 | 91,257 | 46,579 | 452,717 |
| Risk-weighted assets | 32,868 | 160,278 | 60,270 | 20,613 | 274,029 |
| **% of RWA** | | | | | |
| Credit risk | 86% | 94% | 37% | 72% | 79% |
| Market risk | | | 59% | 23% | 15% |
| Operational risk | 14% | 6% | 4% | 5% | 6% |

*(a) Encompasses assets/RWA from capital and balance sheet management, funding and liquidity activities, DBS Vickers Group and The Islamic Bank of Asia Limited*
*(b) Before goodwill and intangibles*

## 3 Risk governance

The Board directs the conduct of our affairs and provides sound leadership to the CEO and management. The Board has delegated authority to various Board committees to enable them to oversee specific responsibilities based on clearly defined terms of reference.

Under our risk management frameworks, the Board, through the Board Risk Management Committee (BRMC), sets our risk appetite, oversees the establishment of robust enterprise-wide risk management policies and processes, and sets risk limits to guide risk-taking within DBS.




*Note: The lines reflect possible escalation protocols and are not reporting lines per se*

The BRMC provides oversight of the overall approaches for identification, monitoring, management and reporting of credit, market, liquidity, operational and reputational risks. To facilitate the BRMC's risk oversight, the following risk management committees have been established.

| Risk management committees | |
|---|---|
| Risk Executive Committee (Risk ExCo) | The Risk ExCo provides group-wide oversight and direction relating to the management of all risk types and is the overall executive body mandated by the BRMC on risk matters. |
| Product Approval Committee (PAC)* | The PAC provides group-wide oversight and direction relating to new product approvals – an important risk mitigation element within DBS. |
| Group Credit Risk Models Committee (GCRMC)*<br><br>Group Credit Policy Committee (GCPC)*<br><br>Group Scenario and Stress Testing Committee (GSSTC)*<br><br>Group Credit Risk Committee (GCRC)<br><br>Group Market and Liquidity Risk Committee (GMLRC)<br><br>Group Operational Risk Committee (GORC) | Each committee, reporting to the Risk ExCo, is broadly mandated to serve as an executive forum for discussion and decisions on different aspects of risk and its management.<br><br>Key responsibilities:<br>• Assess and approve risk-taking activities<br>• Maintain oversight of the effectiveness of DBS' risk management infrastructure, including frameworks, decision criteria, authorities, people, policies, standards, processes, information and systems<br>• Approve risk policies including model governance standards, stress testing scenarios, endorse risk models and assess performance of the risk models<br>• Identify specific concentrations of risk<br>• Recommend scenarios and resulting macro-economic variable projections used for enterprise-wide stress tests<br><br>The members in these committees comprise representatives from Risk Management Group (RMG) as well as key business and support units. |

The above committees (excluding those marked with asterisks) are supported by local risk committees in all major locations. The local risk committees provide oversight of local risk positions across all businesses and support units and ensure compliance with limits set by the group risk committees. They also approve location-specific risk policies and ensure compliance with local regulatory risk limits and requirements.

The Chief Risk Officer (CRO) – member of the Group Executive Committee who reports to the Chairman of the BRMC and the CEO – oversees the risk management function. The CRO is independent of business lines and is actively involved in key decision-making processes.

He also engages regulators on a regular basis to discuss risk matters.

Working closely with the risk and business committees, the CRO is responsible for the following:
- Management of the risks in DBS, including developing and maintaining systems and processes to identify, approve, measure, monitor, control and report risks
- Engagement of senior management on material matters relating to the various types of risks
- Development of risk controls and mitigation processes
- Ensuring the effectiveness of risk management and adherence to the Risk Appetite established by the Board

## 4 Risk Appetite

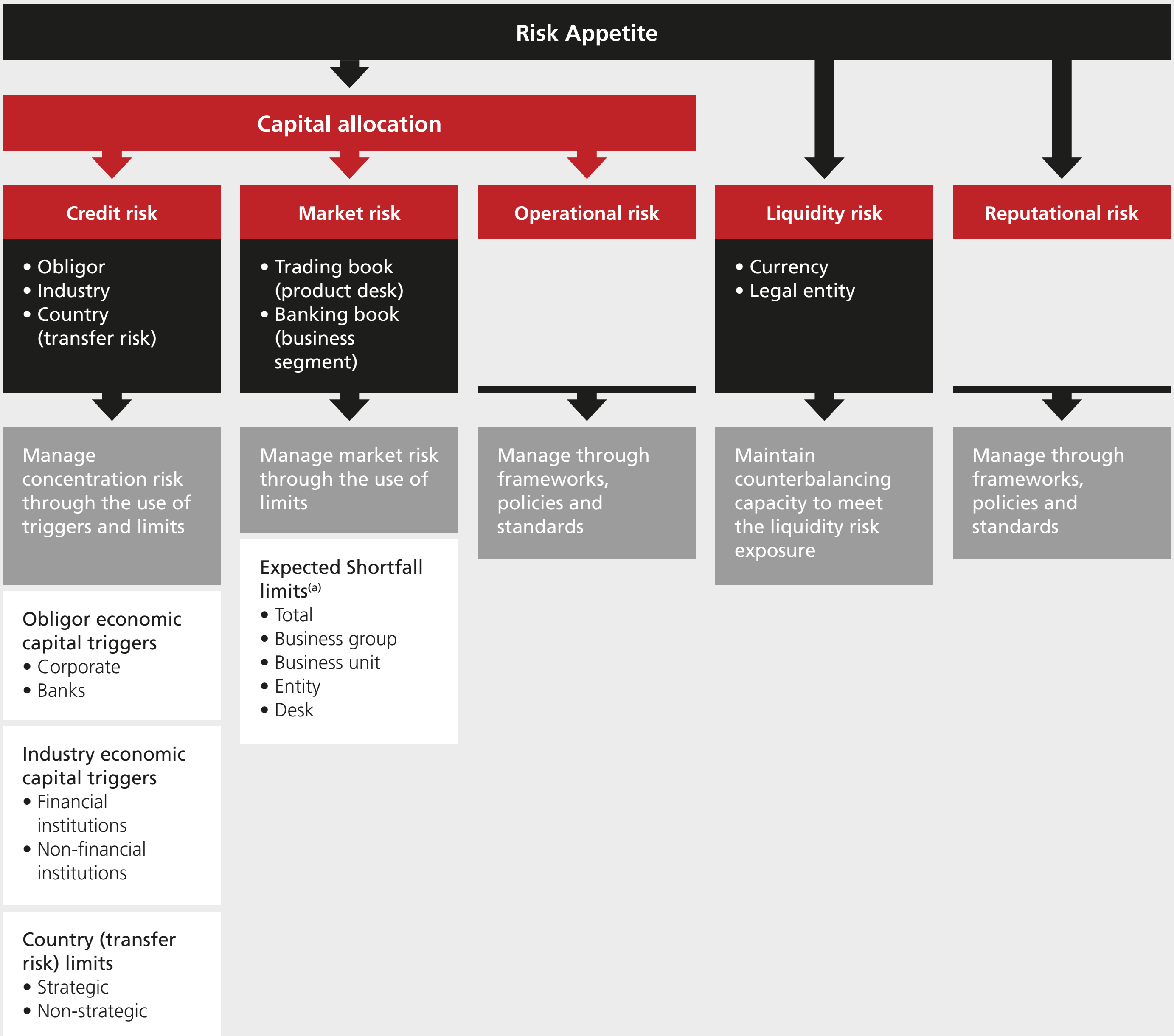
Our Risk Appetite is defined by the Risk Appetite Statement set by the Board and is governed by the Risk Appetite Framework. The framework also serves to reinforce our risk culture through 'tone from the top' articulation of risks that we are willing to accept. A strong organisational risk culture, including an appropriate incentive framework (please refer to Remuneration Report section on page 68), helps to further embed our Risk Appetite.

### 4.1 Risk constraining thresholds and use of economic capital

Our Risk Appetite considers the various risk types and is operationalised via thresholds, policies, processes and controls. The inclusion of threshold structures into the risk frameworks is integral in driving Risk Appetite into our businesses. Effective thresholds are essential in managing aggregate risks within acceptable levels. Portfolio risk limits for the quantifiable risk types are cascaded through a top-down approach and operationalised through formal frameworks. Other significant risk aspects are guided by qualitative expression of principles.

In order to ensure that the thresholds emanating from the Risk Appetite are fully risk sensitive to individual risk drivers as well as portfolio effects, we have adopted economic capital (EC) as our primary risk metric. EC is also deployed as a core component in our Internal Capital Adequacy Assessment Process (ICAAP).

The following chart provides a broad overview of how we cascade Risk Appetite throughout DBS. Please refer to Sections 5 to 9 for more information on each risk type.




*(a) Expected Shortfall (ES) was previously known as Tail Value-at-Risk*

### 4.2 Stress testing

Stress testing is an integral part of our risk management process and includes both sensitivity analysis and scenario analysis. It alerts senior management to our potential vulnerability to exceptional but plausible adverse events. It enables us to assess capital adequacy, identify potentially risky portfolio segments and inherent systematic risks. This in turn allows us to define appropriate contingency plans, exit strategies and mitigating actions before the onset of an adverse event.

Stress testing is minimally conducted annually. Additional stress tests are carried out in response to micro and macro economic conditions. All stress tests are documented.

The capital planning process under ICAAP seeks to align our expected business trajectory under a range of scenarios and our Risk Appetite. This is performed by comparing the projected demand for capital and projected supply of capital in stress scenarios. Projected capital demand in respect of credit risk and market risk is a function of balance sheet assumptions and the confidence interval implied by the target credit rating specified in the Risk Appetite Statement.

## 5 Credit risk

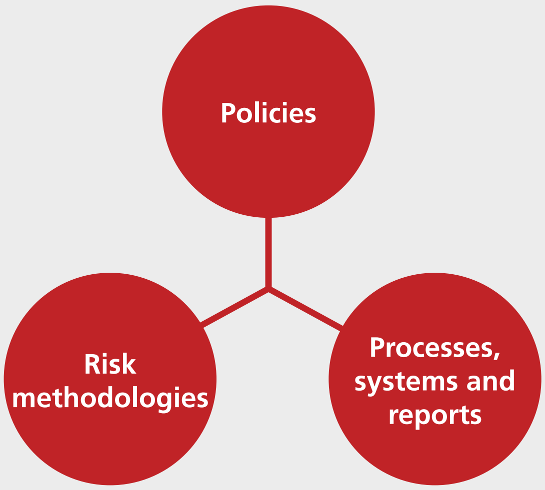
Credit risk arises from our daily activities in various businesses – lending to retail, corporate and institutional customers; trading activities such as foreign exchange, derivatives and debt securities; and settlement of transactions. Credit risk is the most significant measurable risk faced by DBS.

Lending exposures are typically represented by the notional value or principal amount of on-balance sheet financial instruments. Financial guarantees and standby letters of credit, which represent the undertaking that DBS will make payments on behalf of a customer that is unable to meet its obligations to third parties, carry the same credit risk as loans even though they are contingent in nature. Pre-settlement credit exposures (PCE) for trading and securities transactions are measured taking into account collateral and netting arrangements. Settlement risk is the risk of loss due to the counterparty's failure to perform its obligation after DBS has performed its obligation under an exchange of cash or securities.

*Please refer to Note 40.1 to the Financial statements on page 156 for details on DBS' maximum exposure to credit risk.*

### 5.1 Credit risk management at DBS

DBS' approach to credit risk management comprises the following building blocks:




**Policies**

The dimensions of credit risk and the scope of its application are defined in the Group Credit Risk Management Framework. Senior management sets the overall direction and policy for managing credit risk at the enterprise level. The Group Core Credit Risk Policy (CCRP) sets forth the principles by which DBS conducts its credit risk management and control activities. This policy, supplemented by a number of operational policies, ensures consistency in identifying, assessing, underwriting, measuring, reporting and controlling credit risk across DBS, and provides guidance in the formulation of business-specific and/or location-specific credit risk policies.

The operational policies are established to provide greater details on the implementation of the credit principles within the Group CCRP and are adapted to reflect different credit environments and portfolio risk profiles. The Group CCRP is considered and approved by GCPC.

**Risk methodologies**

Credit risk is managed by thoroughly understanding our customers – the businesses they are in, and the economies in which they operate. This is facilitated through the use of credit ratings and lending limits. DBS uses an array of rating models for its corporate and retail portfolios. Most models are built internally using DBS' own loss data. Limits and "rules for the business" are driven by DBS' Risk Appetite Statement and TMRAC respectively.

Retail exposures are typically managed on a portfolio basis and assessed based on credit scoring models, credit bureau records, internal and externally available customers' behaviour records. They are further supplemented by Risk Acceptance Criteria.

Wholesale borrowers are assessed on an individual basis, reviewed and analysed by experienced credit risk managers taking into consideration the relevant credit risk factors. For portfolios within the SME segment, DBS also uses a programme-based approach for a balanced management of risks and rewards. Credit extensions are proposed by the business unit and are approved by the credit risk function based on independent credit assessment, while also taking into account the business strategies determined by senior management.

*Please refer to Section 5.3 on page 89 for further discussion on our internal credit risk models.*

Pre-settlement credit risk on derivatives arising from a counterparty's potential default is quantified by its current mark-to-market plus an appropriate add-on factor for potential future exposure. This methodology is used to calculate DBS' regulatory capital under the Current Exposure Method (CEM) and is included under DBS' overall credit limits to counterparties for internal risk management.

Issuer default risk that may arise from derivatives and securities are generally measured based on jump-to-default computations.

DBS actively monitors and manages its exposure to counterparties in over-the-counter (OTC) derivative trades to protect its balance sheet in the event of a counterparty default. Counterparty risk exposures which may be materially and adversely affected by market risk events are identified, reviewed and acted upon by management and highlighted to the appropriate risk committees. Specific wrong-way risk arises when the exposure to a particular counterparty is positively correlated with the probability of default of the counterparty due to the nature of transactions with the counterparty. DBS has a policy to guide the handling of specific wrong-way risk transactions and its risk measurement metric takes into account the higher risks associated with such transactions.

### Concentration risk management

DBS' risk management processes aim to ensure that an acceptable level of risk diversification is maintained across the Group in line with our Risk Appetite. For credit risk, we use EC as the measurement tool, since it combines the individual risk factors of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) as well as portfolio concentration factors. We set granular EC thresholds to ensure that the allocated EC stays within the Risk Appetite. These thresholds are regularly monitored in respect of major industry groups and single counterparty exposures. In addition, we set notional limits for country exposures. Governance processes exist to ensure that exposures are regularly monitored against these thresholds and appropriate actions are taken if thresholds are breached. We continually monitor and assess the need to enhance the scope of thresholds.

### Country risk

Country risk is the risk of loss which is specifically attributed to events in a specific country (or a group of countries). It includes political, exchange rate, economic, sovereign and transfer risks. Country risk is embedded in the Group Credit Risk Management Framework and CCRP. In addition, country risk is managed as part of concentration risk management under the Risk Appetite Framework.

The principles and approach in the management of transfer risk are set out in DBS' Country Risk Management Standard. This includes an internal transfer risk and sovereign risk rating system where the assessments are made independent of business decisions. Transfer risk limits are set in accordance to DBS' Risk Appetite Framework.

Limits for non-strategic countries are set using a model-based approach. Limits for strategic countries are set based on country-specific strategic business considerations and acceptable potential loss versus the Risk Appetite. There are active discussions among the senior management and credit management in right-sizing transfer risk exposures to take into account not only risks and rewards, but also whether such exposures are in line with our strategic intent. All country limits are subject to approval by the BRMC.

### Stress testing

We perform various types of credit stress tests which are directed by the regulators or driven by internal requirements and management. Credit stress tests are performed at a portfolio or sub-portfolio level and are generally meant to assess the impact of changing economic conditions on asset quality, earnings performance, capital adequacy and liquidity.

A credit stress test working group is responsible for developing and maintaining a robust stress testing programme to include the execution of the stress testing process and effective analysis of programme results. Stress test results are reported and discussed in the GCRC, the Risk ExCo and the BRMC.

The stress testing programme is comprehensive in nature spanning all major functions and areas of business. It brings together an expert view of the macroeconomics, market, and portfolio information with the specific purpose of driving model and expert oriented stress testing results.

DBS generally performs the following types of credit stress testing at a minimum and others as necessary:

| | |
|---|---|
| **Pillar 1 credit stress testing** | DBS conducts Pillar 1 credit stress testing regularly as required by regulators. Under Pillar 1 credit stress testing, DBS assesses the impact of a mild stress scenario (at least two consecutive quarters of zero GDP growth) on Internal Ratings-Based (IRB) estimates (i.e. Probability of Default, Loss Given Default and Exposure at Default) and the impact on regulatory capital. The purpose of the Pillar 1 credit stress test is to assess the robustness of internal credit risk models and the cushion above minimum regulatory capital. |
| **Pillar 2 credit stress testing** | DBS conducts Pillar 2 credit stress testing once a year as part of the ICAAP. Under Pillar 2 credit stress testing, DBS assesses the impact of stress scenarios, with different levels of severity, on asset quality, earnings performance, internal and regulatory capital. The results of the credit stress tests form an input to the capital planning process under ICAAP. The purpose of the Pillar 2 credit stress testing is to examine, in a rigorous and forward-looking manner, the possible events or changes in market conditions that could adversely impact DBS. |
| **Industry-wide stress testing** | DBS participates in the annual industry-wide stress test (IWST) conducted by the Monetary Authority of Singapore (MAS) to facilitate its ongoing assessment of financial stability. Under the IWST, DBS is required to assess the impact of adverse scenarios, as defined by the regulator, on asset quality, earnings performance, and capital adequacy. |
| **Sensitivity and scenario analyses** | DBS also conducts multiple independent sensitivity analyses and credit portfolio reviews based on various scenarios. The intent of these analyses and reviews is to identify vulnerabilities for the purpose of developing and executing mitigating actions. |

**Processes, systems and reports**
We continue to invest in systems to support risk monitoring and reporting for our Institutional Banking and Consumer Banking businesses. The end-to-end credit process is constantly subject to review and improvement through various front-to-back initiatives involving the business units, RMG, operations unit and other key stakeholders.

Day-to-day monitoring of credit exposures, portfolio performance and the external environment that may have an impact on credit risk profiles is key to DBS' philosophy of effective credit risk management. Risk reporting on credit trends, which may include industry analysis, early warning alerts and key weak credits, is provided to the various credit committees, and key strategies and action plans are formulated and tracked.

Credit control functions ensure that credit risks taken comply with group-wide credit policies and guidelines. These functions ensure proper activation of approved limits and appropriate endorsement of credit excesses and policy exceptions, and monitor compliance with credit standards and covenants established by management and regulators.

**Non-performing assets**
Our credit facilities are classified as 'Performing assets' or 'Non-performing assets' (NPA) in accordance with the MAS Notice to Banks No. 612 "Credit Files, Grading and Provisioning" (MAS Notice 612). These guidelines require credit portfolios to be categorised into one of the following five categories according to our assessment of a borrower's ability to repay a credit facility from its normal sources of income.

| Classification grade | Description |
|---|---|
| **Performing assets** | |
| **Pass** | Indicates that the timely repayment of the outstanding credit facilities is not in doubt. |
| **Special mention** | Indicates that the borrower exhibits potential weaknesses that, if not corrected in a timely manner, may adversely affect future repayments and warrant close attention by DBS. |
| **Classified or NPA** | |
| **Sub-standard** | Indicates that the borrower exhibits definable weaknesses in its business, cash flow or financial position that may jeopardise repayment on existing terms. These credit facilities may be non-defaulting. |
| **Doubtful** | Indicates that the borrower exhibits severe weaknesses such that the prospect of full recovery of the outstanding credit facilities is questionable and the prospect of a loss is high, but the exact amount remains undeterminable. |
| **Loss** | Indicates that the amount of recovery is assessed to be insignificant. |

The linkage between the above MAS categories and DBS' internal ratings is shown in Section 5.3 on page 90.

A default is considered to have occurred with regard to a particular borrower when either or both of the following events have taken place:

- Subjective default: Borrower is considered to be unlikely to pay its credit obligations in full, without DBS taking actions such as realising security (if held)
- Technical default: Borrower is more than 90 days past due on any credit obligation to DBS

This is consistent with the guidance provided under the MAS' Notice to Banks No. 637 "Notice on Risk Based Capital Adequacy Requirements for Banks incorporated in Singapore" (MAS Notice 637).

Credit facilities are classified as restructured assets when we grant non-commercial concessions to a borrower because of deterioration in its financial position or its inability to meet the original repayment schedule. A restructured credit facility is classified into the appropriate non-performing grade based on the assessment of the financial condition of the borrower and the ability of the borrower to repay based on the restructured terms. Such credit facilities are not returned to the performing status until there are reasonable grounds to conclude that the borrower will be able to service all future principal and interest payments on the credit facility in accordance with the restructured terms.

Other than the above, we do not grant concessions to borrowers in the normal course of business. Any restructuring of credit facilities are reviewed on a case by case basis and conducted only on commercial terms.

In addition, it is not within DBS' business model to acquire debts that have been restructured at inception (e.g. distressed debts).

Please refer to Note 2.10 to the Financial statements on page 123 for our accounting policies on specific and general allowances for credit losses. In general, specific allowances are recognised for defaulting credit exposures rated sub-standard and below. The breakdown of our NPA by loan grading and industry and the related amounts of specific allowances can be found in Note 40.2 to the Financial statements on page 159. A breakdown of past due loans can also be found in the same note.

When required, we will take possession of collateral and dispose them as soon as practicable. Realised proceeds are used to reduce outstanding indebtedness. A breakdown of collateral held for NPA is shown in Note 40.2 to the Financial statements on page 160. Repossessed collateral is classified in the balance sheet as other assets. The amounts of such other assets for 2015 and 2014 were not material.

## 5.2 Credit risk mitigants

**Collateral received**
Where possible, DBS takes collateral as a secondary recourse to the borrower. Collateral include cash, marketable securities, properties, trade receivables, inventory and equipment and other physical and financial collateral. We may also take fixed and floating charges on the assets of borrowers. We have put in place policies to determine the eligibility of collateral for credit risk mitigation. These include requiring specific collaterals to meet minimum operational requirements in order to be considered as effective risk mitigants.

Our collateral are generally diversified and valued periodically. Properties constitute the largest percentage whilst marketable securities and cash are immaterial.

For derivatives, repurchase agreement (repo) and other repo-style transactions with financial market counterparties, collateral arrangements are typically covered under market standard documentation (such as Master Repurchase Agreements and International Swaps and Derivatives Association (ISDA) Agreements). Collateral received is marked to market on a frequency mutually agreed with the counterparties. These are governed by internal guidelines with respect to the eligibility of collateral. In the event of a default, the credit risk exposure is reduced by master netting arrangements where DBS is allowed to offset what we owe to a counterparty against what is due from that counterparty in a netting-eligible jurisdiction.

Collateral held against derivatives generally consist of cash in major currencies and highly rated government or quasi government bonds. Exceptions may arise in certain countries, where due to domestic capital markets and business conditions, the bank may be required to accept less highly-rated/liquid government bonds and currencies. Reverse repo transactions are generally limited to large institutions with reasonably good credit standing. The bank takes haircuts against the underlying collateral of these transactions that commensurate with collateral quality to ensure credit risks are adequately mitigated.

In times of difficulty, we will review customers' specific facts and circumstances to assist them in restructuring their repayment liabilities. However, should the need arise, disposal and recovery processes are in place for disposal of collateral held by DBS. We also maintain a panel of agents and solicitors for the expeditious disposal of non-liquid assets and specialised equipment.

**Collateral posted**
DBS is required to post additional collateral in the event of a rating downgrade. As at 31 December 2015, for a three-notch downgrade of its Standard & Poor's Ratings Services and Moody's Investors Services ratings, DBS Bank would have to post additional collateral amounting to SGD 57 million.

**Other risk mitigants**
DBS also uses guarantees as credit risk mitigants. Internal thresholds for considering guarantors to be eligible for credit risk mitigation are in place.

## 5.3 Internal credit risk models

DBS adopts rating systems for the different asset classes under the Internal Ratings-Based Approach (IRBA). There is a robust governance process for the development, independent validation and approval of a credit risk model. The models are placed through a rigorous review process prior to endorsement by the GCRMC and the Risk ExCo and have to be approved by the BRMC before use.

The key risk measures generated by the internal credit risk rating models to quantify regulatory capital include PD, LGD and EAD. For portfolios under the Foundation IRBA, the supervisory LGD estimates are applied. For retail portfolios under the Advanced IRBA, internal estimates are used. In addition, the ratings from the credit models are used as the basis to support the underwriting of credit risk, monitor the performance of the portfolios and determine business strategies.

The performance of the rating systems is monitored regularly by the GCRMC and the BRMC to ensure their ongoing adequacy and robustness. This serves to highlight material deterioration in the rating systems for management attention. In addition, an independent risk unit conducts formal validations annually for the respective rating systems. The validation processes are also subject to an independent review by Group Audit.

### 5.3.1 Retail exposure models

Retail portfolios are categorised into the following asset classes under the Advanced IRBA: residential mortgages, qualifying revolving retail exposures and other retail exposures.

Within each asset class, exposures are managed on a portfolio basis. Each account is assigned to a risk pool, considering factors such as borrower characteristics and collateral type. Loss estimates are based on historical default and realised losses within a defined period. The definition of default is applied at the level of a particular facility, rather than at the level of the obligor.

Business-specific credit risk policies and procedures including underwriting criteria, scoring models, approving authorities, frequency of asset quality and business strategy reviews, as well as systems, processes and techniques to monitor portfolio performance against benchmarks are in place. Credit risk models for secured and unsecured portfolios are used to update the risk level of each loan on a monthly basis, reflecting the broad usage of risk models in portfolio quality reviews.

### 5.3.2 Wholesale exposure models

Wholesale exposures are assessed under the Foundation IRBA and include sovereign, bank, corporate and specialised lending exposures. The risk ratings for the wholesale exposures (other than securitisation exposures) have been mapped to corresponding external rating equivalents. A description of the rating grades is provided in the table below to give a qualitative explanation of the risk benchmarks.

Sovereign exposures are risk rated using internal risk rating models and guidelines in line with the IRBA portfolios. Factors relevant to country-specific macroeconomic risk, political risk, social risk and liquidity risk are reviewed objectively in the sovereign rating models to assess the sovereign credit risk in a disciplined and systematic approach.

Bank exposures are assessed using a bank rating model covering various credit risk factors such as capital levels and liquidity, asset quality, earnings, management and market sensitivity. The risk ratings derived are benchmarked against external credit risk ratings to ensure that the internal rating systems are well aligned and appropriately calibrated.

Large corporate credits are assessed using approved models and reviewed by designated credit approvers. Credit factors considered in the risk assessment process include the counterparty's financial standing and specific non-quantitative factors such as industry risk, access to funding, market standing and management strength.

The counterparty risk rating assigned to SMEs is primarily based on the counterparty's financial position and strength. Credit ratings under the IRBA portfolios are, at a minimum, reviewed on an annual basis unless credit conditions require more frequent assessment. The counterparty risk rating process is reinforced by the facility risk rating system, which considers other exposure risk mitigants, such as collateral and third party guarantees.

A description of the internal ratings used and corresponding external ratings and MAS classification for the various portfolios is as follows:

| Grade (ACRR) | Description of rating grade | Equivalent external rating | MAS classification | |
|---|---|---|---|---|
| PD Grade 1 | Taking into account the impact of relevant economic, social or geopolitical conditions, capacity to meet its financial commitment is exceptional. | AAA | Pass | Performing assets |
| PD Grade 2 | Taking into account the impact of the relevant economic, social or geopolitical conditions, capacity to meet its financial commitment is excellent. | AA+, AA, AA- | Pass | |
| PD Grade 3 | More susceptible to adverse economic, social, geopolitical conditions and other circumstances. Capacity to meet its financial commitment is strong. | A+, A, A- | Pass | |
| PD Grade 4A/4B | Adequate protection against adverse economic, social or geopolitical conditions or changing circumstances. More likely to lead to a weakened capacity of the borrower to meet its financial commitment. | BBB+/BBB | Pass | |
| PD Grade 5 | Relatively worse off than a borrower rated "4B" but exhibits adequate protection parameters. | BBB- | Pass | |
| PD Grade 6A/6B | Satisfactory capacity to meet its financial commitment but capacity may become inadequate due to adverse business, financial, economic, social or geopolitical conditions and changing circumstances. | BB+/BB | Pass | |
| PD Grade 7A/7B | Marginal capacity to meet its financial commitment but capacity may become inadequate or uncertain due to adverse business, financial, economic, social or geopolitical conditions and changing circumstances. | BB- | Pass | |
| PD Grade 8A | Sub-marginal capacity to meet its financial commitment. Adverse business, financial, or economic conditions will likely impair the borrower's capacity or willingness to meet its financial commitment. | B+ | Pass | |
| PD Grade 8B/8C(a) | Low capacity to meet its financial commitment. Adverse business, financial, or economic conditions will likely impair the borrower's capacity or willingness to meet its financial commitment. | B/B- | Special mention | |
| PD Grade 9 | Vulnerable to non-payment and is dependent upon favourable business, financial, and economic conditions for the borrower to meet its financial commitment. Likely to have little capacity to meet its financial commitment under adverse conditions. | CCC-C | Sub-standard (non-defaulting) | Non-performing assets |
| PD Grade 10 and above | A borrower rated '10' and above is in default (as defined under MAS Notice 637). | D | Sub-standard and below (defaulting) | |

*(a) For companies scored by the HK SME Scoring Model, in addition to the ACRR, there is a further test to evaluate whether the borrower meets the criteria of Special mention. If it does not, the ACRR can remain as 8B/8C but is not classified as Special mention*

### 5.3.3 Specialised lending exposures
Specialised lending IRBA portfolios include income-producing real estate, project finance, object finance, hotel finance and commodities finance. These adopt the supervisory slotting criteria specified under Annex 7v of MAS Notice 637 which are used to determine the risk weights to calculate the credit risk-weighted exposures.

### 5.3.4 Securitisation exposures
DBS is not active in securitisation activities that are motivated by credit risk transfer or other strategic considerations. As a result, we do not securitise our own assets, nor do we acquire assets with a view to securitising them.

We arrange securitisation transactions for clients for fees. These transactions do not involve special purpose entities that are controlled by us. For transactions that are not underwritten, no securitisation exposures are assumed as a direct consequence of arranging the transactions. Any decision to invest in any such arranged transaction is subject to independent risk assessment. Where DBS provides an underwriting commitment, any securitisation exposure arising will be held in the trading book to be traded or sold down in accordance with internal policy and risk limits. In addition, we do not provide implicit support for any transactions we structure or in which we have invested.

We have processes in place to monitor the credit risk of our securitisation exposures.

We invest in clients' securitisation transactions from time to time. These may include securitisation transactions arranged by us or other parties. We may also act as a liquidity facility provider, working capital facility provider or swap counterparty. Such exposures require the approval of the independent risk function and are subject to regular risk review thereafter.

### 5.3.5 Credit exposures falling outside of internal credit risk models
DBS applies the Standardised Approach (SA) for portfolios that are individually immaterial in terms of both size and risk profile as well as for identified transitioning portfolios. These portfolios include:

- IRBA-transitioning retail and wholesale exposures
- IRBA-exempt retail exposures
- IRBA-exempt wholesale exposures

The identified transitioning retail and wholesale exposures are expected to transit to the Advanced IRBA and Foundation IRBA respectively, subject to certification by MAS. In the meantime, the SA has been applied.

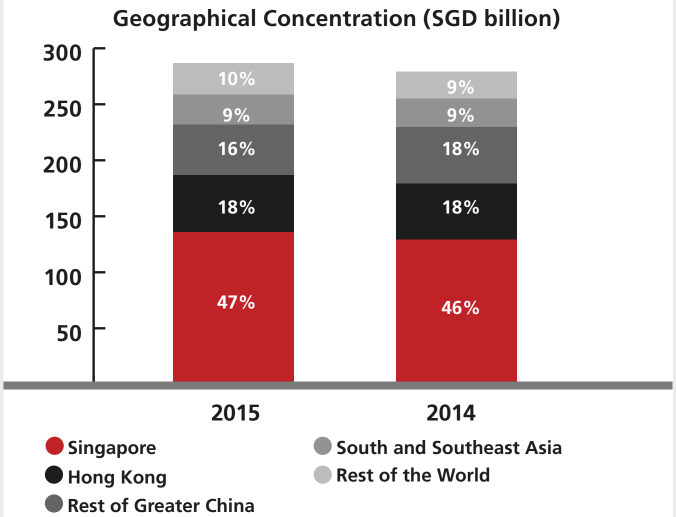
The portfolios under the SA are subjected to our overall governance framework and credit risk management practices. We continue to monitor the size and risk profile of these portfolios and will look to enhance risk measurement processes should these risk exposures become material.

We use external ratings for credit exposures under the SA, where relevant, and we only accept ratings from Standard & Poor's, Moody's and Fitch in such cases. We follow the process prescribed in MAS Notice 637 to map the ratings to the relevant risk weights.

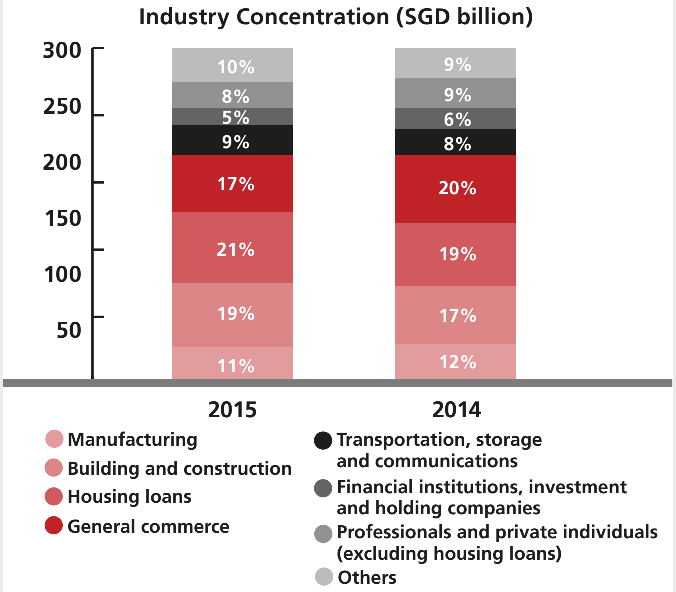
## 5.4 Credit risk in 2015

#### Concentration risk
Our geographic distribution of customer loans remained stable for the past year. Our exposure continued to be predominantly in our home market of Singapore accounting for 47% of the portfolio.
Our exposure to customers in Singapore and Rest of the World grew while our exposure to customers in Greater China excluding Hong Kong declined in 2015. This was reflective of the changing business environment in China as trade volumes dropped, and the proactive management of the risk by tightening the credit lending to SME customers.

Our overall exposure was well distributed and fairly stable across various industries with Building and construction and General commerce as the largest contributors in the wholesale portfolio.




*Above refers to gross loans and advances to customers based on country of incorporation*

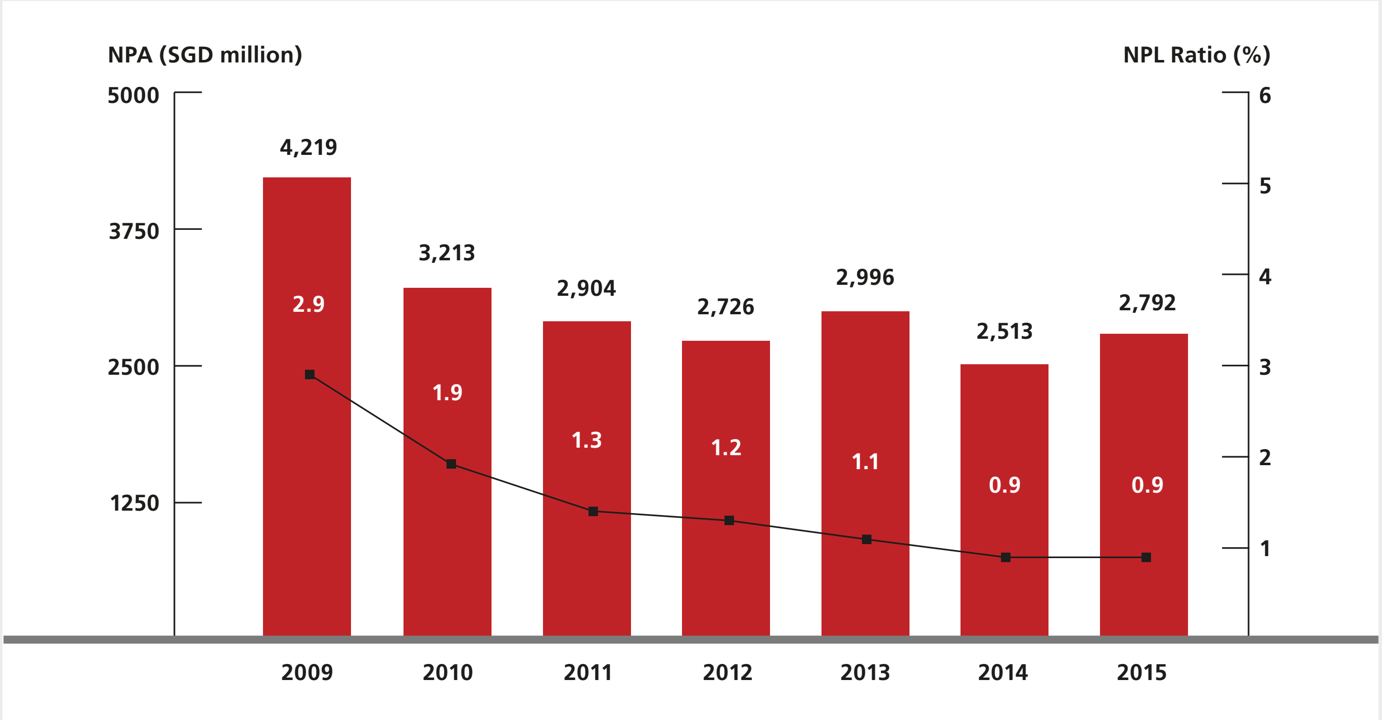



*Above refers to gross loans and advances to customers based on MAS Industry Code*

*Please refer to Note 40.4 to the Financial statements on page 161 for DBS' breakdown of concentration of credit risk.*

#### Non-performing assets
Total NPA, in absolute terms, increased by 11% from the previous year to SGD 2,792 million in 2015 due to higher NPA on our Greater China portfolio, which was impacted by the economic slowdown in China and RMB devaluation.

Despite the increase in NPA, our NPL ratio remained stable at 0.9% in 2015. This was the result of early identification and proactive management of problem accounts coupled with write-offs made during the year.

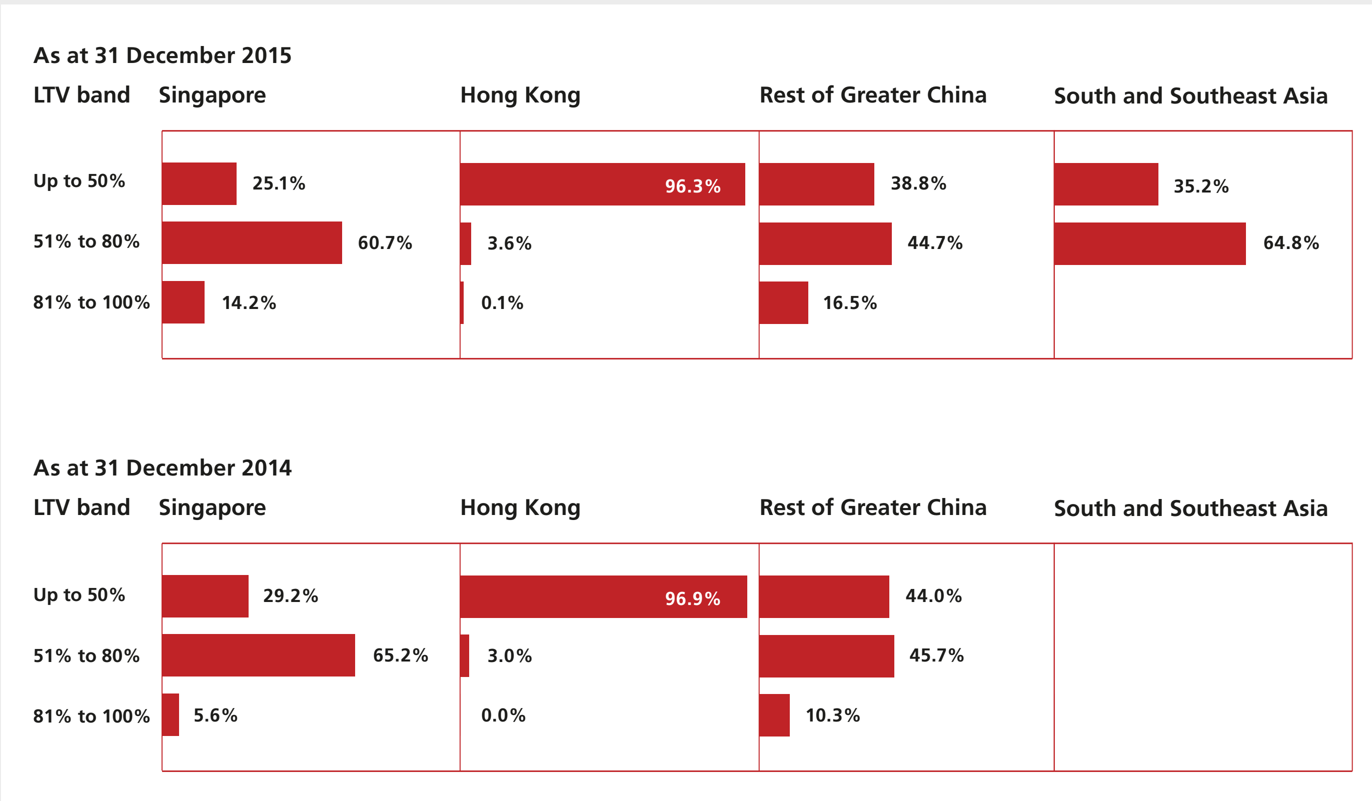



**Collateral received**
The tables below provide breakdowns by loan-to-value (LTV) bands for the borrowings secured by properties of the various market segments.

***Residential mortgages loans***
The LTV ratio is calculated using mortgage loans including undrawn commitments divided by the collateral value. Property valuations are determined by using a combination of professional appraisals and housing price indices.

More than 85% of our residential mortgage loans resides in Singapore. New loans in Singapore are capped at LTV limits of up to 80% since 2010. The increases in loans in Singapore and Rest of Greater China with LTV between 81% and 100% were contributed by the downward adjustments of property prices in Singapore and Taiwan respectively.

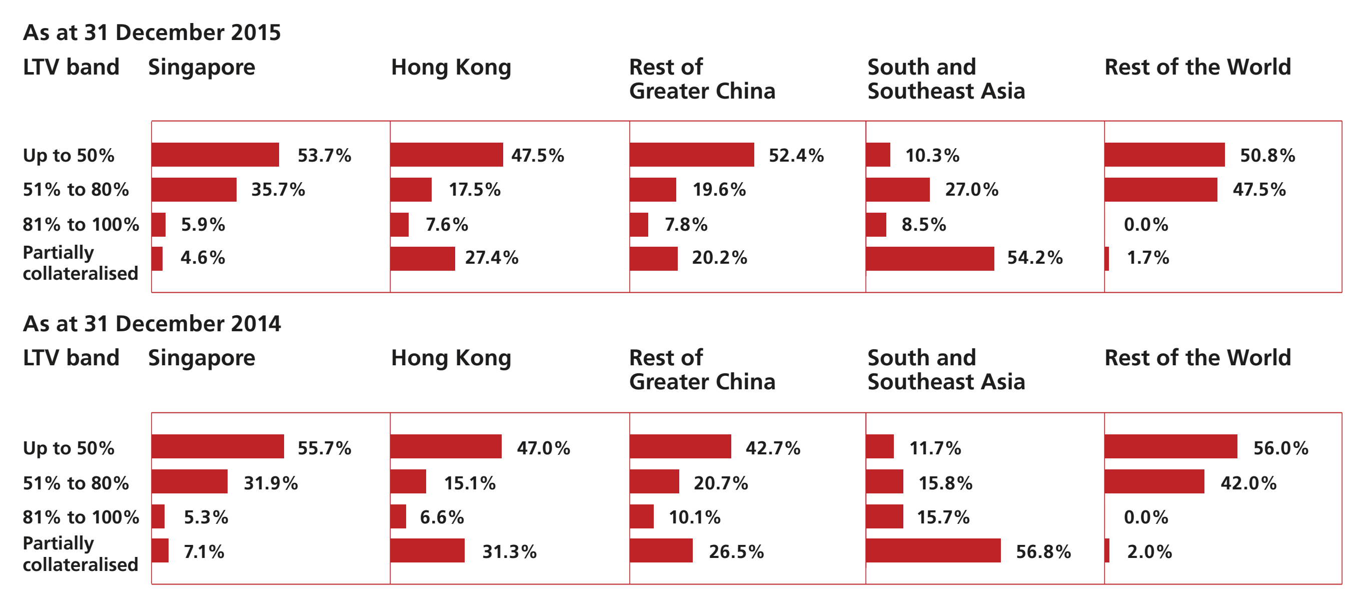
***Percentage of residential mortgage loans***
Breakdown by LTV band and geography



*__Loans and advances to corporates secured by property__*
These loans are extended for the purpose of acquisition and/or development of real estate as well as for general working capital. 86% of the loans were fully collateralised, of which more than 90% had LTV of less than 80%. Our property loans were mainly concentrated in Singapore and Hong Kong, accounting for 86% of the total portfolio.

The LTV ratio is calculated as loans and advances divided by the combined value of property and other tangible collaterals. The latter include cash, marketable securities and bank guarantees, vessels and aircrafts. Where collateral assets are shared by multiple loans and advances, the collateral value is pro-rated.

*__Percentage of loans and advances to corporates secured by property__*
Breakdown by LTV band and geography




*__Loans and advances to banks__*
In line with market convention, loans and advances to banks are typically unsecured. We manage the risk of such exposures by keeping a tight control on the exposure tenor, and monitoring the credit quality of the bank counterparties.

**Derivatives counterparty credit risk by markets and settlement methods**
We continue to manage our derivatives counterparty risk exposures with netting and collateral arrangements to protect our balance sheet in the event of counterparty default.

A breakdown of our derivatives counterparty credit risk by markets (OTC versus exchange-traded) and settlement methods (cleared through a central counterparty versus settled bilaterally) can be found below.

*__Notional OTC & exchange-traded products__*

| In notional terms, SGD million | As at 31 Dec 2015 |
|---|---|
| OTC derivatives cleared through a central counterparty | 479,053 |
| OTC derivatives settled bilaterally | 1,560,500 |
| Total OTC derivatives | 2,039,553 |
| Exchange-traded derivatives | 30,041 |
| Total derivatives (only with external parties) | 2,069,594 |

*Please refer to Note 36 to the Financial statements on page 147 for a breakdown of the derivatives positions held by DBS.*

# 6 Market risk

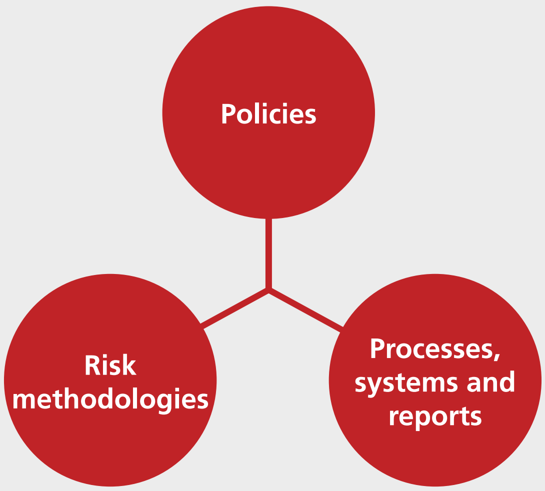
Our exposure to market risk is categorised into:

**Trading portfolios:** Arising from positions taken for (i) market-making, (ii) client-facilitation and (iii) benefiting from market opportunities.

**Non-trading portfolios:** Arising from (i) positions taken to manage the interest rate risk of our Institutional and Consumer Banking assets and liabilities, (ii) equity investments comprising of investments held for yield and/or long-term capital gains, (iii) strategic stakes in entities and (iv) structural foreign exchange risk arising mainly from our strategic investments which are denominated in currencies other than the SGD.

## 6.1 Market risk management at DBS

DBS' approach to market risk management comprises the following building blocks:




**Policies**

The Market Risk Framework sets out the overall approach while the Core Market Risk Policy (CMRP) establishes the base standards for market risk management within DBS. The Policy Implementation Guidance and Requirements (PIGR) complement the CMRP with more details for specific subject matters. Both CMRP and PIGR facilitate the identification, measurement, control, monitoring and reporting of market risk in a consistent manner. The Market Risk Stress Test Framework sets out the overall approach, standards and controls governing market risk stress testing across the Group. The criteria for determining the positions to be included in the trading book are stipulated in the Trading Book Policy Statement.

**Risk methodologies**

Value-at-Risk (VaR) is a method that computes the potential losses on risk positions as a result of movements in market rates and prices, over a specified time horizon and to a given level of confidence. Our VaR model is based on historical simulation with a one-day holding period. We use Expected Shortfall (ES), previously known as Tail VaR, to monitor and limit market risk exposures. With effect from 2 November 2015, ES is the average of potential losses beyond the given 97.5% level of confidence. Previously we used the 95% level of confidence. In the third quarter of 2015, we enhanced our credit spread risk modelling by deriving an implied spread from the bond prices and removing the use of proxies. The market risk economic capital that is allocated by the BRMC is linked to ES by a multiplier. ES is supplemented by risk control metrics such as sensitivities to risk factors and loss triggers for management action.

We conduct backtesting to verify the predictiveness of the VaR model. Backtesting compares VaR calculated for positions at the close of each business day with the profit and loss (P&L) which actually arise on those positions on the following business day. The backtesting P&L excludes fees and commissions, and revenues from intra-day trading. For backtesting, VaR at the 99% level of confidence and over a one-day holding period is used. We adopt the standardised approach to compute market risk regulatory capital under MAS Notice 637 for the trading book positions. As such, VaR backtesting does not impact our regulatory capital for market risk.

VaR models such as historical simulation VaR permit the estimation of the aggregate portfolio market risk potential loss due to a range of market risk factors and instruments. VaR models have limitations; for example, past changes in market risk factors may not provide accurate predictions of the future market movements, and the risk arising from severe market risk related events may be understated.

To monitor our vulnerability to unexpected but plausible extreme market risk related events, we implemented a stress testing policy for market risk. Regular and multiple stress tests are run covering trading and non-trading portfolios through a combination of historical and hypothetical scenarios depicting risk factors movement. ES is the key risk metric used to manage our assets and liabilities. As an exception, credit spread risk under loans and receivables is managed under the credit risk management framework. We manage banking book interest rate risk arising from mismatches in the interest rate profile of assets, liabilities and capital instruments (and associated hedges), including basis risk arising from different interest rate benchmarks, interest rate re-pricing risk, yield curve risk and embedded optionality. Behavioural assumptions are applied in managing the interest rate risk of banking book deposits with indeterminate maturities. We measure interest rate risk in the banking book on a weekly basis.

Credit derivatives are used in the trading book with single name or index underlyings to support business strategy in building a regional fixed income franchise. We actively monitor our counterparty credit risk in credit derivative contracts. More than 90% of the gross notional value of our credit derivative positions as at 31 December 2015 was to 18 established names with which we maintain collateral agreements.

**Processes, systems and reports**

Robust internal control processes and systems are designed and implemented to support our approach for market risk management. Additionally, regular reviews of these control processes and systems are conducted. These reviews provide senior management with objective and timely assessments of the control processes and systems' appropriateness and effectiveness.

The day-to-day market risk monitoring, control and analysis is managed by the RMG Market and Liquidity Risk unit – an independent market risk management function that reports to the CRO. This group comprises risk control, risk analytics, production and reporting teams.

## 6.2 Market risk in 2015

DBS' ES considers the market risks of both the trading and banking books. Our ES (based on the 97.5% level of confidence) is tabulated below, showing the period-end, average, high and low ES.

| | | 1 Jan 2015 to 31 Dec 2015 | | |
|---|---|---|---|---|
| SGD million | As at 31 Dec 2015 | Average | High | Low |
| Total | 101 | 117 | 147 | 75 |

| | | 1 Jan 2014 to 31 Dec 2014 | | |
|---|---|---|---|---|
| SGD million | As at 31 Dec 2014 | Average | High | Low |
| Total | 77 | 105 | 159 | 58 |

DBS' major market risk driver is interest rate risk in the trading and banking books. The average ES for 2015 was higher than 2014 mainly due to more volatile rates scenarios for ES calculation and updates of models for non-maturity deposits.

The following table shows the period-end, average, high and low diversified ES and ES by risk class for Treasury's trading portfolios. The ES reported below are based on the 97.5% level of confidence.

| | | 1 Jan 2015 to 31 Dec 2015 | | |
|---|---|---|---|---|
| SGD million | As at 31 Dec 2015 | Average | High | Low |
| Diversified | 16 | 20 | 32 | 15 |
| Interest Rates | 17 | 15 | 21 | 9 |
| Foreign Exchange | 11 | 8 | 19 | 3 |
| Equity | 3 | 3 | 5 | 2 |
| Credit Spread | 8 | 16 | 23 | 7 |
| Commodity | # | 1 | 2 | # |

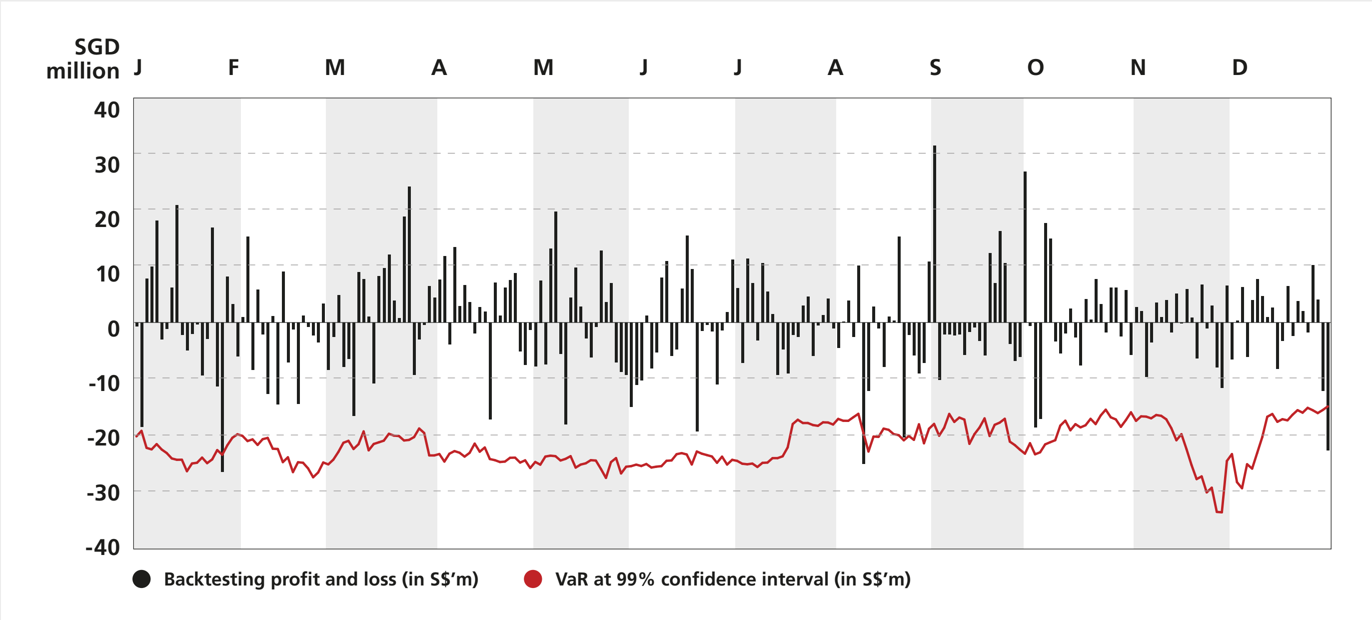
# *Amount under SGD 500,000*

| | | 1 Jan 2014 to 31 Dec 2014 | | |
|---|---|---|---|---|
| SGD million | As at 31 Dec 2014 | Average | High | Low |
| Diversified | 19 | 14 | 25 | 9 |
| Interest Rates | 11 | 12 | 23 | 7 |
| Foreign Exchange | 6 | 5 | 10 | 3 |
| Equity | 2 | 2 | 3 | 1 |
| Credit Spread | 18 | 7 | 18 | 5 |
| Commodity | # | 1 | 3 | # |

# *Amount under SGD 500,000*

In DBS, the main risk factors driving Treasury's trading portfolios in 2015 were interest rates, foreign exchange and credit spreads. Treasury's trading portfolios' average diversified ES increased by SGD 6 million (43%) and this was driven by the market volatility observed in 2015.

Similar to 2014, Treasury's trading portfolios experienced three backtesting exceptions in 2015. The exceptions occurred in January, August and December. Pronounced volatilities in SGD interest rate led to the exceptions in January and December. In August, the exception was triggered by the volatile swings in RMB interest rates and foreign exchange.




The key market risk drivers of our non-trading portfolios are SGD and USD interest rate positions. The economic value impact of changes in interest rates was simulated under various assumptions for the non-trading risk portfolio. The economic value changes were negative SGD 250 million and SGD 425 million (2014: negative SGD 275 million and SGD 489 million) based on parallel shifts to all yield curves of 100 basis points and 200 basis points respectively. The reported figures were based on the worse of an upward or downward parallel shift in the yield curves.

## 7 Liquidity risk

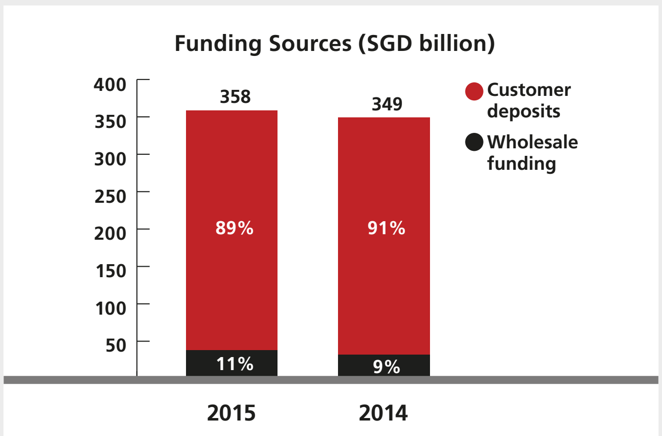
DBS' liquidity risk arises from our obligations to honour withdrawals of deposits, repayments of borrowed funds at maturity, and commitments to its customers to extend loans.

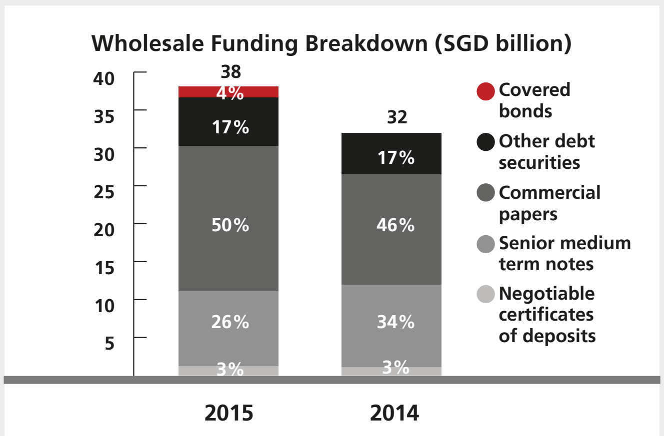
We seek to manage our liquidity in a manner that ensures that our liquidity obligations would continue to be honoured under normal as well as adverse circumstances.

### 7.1 Liquidity risk management at DBS

**Liquidity management and funding strategy**
DBS strives to develop a diversified funding base with access to funding sources across retail and wholesale channels. Our funding strategy is anchored on strengthening our core deposit franchise as the foundation of the Group's long-term funding advantage.

Customer deposits grew by SGD 3 billion in 2015. Deposit quality improved as we rebalanced the mix towards longer tenor and more sticky deposits that are favourable for the liquidity coverage ratio (LCR). As at 31 December 2015, customer deposits continued to be the predominant source of funding at 89% of total funding sources.

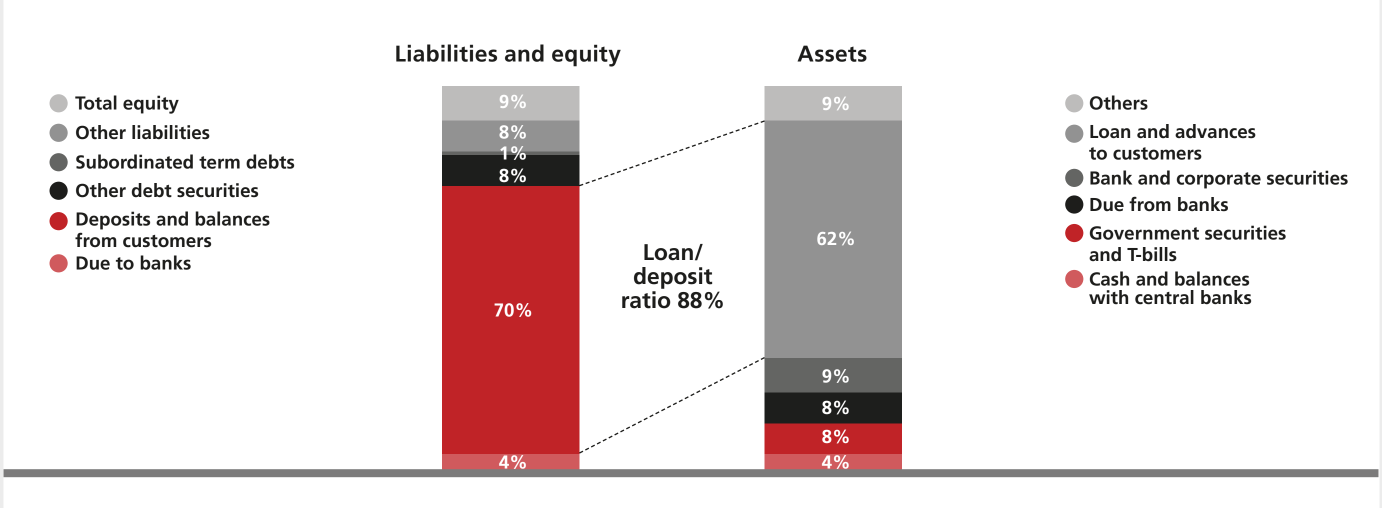


To complement core deposits, we also worked on broadening our access to wholesale funding through issuances of medium term notes, commercial papers, negotiable certificate of deposits, other debt securities and covered bonds. This gives us greater flexibility and efficiency in liquidity management. The value of such flexibility was seen in 2015 amid market and rate hike volatility. Commercial papers were stepped-up as a complementary source of cost-efficient short-term liabilities to fund a prudential increase in liquidity buffers. At the end of 2015, wholesale funding as a percentage of total funding sources increased marginally by 2% to 11%. This was achieved through actively engaging and growing a diversified global base of high quality investors.

2015 also saw DBS taking the lead as the inaugural issuer in the Singapore covered bond market. The issue priced favourably with a tight interest rate spread on the back of strong interest across 16 countries. This gave us access to liquidity from a new class of institutional investors at improved cost efficiency. We were also awarded the European Covered Bond Council Covered Bond Label – the first granted to an issuer outside the European Economic Area. This enhanced the visibility of our covered bond programme and the appeal of our issuances to global investors.

The diagrams below show our asset funding structure as at 31 December 2015.




*Please refer to Note 29 to the Financial statements on page 141 for more details of our wholesale funding sources and Note 41.1 on page 163 for the contractual maturity profile of our assets and liabilities.*

With increasing diversification of funding sources, optimising the mismatch in fund deployment against sources with respect to pricing, size, currency and tenor remains challenging. To this end, where practicable and transferable without loss in value, we make appropriate use of the swap markets for different currencies, commensurate with the liquidity of each, in the conversion and deployment of surplus funds across locations. As these swaps typically mature earlier than loans, we are exposed to potential cashflow mismatches arising from the risk that counterparties may not roll over maturing swaps with us to support the continual funding of loans. We mitigate this risk by setting triggers on the amount of swaps transacted with the market and making conservative assumptions on the cashflow behaviour of swaps under our cashflow maturity gap analysis (see Section 7.2 on page 98).

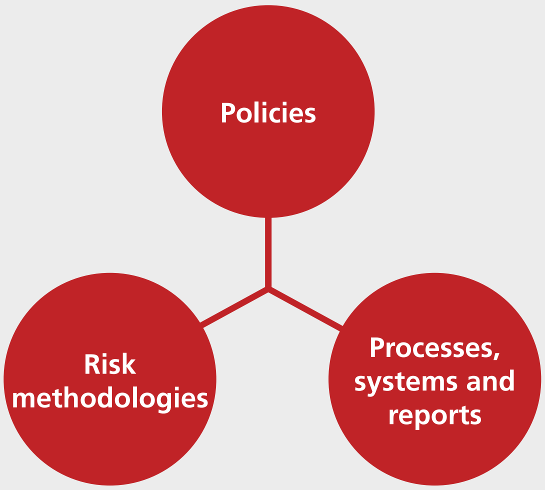
Overseas locations are encouraged but not required to centralise majority of their borrowing and deployment of funds with head office, taking into account the relevant regulatory restrictions while maintaining a commensurate level of presence and participation in the local funding markets. Intra-group funding transactions are priced on an arm's length basis with reference to prevailing market rates and parameters set within the Group Funds Transfer Pricing policy.

During our annual budget and planning process, each overseas location conducts an in-depth review of their projected loan and deposit growth as well as their net funding and liquidity profile for the next year. The consolidated Group funding and liquidity profiles are reviewed and revised as necessary by senior management. Each overseas location is required to provide justification if head office funding support is required.

The Group Assets and Liabilities Committee and respective Location Assets and Liabilities Committee regularly review balance sheet composition, growth in loans and deposits, utilisation of wholesale funding, momentum in business activities, market competition, economic outlook, market conditions and other factors that may affect liquidity in the continual refinement of DBS' funding strategy.

**Approach to liquidity risk management**

DBS' approach to liquidity risk management comprises the following building blocks:




**Policies**

The Group Liquidity Risk Management Policy sets out our overall approach towards liquidity risk management and describes the range of strategies employed by DBS to manage our liquidity. These include maintaining an adequate counterbalancing capacity to address potential cashflow shortfalls and having diversified sources of liquidity. Counterbalancing capacity includes liquid assets and the capacity to borrow from the money markets as well as forms of managerial interventions that improve liquidity. In the event of a potential or actual crisis, we have in place a set of liquidity contingency and recovery plans to ensure that we maintain adequate liquidity.

The Policy is supported by Standards which establish the detailed requirements for liquidity risk identification, measurement, reporting and control within DBS. The set of Policies, Standards and supporting Guides communicate these baseline requirements to ensure consistent application throughout DBS.

**Risk methodologies**
The primary measure used to manage liquidity within the tolerance defined by the Board is the cashflow maturity mismatch analysis. This analysis is performed on a regular basis under normal and adverse scenarios. It assesses the adequacy of our counterbalancing capacity to fund or mitigate any cashflow shortfalls that may occur as forecasted in the cashflow movements across successive time bands. To ensure that liquidity is managed in line with the Risk Appetite, core parameters underpinning the performance of the analysis, such as the types of scenarios, the survival period and the minimum level of liquid assets, are pre-specified for monitoring and control on a group-wide basis. Any occurrences of forecasted shortfalls that cannot be covered by the counterbalancing capacity would be escalated to the relevant committees for deliberation and actions.

Stress testing is performed under the cashflow maturity mismatch analysis, and covers adverse scenarios involving shocks that are general market and/or name-specific in nature. Stress tests assess our vulnerability when liability run-offs increase, asset rollovers increase and/or liquid asset buffers reduce. In addition, ad-hoc stress tests are performed as part of our recovery planning and ICAAP exercises.

Liquidity risk control measures, such as liquidity-related ratios and balance sheet analysis, are complementary tools to the cashflow maturity mismatch analysis and are performed regularly to obtain deeper insights and finer control over the liquidity profile across locations. The liquidity risk control measures also include concentration measures on top depositors, wholesale borrowing and swapped funds ratios.

**Processes, systems and reports**
Robust internal control processes and systems underlie our overall approach to identifying, measuring, aggregating, controlling and monitoring liquidity risk across DBS. In 2015, we further enhanced the capabilities of our in-house data platform to improve the timeliness of our cash flow information as well as to perform more in depth analysis of our liquidity position.

The day-to-day liquidity risk monitoring, control reporting and analysis are managed by the RMG Market and Liquidity Risk unit – an independent liquidity risk management function that reports to the CRO. This unit comprises risk control, risk analytics, production and reporting teams.

## 7.2 Liquidity risk in 2015

We actively monitor and manage our liquidity profile based on the cashflow maturity mismatch analysis.

In forecasting cashflows under the analysis, behavioural profiling is necessary in cases where a product has indeterminate maturity or the contractual maturity does not realistically reflect the expected cashflows. An example would be maturity-indeterminate savings and current account deposits which are generally viewed as a source of stable funding for commercial banks and consistently exhibited stability even under historical periods of stress.

A conservative view is therefore adopted in the behavioural profiling of assets, liabilities and off-balance sheet commitments that have exhibited cashflow patterns that differ significantly from the contractual maturity profile shown under Note 41.1 of our Financial statements on page 163.

The table below shows our behavioural net and cumulative maturity mismatch between assets and liabilities over a 1-year period under a normal scenario without incorporating growth projections. DBS' liquidity was observed to remain adequate under the maturity mismatch analysis. Increase in near-term cumulative cash flows reflected higher excess cash and liquid asset holdings. Loan growth was supported largely by diversified stable funding sources which include deposits, medium term notes, commercial papers and covered bonds.

| SGD million[a] | Less than 7 days | 1 week to 1 month | 1 to 3 months | 3 to 6 months | 6 months to 1 year |
|---|---|---|---|---|---|
| As at 31 Dec 2015<br>Net liquidity mismatch | 27,457 | (102) | (9,456) | 8,298 | 2,825 |
| Cumulative mismatch | 27,457 | 27,355 | 17,899 | 26,197 | 29,022 |
| As at 31 Dec 2014[b]<br>Net liquidity mismatch | 21,364 | (6,553) | 7,767 | 8,404 | 10,803 |
| Cumulative mismatch | 21,364 | 14,811 | 22,578 | 30,982 | 41,785 |

*(a) Positive indicates a position of liquidity surplus. Negative indicates a liquidity shortfall that has to be funded*
*(b) As the behavioural assumptions used to determine the maturity mismatch between assets and liabilities are updated from time to time, the liquidity mismatches may not be directly comparable across past balance sheet dates*

## 7.3 Liquid assets

Liquid assets are assets that are readily available and can be easily monetised to meet liquidity shortfalls under times of stress. Such assets are internally defined under the governance of the relevant oversight committees, taking into account asset class, issuer type and credit rating, among other criteria, before they are reflected as available funds under the cashflow maturity mismatch analysis used to manage liquidity risk within the risk tolerance.

In addition to the characteristics of the liquid assets, our Treasury function should be able to operationally monetise the pool of liquid assets to meet liquidity shortfalls under times of stress. A further requirement is that these liquid assets are unencumbered by being free of legal, regulatory, contractual or other restrictions.

In practice, liquid assets are maintained in key locations and currencies to ensure that operating entities in such locations possess a degree of self-sufficiency to support business needs as well as protect against contingencies. The main portion of our liquid assets is centrally maintained in Singapore to support liquidity needs in smaller overseas subsidiaries and branches. Internally, DBS sets a requirement to maintain its pool of liquid assets above a minimum level as a source of contingent funds, taking into account projected stress shortfalls under its cashflow maturity mismatch analysis and other factors.

The table below shows DBS' encumbered and unencumbered liquid assets by instrument and counterparty against other assets in the same category under the balance sheet. Figures are based on the carrying amount as at the balance sheet date.

| | Liquid assets | | | | Others[(d)] | Total |
|---|---|---|---|---|---|---|
| SGD million | Encumbered | Unencumbered | Total [1] | Average[(c)] | [2] | [1] + [2] |
| As at 31 Dec 2015<br>Cash and balances with central banks[(a)] | 6,751 | 10,774 | 17,525 | 15,689 | 1,304 | 18,829 |
| Due from banks[(b)] | – | 14,155 | 14,155 | 10,013 | 24,130 | 38,285 |
| Government securities and treasury bills | 2,650 | 30,930 | 33,580 | 35,397 | 921 | 34,501 |
| Banks and corporate securities | 857 | 25,938 | 26,795 | 25,832 | 13,278 | 40,073 |
| Total | 10,258 | 81,797 | 92,055 | 86,931 | 39,633 | 131,688 |

*(a) Unencumbered balances with central banks comprise holdings that are unrestricted and available overnight. The encumbered portion represents the mandatory balances held with central banks, which includes minimum cash balance (MCB) amount that may be available for use under a liquidity stress situation*
*(b) Liquid assets comprise nostro accounts and eligible certificates of deposits*
*(c) Total liquid assets reflected on an average basis over the four quarters in 2015*
*(d) 'Others' refer to assets that are not recognised as part of the available pool of liquid assets for liquidity management under stress due to (but not limited to) inadequate or non-rated credit quality, operational challenges in monetisation (for example, holdings in physical scrips), among other considerations*

In addition to the above table, collateral received in reverse repo transactions amounting to SGD 5,341 million were recognised for liquidity management under stress.

As can be observed from the table, our funding strategy in the normal course of business does not rely on collateralised wholesale funding. Instead, liquid assets are maintained as a source of contingent funds to meet potential shortfalls that may arise under times of stress, as assessed under regulatory standards and our internal measures.

## 7.4 Regulatory requirements

On 28 November 2014, the MAS published MAS' Notice to Banks No. 649 "Minimum Liquid Assets (MLA) and Liquidity Coverage Ratio (LCR)" (MAS Notice 649), which sets out the implementation of the Basel III LCR in Singapore. DBS, as a domestic bank incorporated and headquartered in Singapore, is required to comply with the LCR standards under MAS Notice 649 from 1 January 2015. For the full year of 2015, Group LCR was maintained well above the minimum LCR requirements under MAS Notice 649.

Based on our internal assessment and participation in the Quantitative Impact Studies by the Basel Committee on Banking Supervision, DBS is well-positioned to meet the minimum standards of the Basel III Net Stable Funding Ratio (NSFR). The international timeline targeted for implementation is January 2018.

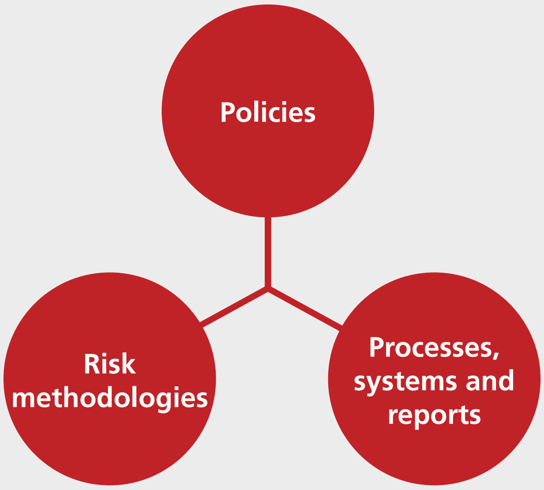
# 8 Operational risk

Operational risk includes processing errors, fraudulent acts, inappropriate behaviour of staff, vendors' misperformance, system failure and natural disasters. Operational risk is inherent in most of our businesses and activities.

Our objective is to keep operational risk at appropriate levels, taking into account the markets we operate in, the characteristics of the businesses as well as the competitive and regulatory environment we are subject to.

## 8.1 Operational risk management at DBS

DBS' approach to operational risk management comprises the following building blocks:




**Policies**

The Group Operational Risk Management (ORM) Policy provides a group-wide approach for managing operational risk in a structured, systematic and consistent manner. There are policies, standards, tools and programmes in place to govern ORM practices across the Group. These include corporate operational risk policies and standards which are owned by the respective corporate oversight and control functions and include key subject-specific policies such as Technology Risk Management Framework, Group Compliance Policy, Fraud Management Policy and Group Anti-Money Laundering, Countering the Financing of Terrorism and Sanctions Policy, New Product Approval Policy and Outsourcing Risk Policy.

**Risk methodologies**

We adopt the standardised approach to compute operational risk regulatory capital. To manage and control operational risk, we use various tools including risk and control self-assessment, operational risk event management and key risk indicators monitoring. Risk and control self-assessment is used by each business or support unit to identify key operational risk and assess the degree of effectiveness of the internal controls. For control issues identified, the units are responsible for developing action plans and tracking the timely resolution. Operational risk events are classified in accordance with Basel standards. Such events, including any significant incidents that may impact DBS' reputation, are required to be reported based on certain established thresholds. Key risk indicators with pre-defined escalation triggers are employed to facilitate risk monitoring in a forward-looking manner.

Additional methodologies are in place to address subject-specific risks, including but not limited to the following:

***Technology risk***

Information Technology (IT) risk is managed in accordance with a Technology Risk Management Framework. This covers risk governance, communication, monitoring, assessment, mitigation and acceptance and is supported by a set of IT policies and standards, control processes and risk mitigation programmes.

We have also established policies and standards to manage and address cyber security risk. To enhance our management of this risk, we have appointed a Chief Information Security Officer who is responsible for our cyber security risk management strategy and programme.

***Compliance risk***

Compliance risk is the risk of impairment to our ability to successfully conduct our business as a result of any failure to comply with laws, regulatory requirements, industry codes or standards of professional conduct applicable to the conduct of business in the financial sector. This includes, in particular, laws and regulations applicable to the licensing and conduct of banking or other financial businesses, financial crime such as anti-money laundering and countering the financing of terrorism, fraud and bribery/corruption.

We maintain a compliance programme designed to identify, assess, measure, mitigate and report on such risks through a combination of policy, and relevant systems and controls. We also provide relevant training and execute assurance processes. We also strongly believe in the need to promote a strong compliance culture. This is established through the leadership of our Board and senior management and aims to comply with the letter and spirit of the laws and regulatory standards in the environment in which we operate.

***Fraud risk***

We have established minimum standards for our business and support units to prevent, detect, investigate and remediate against fraud and related events. This is based on the Fraud Management Programme through which standards are to be implemented on a unit and geographical level. These standards aim to provide end-to-end management of fraud and related issues within DBS.

***Money laundering, financing of terrorism and sanctions risks***

There are minimum standards for our business and support units to mitigate and manage our actual and/or potential exposure to money laundering, terrorist financing, sanctions, corruption, or other illicit financial activity. Accountabilities have also been established for the protection of the assets and reputation of DBS and the interests of customers and shareholders.

***New product and outsourcing risks***

Each new product, service or outsourcing initiative is subject to a risk review and sign-off process where relevant risks are identified and assessed by departments independent of the risk-taking unit proposing the product or service. Variations of existing products or services and outsourcing initiatives are also subject to a similar process.

***Other mitigation programmes***

Business continuity management plays an integral role in DBS' risk mitigation programme to manage business disruptions. A robust crisis management and business continuity management programme is in place within essential business services during unforeseen events. Planning for business resilience includes identification of key business processes via Business Impact Analysis as well as the documentation and maintenance of Business Continuity Plan (BCP). Overall BCP objectives are aimed at minimising the impact of business interruption arising from severe loss scenarios and to provide a reasonable level of service until normal business operations are resumed. The crisis management structure encompasses an incident management process from the point of incident to crisis declaration and activation of the relevant committees or teams to manage the crisis. Exercises are conducted annually, simulating varying scenarios to test the BCPs and crisis management protocol. Scenarios include incidents such as technology incidents having enterprise-wide impact on essential banking services, natural disasters with wide geographical area impact, safety-at-risk incidents (e.g. terrorism) and other events leading to significant business disruption. Senior management provides an attestation to the BRMC on an annual basis including the state of business continuity readiness, extent of alignment to regulatory guidelines and disclosure of residual risks.

To mitigate losses from specific unexpected and significant event risks, DBS purchases group-wide insurance policies, under the Group Insurance Programme, from third-party insurers. DBS has acquired insurance policies relating to crime and professional indemnity; directors and officers liability; property damage and business interruption; general liability and terrorism.

**Processes, systems and reports**
Robust internal control processes and systems are integral to identifying, monitoring, managing and reporting operational risk. We have implemented a web-based system that supports multiple operational risk management processes and tools including operational risk event reporting, risk and control self-assessment, key risk indicators, tracking of issues or action plans and operational risk reporting.

Units are responsible for the day-to-day management of operational risk in their products, processes, systems and activities in accordance with the various frameworks and policies. RMG Operational Risk and other corporate oversight and control functions provide oversight and monitor the effectiveness of operational risk management, assess key operational risk issues with the units to determine the impact across DBS, report and/or escalate key operational risks to relevant senior management and board-level committees with recommendations on appropriate risk mitigation strategies.

## 8.2 Operational risk in 2015

The total operational risk losses in 2015 decreased to SGD 10.8 million (0.10% of DBS' total operating income), compared to SGD 13.5 million (0.13%) in 2014. The loss profile (net loss greater than SGD 10,000 and based on the date of detection of the operational risk event), was mainly categorised into the following four Basel risk event categories: (i) internal fraud; (ii) external fraud; (iii) clients, products and business practices; (iv) execution, delivery and process management; and (v) business disruption and system failure.

| Basel risk event types | 2015 | | 2014 | |
|---|---|---|---|---|
| | SGD million | % | SGD million | % |
| Execution, delivery and process management | 5.96 | 55% | 1.91 | 14% |
| External fraud | 4.39 | 41% | 9.04 | 67% |
| Clients, products and business practices | 0.28 | 3% | 1.61 | 12% |
| Internal fraud | 0.14 | 1% | 0.97 | 7% |
| Business disruption and system failure | 0.03 | 0% | 0 | 0% |
| **Total** | **10.80** | **100%** | **13.54** | **100%** |

*Note: No losses were reported for (vi) employment practices and workplace safety; and (vii) damage to physical assets*

Execution, delivery and process management and external fraud accounted for 96% of the Group's operational risks losses in 2015. Losses were highest in the category of execution, delivery and process management which arose from a few isolated incidents and mitigating actions have been taken accordingly. The losses from external fraud were due largely to credit card fraud. Nevertheless, our credit card fraud losses were lower than the industry benchmark.

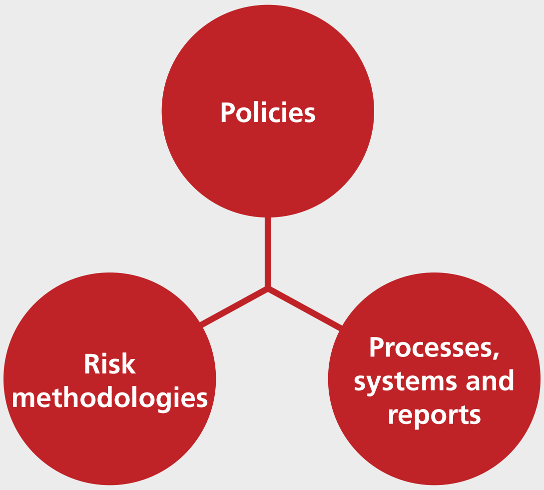
# 9 Reputational risk

We view reputational risk as an outcome of any failure to manage risks in our day-to-day activities/decisions as well as from changes in the operating environment. These risks include:

a. Financial risk (credit, market and liquidity risks)
b. Inherent risk (operational and business/strategic risks)

## 9.1 Reputational risk management at DBS

DBS' approach to reputational risk management comprises the following building blocks:




**Policies**
We adopt a four-step approach i.e. prevent, detect, escalate and respond to reputational risk events. As reputational risk is a consequence from the failure to manage other risk types, the definitions and principles for managing such risks are articulated in the respective risk policies. These are reinforced by sound corporate values that embed ethical behaviours and practices throughout DBS.

Policies are in place to protect the consistency of the DBS brand and to safeguard our corporate identity and reputation.

**Risk methodologies**
Under the various risk policies, we have established a number of mechanisms for ongoing risk monitoring. These take the form of risk limits, key risk indicators and other operating metrics, as well as the periodic risk and control self-assessment process. Apart from observations from internal sources, alerts from external parties/stakeholders also serve as an important source to detect potential risk reputational risk events. In addition, there are policies relating to media communications, social media and corporate social responsibility to protect DBS' reputation. There are also escalation and response mechanisms in place for managing reputational risk.

While the respective risk policies address the individual risk types, the Reputational Risk Policy focuses specifically on stakeholders' perception of how well DBS manages its reputational risks. Stakeholders include customers, government agencies and regulators, investors, rating agencies, business alliances, vendors, trade unions, media, general public, Board and senior management, and employees. We recognise that creating a sense of shared value through engagement with key stakeholder groups is imperative for our brand and reputation. For more information on how we engage our stakeholders, see page 20.

**Processes, systems and reports**
Units are responsible for the day-to-day management of reputational risk by ensuring that processes and procedures are in place to identify, assess and respond to reputational risk. Events of reputational risk impact are also featured in the reporting of risk profiles to senior management and board-level committees.

## 9.2 Reputational risk in 2015

DBS' priority is to prevent the occurrence of a reputational risk event rather than to take mitigating actions when it materialises. There were no significant reputational risk incidents which could endanger the DBS franchise in 2015.

# Appendix

| | General recommendations | Where have we disclosed this? (in Risk management section unless otherwise stated) |
|---|---|---|
| 1 | Present all related risk information together in any particular report. | Refer to the table on page 81 |
| 2 | Define the bank's risk terminology and risk measures and present key parameter values used. | Sections 1, 5.1, 6.1, 7.1, 8.1 |
| | *Permanent considerations in respect of impact of expected credit loss approaches:* | |
| | Describe how the bank interprets and applies the key concepts within an ECL approach. | Refer to Note 1 below |
| | Disclose the credit loss modelling techniques developed to implement the ECL approach. | Refer to Note 1 below |
| 3 | Describe and discuss top and emerging risks, incorporating relevant information in the bank's external reports on a timely basis. | Refer to CRO statement |
| | *Temporary considerations in respect of impact of expected credit loss approaches:* | |
| | Provide disclosures describing how the concepts applied and modelling techniques under the current impairment approaches compare with the new ECL approach to highlight factors which may drive changes in ECL that may not have been relevant in current impairment approaches. | Refer to Note 1 below |
| 4 | Once the applicable rules are finalised, outline plans to meet each new key regulatory ratio, e.g. the net stable funding ratio, liquidity coverage ratio and leverage ratio and, once the applicable rules are in force, provide such key ratios. | Section 7.4<br>Refer to Capital management and planning section |
| | *Temporary considerations in respect of impact of expected credit loss approaches:* | |
| | Banks should consider describing the intended implementation strategy including the current timeline for the implementation. | Refer to Note 1 below |
| | Disclose how the risk management organisation, processes and key functions have been organised to run the ECL methodology. | Refer to Note 1 below |
| | **Risk governance and risk management strategies/business model** | |
| 5 | Summarise prominently the bank's risk management organisation, processes and key functions. | Section 3 |
| 6 | Provide a description of the bank's risk culture, and how procedures and strategies are applied to support the culture. | Section 4<br>Refer to Corporate Governance section |

| | General recommendations | Where have we disclosed this? (in Risk management section unless otherwise stated) |
|---|---|---|
| 7 | Describe the key risks that arise from the bank's business models and activities, the bank's Risk Appetite in the context of its business models and how the bank manages such risks. | Sections 1, 2 and 4 |
| 8 | Describe the use of stress testing within the bank's risk governance and capital frameworks. Stress testing disclosures should provide a narrative overview of the bank's internal stress testing process and governance. | Sections 4.2, 5.1, 6.1, 7.1 |
| | *Temporary considerations in respect of impact of expected credit loss approaches:* | |
| | Describe the relationship, if any, between the stress testing programs and the implementation of ECL accounting requirements. | Not applicable |
| Capital adequacy and risk-weighted assets | | |
| 9 | Provide minimum Pillar 1 capital requirements, including capital surcharges for G-SIBs and the application of counter-cyclical and capital conservation buffers or the minimum internal ratio established by management. | Refer to Capital management and planning section and Pillar 3 disclosures published on DBS website |
| 10 | Summarise information contained in the composition of capital templates adopted by the Basel Committee to provide an overview of the main components of capital, including capital instruments and regulatory adjustments. A reconciliation of the accounting balance sheet to the regulatory balance sheet should be disclosed. | Refer to Pillar 3 disclosures published on DBS website |
| 11 | Present a flow statement of movements since the prior reporting date in regulatory capital, including changes in common equity tier 1, tier 1 and tier 2 capital. | Refer to Capital management and planning section |
| 12 | Qualitatively and quantitatively discuss capital planning within a more general discussion of management's strategic planning, including a description of management's view of the required or targeted level of capital and how this will be established. | Refer to Capital management and planning section |
| | *Temporary considerations in respect of impact of expected credit loss approaches:* | |
| | Banks should consider explaining how ECL requirements are anticipated to have an impact on capital planning, (particularly in meeting capital adequacy requirements) including any strategic changes expected by management, to the extent the impact is material. To the extent regulatory requirements are unclear or not yet fully determined, the effects of such uncertainty should be discussed. | Not applicable (regulatory requirements have not yet been fully determined) |
| 13 | Provide granular information to explain how risk-weighted assets (RWAs) relate to business activities and related risks. | Section 2 |

| General recommendations | | Where have we disclosed this? (in Risk management section unless otherwise stated) |
|---|---|---|
| 14 | Present a table showing the capital requirements for each method used for calculating RWAs for credit risk, including counterparty credit risk, for each Basel asset class as well as for major portfolios within those classes. For market risk and operational risk, present a table showing the capital requirements for each method used for calculating them. | Refer to Pillar 3 disclosures published on DBS website |
| 15 | Tabulate credit risk in the banking book showing average probability of default (PD) and LGD as well as exposure at default (EAD), total RWAs and RWA density for Basel asset classes and major portfolios within the Basel asset classes at a suitable level of granularity based on internal ratings grades. | Refer to Pillar 3 disclosures published on DBS website |
| 16 | Present a flow statement that reconciles movements in RWAs for the period for each RWA risk type. | Not implemented |
| 17 | Provide a narrative putting Basel Pillar 3 back-testing requirements into context, including how the bank has assessed model performance and validated its models against default and loss. | Section 6.1, 6.2 |
| Liquidity | | |
| 18 | Describe how the bank manages its potential liquidity needs and provide a quantitative analysis of the components of the liquidity reserve held to meet these needs, ideally by providing averages as well as period-end balances. | Sections 7.1, 7.3 |
| Funding | | |
| 19 | Summarise encumbered and unencumbered assets in a tabular format by balance sheet categories, including collateral received that can be rehypothecated or otherwise redeployed. This is to facilitate an understanding of available and unrestricted assets to support potential funding and collateral needs. | Section 7.3 |
| 20 | Tabulate consolidated total assets, liabilities and off-balance sheet commitments by remaining contractual maturity at the balance sheet date. Present separately (i) senior unsecured borrowing (ii) senior secured borrowing (separately for covered bonds and repos) and (iii) subordinated borrowing. Banks should provide a narrative discussion of management's approach to determining the behavioural characteristics of financial assets and liabilities. | Section 7.2<br>Financial statements Note 41.1 |
| 21 | Discuss the bank's funding strategy, including key sources and any funding concentrations, to enable effective insight into available funding sources, reliance on wholesale funding, any geographical or currency risks and changes in those sources over time. | Section 7.1 |

| | General recommendations | Where have we disclosed this? (in Risk management section unless otherwise stated) |
|---|---|---|
| **Market risk** | | |
| 22 | Provide information that facilitates users' understanding of the linkages between line items in the balance sheet and the income statement with positions included in the traded market risk disclosures (using the bank's primary risk management measures such as Value at Risk (VaR)) and non-traded market risk disclosures such as risk factor sensitivities, economic value and earnings scenarios and/or sensitivities. | Section 6.1 |
| 23 | Provide further qualitative and quantitative breakdowns of significant trading and non-trading market risk factors that may be relevant to the bank's portfolios beyond interest rates, foreign exchange, commodity and equity measures. | Sections 6.1, 6.2 |
| 24 | Provide qualitative and quantitative disclosures that describe significant market risk measurement model limitations, assumptions, validation procedures, use of proxies, changes in risk measures and models through time and descriptions of the reasons for back-testing exceptions, and how these results are used to enhance the parameters of the model. | Sections 6.1, 6.2 |
| 25 | Provide a description of the primary risk management techniques employed by the bank to measure and assess the risk of loss beyond reported risk measures and parameters, such as VaR, earnings or economic value scenario results, through methods such as stress tests, expected shortfall, economic capital, scenario analysis, stressed VaR or other alternative approaches. The disclosure should discuss how market liquidity horizons are considered and applied within such measures. | Sections 6.1, 6.2 |
| **Credit risk** | | |
| 26 | Provide information that facilitates users' understanding of the bank's credit risk profile, including any significant credit risk concentrations. | Section 5.4<br>Financial statements Note 40.4 |
| | *Temporary considerations in respect of impact of expected credit loss approaches:* | |
| | Banks should consider whether existing segmentation for disclosure purposes is sufficiently granular to appropriately understand credit risk under an ECL approach. | Not applicable<br>(quantitative assessment not yet available) |
| | Once practical and when disclosures would be reliable, provide users with a quantitative assessment of the potential impact of applying an ECL approach. | |
| | *Permanent considerations in respect of impact of expected credit loss approaches:* | |
| | Where it aids understanding of credit risk exposures, provide disclosure of vintage. | Not applicable |

| General recommendations | | Where have we disclosed this? (in Risk management section unless otherwise stated) |
|---|---|---|
| 27 | Describe the policies for identifying impaired or non-performing loans, including how the bank defines impaired or non-performing, restructured and returned-to-performing (cured) loans as well as explanations of loan forbearance policies. | Section 5.1 |
| 28 | Provide a reconciliation of the opening and closing balances of non-performing or impaired loans in the period and the allowance for loan losses. Disclosures should include an explanation of the effects of loan acquisitions on ratio trends, and qualitative and quantitative information about restructured loans. | Sections 5.1, 5.4<br>Financial statements Note 40.2 |
| 29 | Provide a quantitative and qualitative analysis of the bank's counterparty credit risk that arises from its derivatives transactions. | Section 5.1, 5.4 |
| 30 | Provide qualitative information on credit risk mitigation, including collateral held for all sources of credit risk and quantitative information where meaningful. | Section 5.2, 5.4 |
| **Other risks** | | |
| 31 | Describe 'other risk' types based on management's classifications and discuss how each one is identified, governed, measured and managed. In addition to risks such as operational risk, reputational risk, fraud risk and legal risk, it may be relevant to include topical risks such as business continuity, regulatory compliance, technology, and outsourcing. | Section 1, 8.1, 9 |
| 32 | Discuss publicly known risk events related to other risks, including operational, regulatory compliance and legal risks, where material or potentially material loss events have occurred. Such disclosures should concentrate on the effect on the business, the lessons learned and the resulting changes to risk processes already implemented or in progress. | Section 8.2 |

# Note 1: New impairment methodology

In 2018, International Financial Reporting Standard 9 (IFRS 9) will take effect. This new accounting standard will govern how reporting entities classify and measure financial instruments, take impairment (or allowance) charges and account for hedges.

## Current impairment approach

At present, for impairment assessment, Singapore banks comply with the provisions of MAS Notice 612 where banks maintain, in addition to specific allowances, a prudent level of general allowances of at least 1% of uncollateralised exposures. This is an intended departure from the incurred loss provisioning approach prescribed under International Accounting Standard 39, and possible changes to the current regulatory specifications will determine how IFRS 9's expected credit loss (ECL) model (as discussed below) is eventually implemented. Any such changes are, however, unlikely to result in additional allowance charges for DBS at the point of adoption. The Group has begun preparations in the meantime, leveraging existing credit rating systems, models, processes and tools.

## IFRS 9 impairment methodology

Under IFRS 9, impairment charges will be determined using an ECL model, which classifies financial assets into three categories or stages, each of which is associated with an ECL requirement that is reflective of the assessed credit risk profile:

- A financial asset is classified under Stage 1 if it was not credit-impaired upon origination and there has not been a significant increase in its credit risk since. Under this stage, the ECL of a financial asset will be determined using the probability of default over the next 12 months.
- A financial asset is classified under Stage 2 if it was not credit-impaired upon origination but has since suffered a significant increase in credit risk. The ECL will be determined using the probability of default over its lifetime.
- A financial asset which has been credit-impaired with objective evidence of default is classified under Stage 3. The assessed ECL is expected to be unchanged from the existing specific allowances taken for such assets.

Further guidance was specified by the Basel Committee in its December 2015 report, "Guidance on credit risk and accounting for expected credit losses".

## Implementation plan

A steering committee, chaired by the CFO, has been established to oversee IFRS 9 implementation, including the development of the ECL model. It is envisaged that adjustments will be made to existing credit rating systems, models, processes and tools to accommodate IFRS 9 requirements, in particular for point-in-time and lifetime estimates of credit losses. The ECL assessment in each instance will also take into account, through the exercise of management judgement, reasonable and supportable forward-looking information, such as forecast GDP, inflation, unemployment, interest rates and property prices.

The steering committee is supported by a core working group which will develop a blueprint to operationalise the applicable governance, processes and controls around the ECL model. Periodic progress updates will be provided to the Audit Committee.

## Disclosures

DBS intends to adopt the disclosure recommendations outlined in the EDTF's November 2015 report, "Impact of expected credit loss approaches on bank risk disclosures". In the intervening period prior to 2018, we will continue to provide the requisite disclosures, where applicable.

# Capital management and planning

## Objective

The Board is responsible for setting our capital management objective, which is to maintain a strong capital position consistent with regulatory requirements under the MAS' Notice to Banks No. 637 "Notice on Risk Based Capital Adequacy Requirements for Banks Incorporated in Singapore" (MAS Notice 637) and the expectations of various stakeholders, e.g. customers, investors and rating agencies. The Board articulates this objective in the form of capital targets. This objective is pursued while delivering returns to shareholders and ensuring that adequate capital resources are available for business growth and investment opportunities as well as adverse situations, taking into consideration our strategic plans and risk appetite. Our dividend policy is to pay sustainable dividends over time, consistent with our capital management objective, long-term growth prospects and the need to maintain prudent capital levels in view of forthcoming regulatory changes. In line with our dividend policy, the Board has recommended a final dividend of SGD 0.30 per ordinary share, to which the Scrip Dividend Scheme is being applied, bringing the total ordinary dividend for the year to SGD 0.60.

## Process

Our capital management objective is implemented via a capital management and planning process that is overseen by the Capital Committee. The CFO chairs the Capital Committee. The Capital Committee receives regular updates on our current and projected capital position. A key tool for capital planning is the annual Internal Capital Adequacy Assessment Process (ICAAP) through which we assess our forecast capital supply and demand relative to regulatory requirements and internal capital targets. The ICAAP has a three-year horizon and covers various scenarios, including stress scenarios of differing scope and severity.

Capital capacity is allocated on two dimensions: by business line and by entity. Capital allocations by business line are set as part of the budget process and monitored during the year. Return on regulatory capital is one of several metrics used to measure business performance. Capital allocations by entity seek to optimise the distribution of capital resources across entities, taking into account the capital adequacy requirements imposed on each subsidiary in its respective jurisdiction. Capital is allocated to ensure that each subsidiary is able to comply with regulatory requirements as it executes its business strategy in line with our strategy. During the course of the year, these subsidiaries did not experience any impediments to the distribution of dividends.

## Capital structure

We manage our capital structure in line with our capital management objective and in order to optimise the cost and flexibility offered by various capital resources. In order to achieve this, we assess the need and the opportunity to raise or retire capital.

During the year, 5,292,246 ordinary shares were issued pursuant to the Scrip Dividend Scheme. This added SGD 110 million to ordinary share capital. Refer to Note 31 to the Financial Statements for details on the movement of share capital and treasury shares during the year.

On 19 November 2014, DBS Bank Ltd. offered to purchase for cash up to USD 550 million of the USD 900 million Floating Rate Subordinated Notes due 2021 Callable with Step-up in 2016. The transaction was completed on 8 January 2015, when USD 550 million of the notes were purchased and subsequently cancelled. The remaining USD 350 million of notes that were not repurchased are subject to the original terms and conditions of the notes.

On 28 April 2015, all 30,011,421 DBS Group Holdings Ltd non-voting redeemable convertible preference shares were converted into ordinary shares. This added SGD 163 million to ordinary share capital.

On 17 December 2015, DBS Bank (China) Limited issued CNY 2 billion of Fixed Rate Subordinated Notes due 2025 Callable in 2020. While these notes qualify as Tier 2 capital for DBS Bank (China) Limited, they do not qualify as Tier 2 capital for the Group as their non-viability loss-absorbency trigger is only with respect to DBS Bank (China) Limited at the determination of the China Banking Regulatory Commission.

On 11 January 2016, DBS Group Holdings Ltd purchased SGD 134.25 million of the SGD 1,000 million DBS Bank Ltd. 3.30% Subordinated Notes due 2022 Callable in 2017 and SGD 491.75 million of the SGD 1,000 million DBS Bank Ltd. 3.10% Subordinated Notes due 2023 Callable in 2018, each issued pursuant to the USD 30,000 million Global Medium Term Note Programme.

*Refer to Notes 30, 31, 32 and 34 to the Financial Statements as well as the Pillar 3 Main Features of Capital Instruments disclosure (http://www.dbs.com/investor/capital-disclosures.html) for the terms of the capital instruments that are included in Eligible Total Capital.*

**The table below analyses the movement in Common Equity Tier 1, Additional Tier 1 and Tier 2 Capital during the year.**

**Statement of changes in regulatory capital for the year ended 31 December 2015**

| | In SGD millions |
|---|---|
| **Common Equity Tier 1 (CET1) Capital** | |
| Opening amount | 34,703 |
| Conversion of non-voting redeemable convertible preference shares (CPS) | 163 |
| Issue of shares pursuant to Scrip Dividend Scheme | 110 |
| Issue of shares upon exercise of share options | 4 |
| Purchase of treasury shares | (258) |
| Profit for the year (attributable to shareholders) | 4,454 |
| Dividends paid | (1,542) |
| Cost of share-based payments | 103 |
| Movements in other comprehensive income, including available-for-sale revaluation reserves | (205) |
| Others, including regulatory adjustments and transitional arrangements | (464) |
| Closing Amount | 37,068 |
| CET1 Capital | 37,068 |
| **Additional Tier 1 Capital** | |
| Opening amount | – |
| Conversion of non-voting redeemable CPS (eligible under transitional arrangements) to ordinary shares | (130) |
| Movements in Additional Tier 1 capital instruments issued by fully-consolidated subsidiaries that meet criteria for inclusion | (108) |
| Others, including regulatory adjustments and transitional arrangements | 238 |
| Closing Amount | – |
| Tier 1 Capital | 37,068 |
| **Tier 2 Capital** | |
| Opening amount | 5,657 |
| Movements in Tier 2 capital instruments issued by fully-consolidated subsidiaries that meet criteria for inclusion | (665) |
| Movement in provisions eligible as Tier 2 capital | 54 |
| Others, including regulatory adjustments and transitional arrangements | (1) |
| Closing Amount | 5,045 |
| Total Capital | 42,113 |

## Capital Adequacy Ratios

Our consolidated Common Equity Tier 1 Capital Adequacy Ratio (CAR) as at 31 December 2015 was 13.5%. Our Basel III fully phased-in CET1 CAR, calculated by dividing Common Equity Tier 1 capital after all regulatory adjustments applicable from 1 January 2018 by risk-weighted assets (RWA) as at the reporting date, was 12.4%, which comfortably exceeds the eventual effective minimum CET1 CAR requirement under MAS Notice 637 of 9.0% (inclusive of capital conservation buffer) effective on 1 January 2019. Our Common Equity Tier 1 CAR, Tier 1 CAR and Total CAR, were all well above the MAS' minimum requirements of 6.5%, 8.0% and 10.0% respectively. The table below sets out our capital resources and capital adequacy ratios. We are also well-positioned to comply with forthcoming leverage ratio requirements. At the end of the year the consolidated leverage ratio stood at 7.3%, well above the minimum 3% envisaged by the Basel Committee.

Refer to 'Five-Year Summary' for the historical trend of Tier 1 and Total CAR. Refer to http://www.dbs.com/investor/index.html for the Group's Pillar 3 Quantitative Disclosures which set out details on the Group's RWA.

| In SGD millions, as at 31 December | 2015 | 2014 |
|---|---|---|
| Share capital | 10,391 | 10,113 |
| Disclosed reserves and others | 29,269 | 26,814 |
| Total regulatory adjustments to Common Equity Tier 1 capital | (2,219) | (1,080) |
| Regulatory adjustments due to insufficient Additional Tier 1 capital | (373) | (1,144) |
| Common Equity Tier 1 capital | 37,068 | 34,703 |
| Additional Tier 1 capital instruments[1] | 2,941 | 3,179 |
| Total regulatory adjustments to Additional Tier 1 capital | (2,941) | (3,179) |
| Tier 1 capital | 37,068 | 34,703 |
| Provisions eligible as Tier 2 capital | 1,408 | 1,354 |
| Tier 2 capital instruments[1] | 3,639 | 4,304 |
| Total regulatory adjustments to Tier 2 capital | (2) | (1) |
| Total capital | 42,113 | 40,360 |
| **Risk-Weighted Assets (RWA)** | | |
| Credit RWA | 216,380 | 206,423 |
| Market RWA | 40,212 | 41,813 |
| Operational RWA | 17,437 | 15,950 |
| Total RWA | 274,029 | 264,186 |
| **Capital Adequacy Ratio (CAR) (%)** | | |
| Common Equity Tier 1 | 13.5 | 13.1 |
| Tier 1 | 13.5 | 13.1 |
| Total | 15.4 | 15.3 |
| Basel III fully phased-in Common Equity Tier 1[2] | 12.4 | 11.9 |
| **Minimum CAR (%)** | | |
| Common Equity Tier 1 | 6.5 | 5.5 |
| Tier 1 | 8.0 | 7.0 |
| Total | 10.0 | 10.0 |

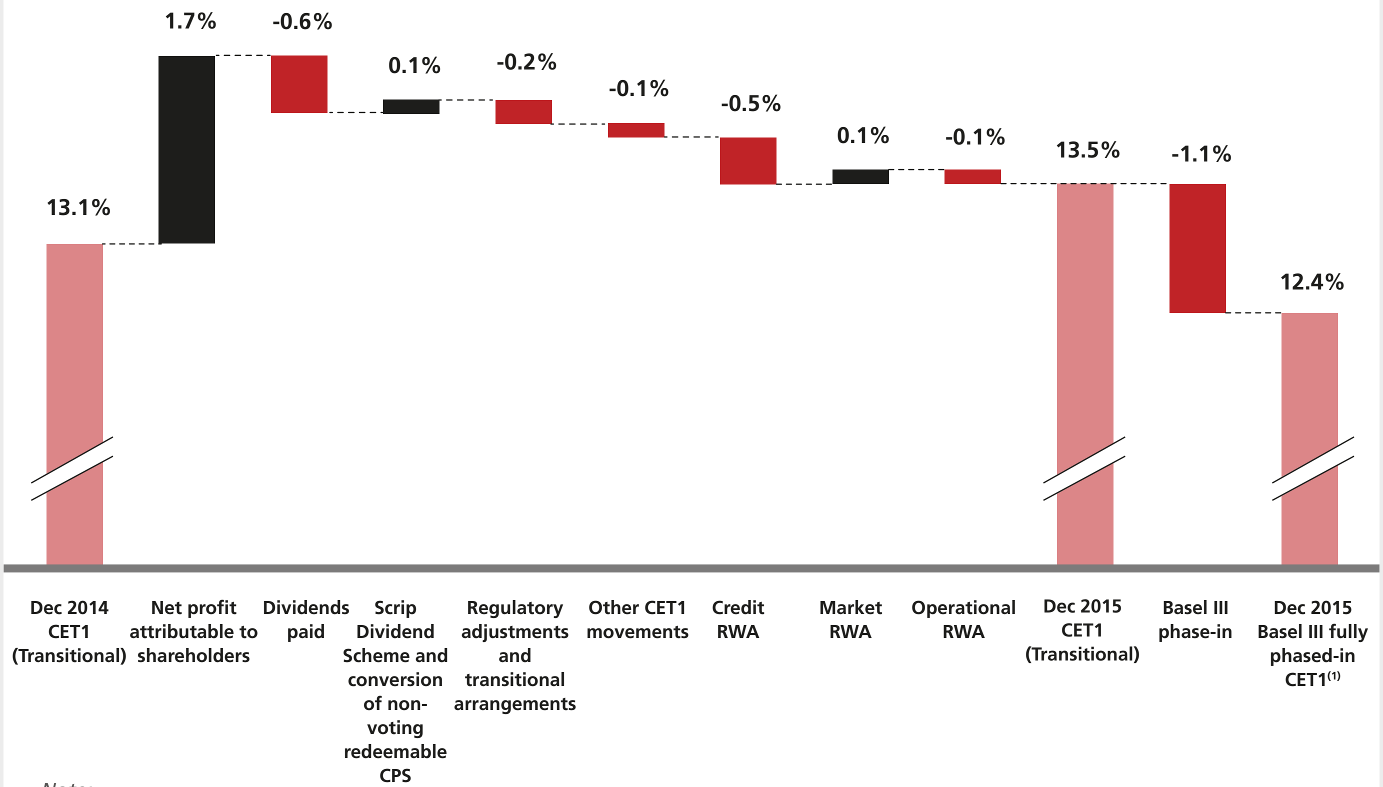
*Notes:*

*(1) As part of the Basel III transitional arrangements, regulatory capital recognition of outstanding Tier 1 and Tier 2 capital instruments that no longer meet the minimum criteria is gradually being phased out. Fixing the base at the nominal amount of such instruments outstanding on 1 January 2013, their recognition was capped at 90% in 2013, with this cap decreasing by 10 percentage points in each subsequent year. To the extent a capital instrument is redeemed or amortised after 1 Jan 2013, the nominal amount serving as the base is not reduced.*

*(2) Calculated by dividing Common Equity Tier 1 capital after all regulatory adjustments applicable from 1 January 2018 by RWA as at each reporting date.*

**The chart below analyses the drivers of the movement in Common Equity Tier 1 CAR during the year.**

**Group Common Equity Tier 1 CAR (%)**




*Note:*
*(1) Calculated by dividing Common Equity Tier 1 capital after all regulatory adjustments applicable from 1 January 2018 by RWA as at the reporting date.*

The following table sets out the RWA and capital adequacy ratios as at 31 December 2015 of our significant banking subsidiaries calculated in accordance with the regulatory requirements applicable in the country of incorporation.

| | | CAR (%) | | |
|---|---|---|---|---|
| **As at 31 December 2015** | **Total RWA (SGD millions)** | **Common Equity Tier 1** | **Tier 1** | **Total** |
| DBS Bank (Hong Kong) Limited | 38,093 | 14.9 | 14.9 | 17.0 |
| DBS Bank (China) Limited | 16,706 | 11.3 | 11.3 | 14.4 |

## Regulatory change

As of 1 January 2013, the MAS has incorporated Basel III provisions into Singapore prudential regulation. From 1 January 2015, banks incorporated in Singapore were required to comply with a minimum CET1 CAR of 6.5%, minimum Tier 1 CAR of 8.0%, and minimum Total CAR of 10%.

In April 2015, the MAS designated DBS Bank as a domestic systemically important bank ("D-SIB"). Under the MAS' framework for identifying and supervising D-SIBs, the higher loss absorbency requirement for locally-incorporated D-SIBs is met by the foregoing minimum ratios being two percentage points higher than those established by the Basel Committee.

In line with Basel III requirements, Singapore prudential regulation will require a Capital Conservation Buffer (CCB) of 2.5% and countercyclical buffer of up to 2.5% that are to be met fully with CET1 capital. These buffers will be phased in on 1 January each year from 2016 to 2019.

The countercyclical buffer is not an ongoing requirement, and is only applied as and when specified by the relevant banking supervisors. The applicable magnitude will be a weighted average of the country-specific countercyclical buffer requirements that are required by national authorities in jurisdictions to which a bank has private sector credit exposures. The Basel Committee expects jurisdictions to implement the countercyclical buffer during periods of excessive credit growth. Of the jurisdictions where we have material private sector credit exposures, only Hong Kong has announced the activation of the countercyclical buffer requirement. The Hong Kong Monetary Authority announced on 27 January 2015 that the applicable jurisdictional countercyclical buffer for Hong Kong will be 0.625% from 1 January 2016. We are able to absorb this capital buffer requirement within our existing capital resources.

The table below summarises the minimum capital requirements under MAS Notice 637.

| From 1 January | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| **Minimum CAR %** | | | | | |
| CET1 (a) | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 |
| CCB (b) | – | 0.625 | 1.25 | 1.875 | 2.5 |
| CET1 including CCB (a) + (b) | 6.5 | 7.125 | 7.75 | 8.375 | 9.0 |
| Effective Tier 1 including CCB | 8.0 | 8.625 | 9.25 | 9.875 | 10.5 |
| Effective Total including CCB | 10.0 | 10.625 | 11.25 | 11.875 | 12.5 |
| **Maximum Countercyclical Buffer** | – | 0.625 | 1.25 | 1.875 | 2.5 |

In addition to changes in minimum capital requirements, Basel III also mandates various adjustments in the calculation of capital resources. These adjustments are being phased in up to 1 January 2018 and are for items such as goodwill and investments exceeding certain thresholds.

As part of the Basel III transitional arrangements, regulatory capital recognition of outstanding Tier 1 and Tier 2 capital instruments that no longer meet the minimum criteria is gradually being phased out. Fixing the base at the nominal amount of such instruments outstanding on 1 January 2013, their recognition was capped at 90% in 2013, with this cap decreasing by 10 percentage points in each subsequent year. To the extent a capital instrument is redeemed or amortised after 1 January 2013, the nominal amount serving as the base is not reduced. Our preference shares and subordinated term debts issued prior to 1 January 2013 are ineligible in the first instance as capital instruments under Basel III rules as they lack provisions for conversion to ordinary shares or write-down at the point of non-viability as determined by the MAS, but are accorded partial recognition under the Basel III transitional arrangements.

Changes to the rules for the computation of RWA for credit risk, counterparty credit risk, trading book market risk, interest rate risk in the banking book and operational risk as well as capital floors are at various degrees of finalisation by regulators and are expected to be effected in the coming years. As stated above, we continue to maintain our dividend policy which takes into consideration, inter alia, the uncertain impact of regulatory change.

In June 2015, the MAS published a consultation paper on proposed enhancements to the resolution regime for financial institutions in Singapore. The proposed enhancements include a statutory bail-in regime that is only applied to unsecured subordinated liabilities issued or contracted after the implementation of the statutory bail-in regime. This reflects, inter alia, that Singapore-incorporated banks are well-capitalised and already subject to capital standards that are stricter than Basel III standards.

The Basel Committee has developed an indicator-based methodology for identifying global systemically important banks (G-SIBs) on which higher loss absorbency requirements will be imposed. While we are not a G-SIB, we are required to disclose the 12 indicators which are published on the Group website (http://www.dbs.com/investor/index.html).

# Financial statements

## DBS Group Holdings Ltd and its Subsidiaries

# Consolidated income statement

*for the year ended 31 December 2015*

| In $ millions | Note | 2015 | 2014 |
|---|---|---|---|
| Interest income | | **9,644** | 8,948 |
| Interest expense | | **2,544** | 2,627 |
| **Net interest income** | 4 | **7,100** | 6,321 |
| Net fee and commission income | 5 | **2,144** | 2,027 |
| Net trading income | 6 | **1,204** | 901 |
| Net income from investment securities | 7 | **339** | 274 |
| Other income | 8 | **136** | 293 |
| **Non–interest income** | | **3,823** | 3,495 |
| **Total income** | | **10,923** | 9,816 |
| Employee benefits | 9 | **2,651** | 2,294 |
| Other expenses | 10 | **2,249** | 2,036 |
| **Total expenses** | | **4,900** | 4,330 |
| **Profit before allowances** | | **6,023** | 5,486 |
| Allowances for credit and other losses | 11 | **743** | 667 |
| **Profit after allowances** | | **5,280** | 4,819 |
| Share of profits of associates | | **14** | 79 |
| **Profit before tax** | | **5,294** | 4,898 |
| Income tax expense | 12 | **727** | 713 |
| **Net profit** | | **4,567** | 4,185 |
| Attributable to: | | | |
| **Shareholders** | | **4,454** | 4,046 |
| Non-controlling interests | | **113** | 139 |
| | | **4,567** | 4,185 |
| Basic earnings per ordinary share ($) | 13 | **1.77** | 1.63 |
| Diluted earnings per ordinary share ($) | 13 | **1.77** | 1.61 |

*(The notes on pages 120 to 168 as well as the Risk management section on pages 81 to 108 form part of these financial statements)*

# Consolidated statement of comprehensive income

*for the year ended 31 December 2015*

| In $ millions | 2015 | 2014 |
|---|---|---|
| **Net profit** | **4,567** | 4,185 |
| **Other comprehensive income[a]:** | | |
| Foreign currency translation differences for foreign operations | **29** | 96 |
| Share of other comprehensive income of associates | **2** | 7 |
| Available-for-sale financial assets and others | | |
| Net valuation taken to equity | **(218)** | 467 |
| Transferred to income statement | **61** | (165) |
| Tax on items taken directly to or transferred from equity | **7** | (14) |
| **Other comprehensive income, net of tax** | **(119)** | 391 |
| **Total comprehensive income** | **4,448** | 4,576 |
| Attributable to: | | |
| **Shareholders** | **4,327** | 4,432 |
| Non-controlling interests | **121** | 144 |
| | **4,448** | 4,576 |

*(a) Items recorded in "Other comprehensive income" above will be reclassified subsequently to the income statement when specific conditions are met e.g. when foreign operations or available-for-sale financial assets are disposed of*

*(The notes on pages 120 to 168 as well as the Risk management section on pages 81 to 108 form part of these financial statements)*

# Balance sheets

*as at 31 December 2015*

| In $ millions | Note | The Group 2015 | The Group 2014 | The Company 2015 | The Company 2014 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and balances with central banks | 15 | **18,829** | 19,517 | | |
| Government securities and treasury bills | 16 | **34,501** | 29,694 | | |
| Due from banks | | **38,285** | 42,263 | **10** | 13 |
| Derivatives | 36 | **23,631** | 16,995 | **46** | 14 |
| Bank and corporate securities | 17 | **40,073** | 37,763 | | |
| Loans and advances to customers | 18 | **283,289** | 275,588 | | |
| Other assets | 20 | **11,562** | 11,249 | | |
| Associates | 23 | **1,000** | 995 | | |
| Subsidiaries | 22 | **–** | – | **19,547** | 19,416 |
| Properties and other fixed assets | 25 | **1,547** | 1,485 | | |
| Goodwill and intangibles | 26 | **5,117** | 5,117 | | |
| **Total assets** | | **457,834** | 440,666 | **19,603** | 19,443 |
| **Liabilities** | | | | | |
| Due to banks | | **18,251** | 16,176 | | |
| Deposits and balances from customers | 27 | **320,134** | 317,173 | | |
| Derivatives | 36 | **22,145** | 18,755 | | |
| Other liabilities | 28 | **12,404** | 11,728 | **24** | 17 |
| Other debt securities | 29 | **38,078** | 31,963 | **1,884** | 1,661 |
| Subordinated term debts | 30 | **4,026** | 4,665 | | |
| **Total liabilities** | | **415,038** | 400,460 | **1,908** | 1,678 |
| **Net assets** | | **42,796** | 40,206 | **17,695** | 17,765 |
| **Equity** | | | | | |
| Share capital | 31 | **10,114** | 10,171 | **10,144** | 10,194 |
| Other equity instruments | 32 | **803** | 803 | **803** | 803 |
| Other reserves | 33 | **6,705** | 6,894 | **168** | 152 |
| Revenue reserves | 33 | **22,752** | 19,840 | **6,580** | 6,616 |
| **Shareholders' funds** | | **40,374** | 37,708 | **17,695** | 17,765 |
| Non-controlling interests | 34 | **2,422** | 2,498 | | |
| **Total equity** | | **42,796** | 40,206 | **17,695** | 17,765 |

*(The notes on pages 120 to 168 as well as the Risk management section on pages 81 to 108 form part of these financial statements)*

# Consolidated statement of changes in equity

*for the year ended 31 December 2015*

| In $ millions | Share capital | Other equity instruments | Other reserves | Revenue reserves | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| **2015** | | | | | | | |
| Balance at 1 January | **10,171** | **803** | **6,894** | **19,840** | **37,708** | **2,498** | **40,206** |
| Issue of shares upon exercise of share options | **4** | | | | **4** | | **4** |
| Cost of share-based payments | | | **103** | | **103** | | **103** |
| Reclassification of reserves upon exercise of share options | **1** | | **(1)** | | **–** | | **–** |
| Draw-down of reserves upon vesting of performance shares | **86** | | **(86)** | | **–** | | **–** |
| Issue of shares pursuant to Scrip Dividend Scheme | **110** | | | | **110** | | **110** |
| Purchase of treasury shares | **(258)** | | | | **(258)** | | **(258)** |
| Dividends paid to shareholders | | | | **(1,542)** | **(1,542)** | | **(1,542)** |
| Dividends paid to non-controlling interests | | | | | **–** | **(125)** | **(125)** |
| Acquisition of non-controlling interests | | | **(78)** | | **(78)** | **(72)** | **(150)** |
| Total comprehensive income | | | **(127)** | **4,454** | **4,327** | **121** | **4,448** |
| Balance at 31 December | **10,114** | **803** | **6,705** | **22,752** | **40,374** | **2,422** | **42,796** |
| **2014** | | | | | | | |
| Balance at 1 January | 9,676 | 803 | 6,492 | 17,262 | 34,233 | 3,453 | 37,686 |
| Issue of shares upon exercise of share options | 13 | | | | 13 | | 13 |
| Cost of share-based payments | | | 88 | | 88 | | 88 |
| Reclassification of reserves upon exercise of share options | 4 | | (4) | | – | | – |
| Draw-down of reserves upon vesting of performance shares | 68 | | (68) | | – | | – |
| Issue of shares pursuant to Scrip Dividend Scheme | 489 | | | | 489 | | 489 |
| Purchase of treasury shares | (79) | | | | (79) | | (79) |
| Redemption of preference shares of a subsidiary | | | | | – | (895) | (895) |
| Dividends paid to shareholders | | | | (1,468) | (1,468) | | (1,468) |
| Dividends paid to non-controlling interests | | | | | – | (141) | (141) |
| Change in non-controlling interests | | | | | – | (63) | (63) |
| Total comprehensive income | | | 386 | 4,046 | 4,432 | 144 | 4,576 |
| Balance at 31 December | 10,171 | 803 | 6,894 | 19,840 | 37,708 | 2,498 | 40,206 |

*(The notes on pages 120 to 168 as well as the Risk management section on pages 81 to 108 form part of these financial statements)*

# Consolidated cash flow statement

*for the year ended 31 December 2015*

| In $ millions | 2015 | 2014 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net profit | **4,567** | 4,185 |
| | | |
| **Adjustments for non-cash items:** | | |
| Allowances for credit and other losses | **743** | 667 |
| Depreciation of properties and other fixed assets | **251** | 220 |
| Share of profits of associates | **(14)** | (79) |
| Net gain on disposal (net of write-off) of properties and other fixed assets | **(82)** | (35) |
| Net income from investment securities | **(339)** | (274) |
| Net gain on disposal of associate | **–** | (223) |
| Cost of share-based payments | **103** | 88 |
| Income tax expense | **727** | 713 |
| Fair value gain on acquisition of interest in joint venture | **–** | (3) |
| Profit before changes in operating assets and liabilities | **5,956** | 5,259 |
| | | |
| **Increase/(Decrease) in:** | | |
| Due to banks | **1,858** | 2,604 |
| Deposits and balances from customers | **(1,592)** | 24,808 |
| Other liabilities | **1,632** | 1,306 |
| Other debt securities and borrowings | **5,958** | 8,643 |
| | | |
| **(Increase)/Decrease in:** | | |
| Restricted balances with central banks | **960** | 111 |
| Government securities and treasury bills | **(4,350)** | (1,986) |
| Due from banks | **4,361** | (2,446) |
| Loans and advances to customers | **(4,076)** | (27,558) |
| Bank and corporate securities | **(1,911)** | (3,865) |
| Other assets | **(5,192)** | (2,167) |
| Tax paid | **(730)** | (733) |
| **Net cash generated from operating activities (1)** | **2,874** | 3,976 |
| **Cash flows from investing activities** | | |
| Proceeds from disposal of interest in associate | **–** | 435 |
| Acquisition of interest in associate and joint venture | **(21)** | (88) |
| Dividends from associates | **32** | 98 |
| Purchase of properties and other fixed assets | **(334)** | (263) |
| Proceeds from disposal of properties and other fixed assets | **140** | 55 |
| Acquisition of non-controlling interests | **(150)** | – |
| Acquisition of business | **–** | (281) |
| **Net cash used in investing activities (2)** | **(333)** | (44) |
| **Cash flows from financing activities** | | |
| Increase in share capital | **4** | 13 |
| Purchase of treasury shares | **(258)** | (79) |
| Dividends paid to shareholders of the Company, net of scrip dividends | **(1,432)** | (979) |
| Dividends paid to non-controlling interests | **(125)** | (141) |
| Payment upon redemption of subordinated term debts | **–** | (977) |
| Purchase of subordinated term debts | **(743)** | – |
| Redemption of preference shares of a subsidiary | **–** | (895) |
| Change in non-controlling interests | **–** | (63) |
| **Net cash used in financing activities (3)** | **(2,554)** | (3,121) |
| Exchange translation adjustments (4) | **240** | 91 |
| **Net change in cash and cash equivalents (1)+(2)+(3)+(4)** | **227** | 902 |
| **Cash and cash equivalents at 1 January** | **11,851** | 10,949 |
| **Cash and cash equivalents at 31 December (Note 15)** | **12,078** | 11,851 |

*(The notes on pages 120 to 168 as well as the Risk management section on pages 81 to 108 form part of these financial statements)*

# Notes to the financial statements

*for the year ended 31 December 2015*

These Notes are integral to the financial statements.

The consolidated financial statements for the year ended 31 December 2015 were authorised for issue by the Directors on 19 February 2016.

## 1 Domicile and Activities

The Company, DBS Group Holdings Ltd, is incorporated and domiciled in the Republic of Singapore and has its registered office at 12 Marina Boulevard, Marina Bay Financial Centre Tower Three, Singapore 018982.

The Company is listed on the Singapore Exchange.

The Company is an investment holding, treasury and funding vehicle for the group. Its main subsidiary is DBS Bank Ltd (the Bank), which is wholly owned and engaged in a range of commercial banking and financial services, principally in Asia.

The financial statements relate to the Company and its subsidiaries (the Group) and the Group's interests in associates.

## 2 Summary of Significant Accounting Policies

### 2.1 Basis of preparation

**Compliance with Singapore Financial Reporting Standards (FRS)**
The financial statements of the Company and the consolidated financial statements of the Group are prepared in accordance with Singapore Financial Reporting Standards (FRS) and related Interpretations promulgated by the Accounting Standards Council (ASC). In accordance with Section 201(18) of the Companies Act (the Act), the requirements of FRS 39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning are modified by the requirements of Notice to Banks No. 612 "Credit Files, Grading and Provisioning" (MAS Notice 612) issued by the Monetary Authority of Singapore. As permitted by Section 201(10)(b) of the Act, the Company's income statement has not been included in these financial statements.

The financial statements are presented in Singapore dollars and rounded to the nearest million, unless otherwise stated.

**Differences between International Financial Reporting Standards (IFRS) and FRS**
Beyond the above modification to FRS related to MAS Notice 612, there are no significant differences between IFRS and FRS in terms of their application to the Group. The consolidated financial statements and the notes thereon satisfy all necessary disclosures under IFRS and FRS.

### 2.2 Significant estimates and judgement

The preparation of financial statements requires management to exercise judgement, use estimates and make assumptions in the application of policies and in reporting the amounts in the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from these estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a higher degree of judgement and complexity, are disclosed in Note 3.

### 2.3 Adoption of new and revised accounting standards

On 1 January 2015, the Group adopted the following new or revised FRS that are issued by the ASC and relevant for the Group:

- Improvements to FRSs 2014

The adoption of these FRS has no significant impact on the financial statements of the Group.

In addition to the above, a number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2015. The Group has not applied these standards or amended standards in preparing these financial statements. None of them is expected to have a significant effect on the financial statements of the Group and the Company other than FRS 109.

**FRS109: Financial Instruments**
FRS 109 replaces the existing guidance in FRS 39 Financial Instruments: Recognition and Measurement. It includes revised guidance on the classification and measurement of financial instruments and introduces a new expected credit loss model for impairment of financial assets as well as new requirements for general hedge accounting. The standard is effective for annual reporting periods beginning on or after 1 January 2018. Early adoption is permitted.

A summary of the most significant group accounting policies is described further below starting with those relating to the entire financial statements followed by those relating to the income statement, the balance sheet and other specific topics. This does not reflect the relative importance of these policies to the Group.

## A) General Accounting Policies

### 2.4 Group Accounting

**Subsidiaries**
Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date control is transferred to the Group to the date control ceases.

The acquisition method is used to account for business combinations. Refer to Note 2.12 for the Group's accounting policy on goodwill.

All intra-group transactions and balances are eliminated on consolidation.

**Associates**
Associates are entities over which the Group has significant influence, but no control where the Group generally holds a shareholding of between and including 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method.

## 2.5 Foreign currency treatment

**Functional and presentation currency**
Items in the financial statements are measured using the functional currency of each entity in the Group, this being the currency of the primary economic environment in which the entity operates. The Group's financial statements are presented in Singapore dollars, which is the functional currency of the Company.

**Foreign currency transactions and balances**
Transactions in foreign currencies are measured using the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the entity undertaking the transaction at the exchange rates at the balance sheet date. Foreign exchange differences arising from this translation are recognised in the income statement within "Net trading income".

Non-monetary assets and liabilities measured at cost in a foreign currency are translated using the exchange rates at the date of the transaction.

Non-monetary assets and liabilities measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined, which is generally the balance sheet date.

Unrealised foreign exchange differences arising from non-monetary financial assets and liabilities classified as fair value through profit or loss are recognised in the income statement as trading income. For non-monetary financial assets such as equity investments classified as available-for-sale, unrealised foreign exchange differences are recorded in other comprehensive income and accumulated in equity until the assets are disposed of or become impaired, upon which they are reclassified to the income statement.

**Subsidiaries and branches**
The results and financial position of subsidiaries and branches whose functional currency is not Singapore dollars ("foreign operations") are translated into Singapore dollars in the following manner:

- Assets and liabilities are translated at the exchange rates at the balance sheet date;
- Income and expenses in the income statement are translated at exchange rates prevailing at each month-end, approximating the exchange rates at the dates of the transactions; and
- All resulting exchange differences are recognised in other comprehensive income and accumulated under capital reserves in equity. When a foreign operation is disposed of, such exchange differences are recognised in the income statement as part of the gain or loss on disposal.

For acquisitions prior to 1 January 2005, the foreign exchange rates at the respective dates of acquisition were used. Please refer to Note 26 for an overview of goodwill recorded. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the closing rate.

## 2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to management.

In preparing the segment information, amounts for each business segment are shown after the allocation of certain centralised costs, funding income and the application of transfer pricing, where appropriate. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

*Please refer to Note 43 for further details on business and geographical segment reporting.*

# B) Income Statement

## 2.7 Income recognition

**Interest income and interest expense**
Interest income and interest expense as presented in Note 4 arise from all interest-bearing financial assets and financial liabilities regardless of their classification and measurement, with the exception of the Group's structured investment deposits which are carried at fair value through profit or loss. Interest expense on such structured investment deposits is presented together with other fair value changes in trading income.

Interest income and interest expense are recognised on a time-proportionate basis using the effective interest method. The calculation includes significant fees and transaction costs that are integral to the effective interest rate, as well as premiums or discounts.

**Fee and commission income**
The Group earns fee and commission income from a diverse range of products and services provided to its customers.

Fee and commission income is generally recognised on the completion of a transaction. Such fees include underwriting fees, brokerage fees and fees related to completion of corporate finance transactions.

For a service that is provided over a period of time, fee and commission income is recognised over the period during which the related service is provided or credit risk is undertaken. Such fees include the income from issuance of financial guarantees and bancassurance fixed service fees.

Fee and commission income is recorded net of expenses directly related to it. These expenses typically include brokerage fees paid, card-related expenses and sales commissions, but do not include expenses for services delivered over a period (such as service contracts) and other expenses that are not specifically related to fee and commission income transactions.

**Dividend income**
Dividend income is recognised when the right to receive payment is established. This is generally the ex-dividend date for listed equity securities, and the date when shareholders approve the dividend for unlisted equity securities. Dividend income arising from held-for-trading financial assets is recognised in "Net trading income", while those arising from available-for-sale financial assets is recognised in "Net income from investment securities".

**Allowances for credit and other losses**
*Please refer to Note 2.10 for the accounting policy on impairment of financial assets.*

## C) Balance Sheet

### 2.8 Financial assets

**Initial recognition**
Purchases and sales of all financial assets, even if their classification and measurement are subsequently changed, are recognised on the date that the Group enters into the contractual arrangements with counterparties. When the Group acts as a trustee or in a fiduciary capacity for assets it does not directly control or benefit from, the assets and the corresponding income belonging to a customer are excluded from the financial statements.

Financial assets are initially recognised at fair value, which is generally the transaction price.

**Classification and subsequent measurement**
The Group classifies and measures financial assets based on their nature and the purpose for which they are acquired. This generally corresponds to the business models in which they are applied and how management monitors performance, as follows:

- Non-derivative financial assets that are managed mainly for longer-term holding and collection of payments are classified as **loans and receivables.** These assets have fixed or determinable payments, are not quoted in an active market and are mainly in the "Consumer Banking/Wealth Management" and "Institutional Banking" segments. Loans and receivables are carried at amortised cost using the effective interest method.
- Non-derivative financial assets that are managed on a fair value basis, which are mainly in the "Treasury" segment, are classified as **financial assets at fair value through profit or loss.** Such assets include instruments held for the purpose of short-term selling and market-making ("**held for trading**"), or designated under the fair value option if doing so eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise, or if the financial asset contains an embedded derivative that would otherwise need to be separately recorded ("**designated at fair value through profit or loss**").

  Realised or unrealised gains or losses on such financial assets, except interest income, are taken to "Net trading income" in the income statement in the period they arise.

  Derivatives (including derivatives embedded in other contracts but separated for accounting purposes) are also categorised as **held for trading** unless they are designated as hedging instruments in accordance with Note 2.18. Derivatives are classified as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in the fair value of derivatives other than those designated as hedging instruments in cash flow or net investment hedges are included in "Net trading income".
- Non-derivative financial assets that the Group intends to hold to maturity are classified as **held to maturity**. These are Singapore Government securities that the Group holds for satisfying regulatory liquidity requirements and are held within the "Others" segment. These assets are carried at amortised cost using the effective interest method.
- The Group also holds other non-derivative financial assets for the purpose of investment or satisfying regulatory liquidity requirements. Such assets are held for an indefinite period and may be sold in response to needs for liquidity or changes in interest rates, credit spreads, exchange rates or equity prices. Financial assets in this category are held in all business segments as well as the liquidity management unit in the "Others" segment. These assets are classified as **available-for-sale** and initially and subsequently measured at fair value.

  Unrealised gains or losses arising from changes in fair value are recognised in other comprehensive income and accumulated in available-for-sale revaluation reserves. When sold or impaired, the accumulated fair value adjustments in the available-for-sale revaluation reserves are reclassified to the income statement. Unquoted equity investments classified as available-for-sale for which fair values cannot be reliably determined are carried at cost, less impairment (if any).

Where the classification and measurement of financial assets do not reflect the management of the financial assets (or financial liabilities), the Group may apply hedge accounting where permissible and relevant to better reflect the management of the financial assets. Please refer to Note 2.18 for details on hedging and hedge accounting.

*Please refer to Note 14 for further details on the types of financial assets classified and measured as above.*

**Reclassification**
When the purpose for holding a financial asset changes, or when FRS otherwise requires it, non-derivative financial assets are reclassified accordingly. Financial assets may be classified out of the fair value through profit or loss or available-for-sale categories only in particular circumstances as prescribed by FRS 39. In 2008 and 2009, the Group reclassified certain financial assets between categories as a result of a change in its holding intention. The reclassifications did not have a material impact on the income statement and statement of comprehensive income for the current year.

**Determination of fair value**
The fair value of financial assets is the price that would be received if the asset is sold in an orderly transaction between market participants at the measurement date. Fair value is generally estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. Where applicable, a valuation reserve or pricing adjustment is applied to arrive at the fair value. The determination of fair value is considered a significant accounting policy for the Group and further details are disclosed in Note 39.

**Offsetting**
Financial assets and liabilities are presented net when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle them on a net basis, or realise the asset and settle the liability simultaneously.

**Derecognition**
Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when they have been transferred together with substantially all the risks and rewards of ownership.

The Group enters into certain transactions where it transfers financial assets recognised on its balance sheet but retains either all or a portion of the risks and rewards of the transferred financial assets. In such cases, the transferred financial assets are not derecognised from the balance sheet. Such transactions include repurchase transactions described in Note 2.11. They also include transactions where control over the financial asset is retained, for example, by a simultaneous transaction (such as options) with the same counterparty to which the asset is transferred. These are mainly transacted in the "Treasury" segment. In such cases, the Group continues to recognise the asset to the extent of its continuing involvement which is the extent to which it is exposed to changes in the value of the transferred asset.

*Please refer to Note 19 for disclosures on transferred financial assets.*

## 2.9 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and non-restricted balances with central banks which are readily convertible into cash.

## 2.10 Impairment of financial assets

The Group assesses at each balance sheet date whether there is evidence that a financial asset or a group of financial assets is impaired.

**(a) Financial assets classified as loans and receivables and held to maturity**

The Group carries out regular and systematic reviews of all credit facilities extended to customers.

The criteria that the Group uses to determine whether there is evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor, including breach of covenants and/or financial conditions.
- A breach of contract, such as a default or delinquency in interest or principal payments.
- Granting of a concession to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, that the Group would not otherwise consider.
- High probability of bankruptcy or other financial reorganisation of the borrower.

**Specific allowances for credit losses**

A specific allowance for credit losses is recognised if there is evidence that the Group will be unable to collect all amounts due under a claim according to the original contractual terms or the equivalent value. A "claim" means a loan, debt security or a commitment such as financial guarantees and letters of credit.

A specific allowance for credit losses is recorded as a reduction in the carrying value of a claim on the balance sheet. For an off-balance sheet item such as a commitment, a specific allowance for credit loss is recorded as "provision for loss in respect of off-balance sheet credit exposures" within "Other liabilities".

Specific allowances for credit losses are evaluated either individually or collectively for a portfolio.

Specific allowance for an individual credit exposure is made when existing facts, conditions or valuations indicate that the Group is not likely to collect the principal and interest due contractually on the claim. An allowance is reversed only when there has been an identifiable event that has led to an improvement in the collectability of the claim. The amount of specific allowance also takes into account the collateral value, which may be discounted to reflect the impact of a forced sale or untimely liquidation.

Overdue unsecured consumer loans which are homogenous in nature, such as credit card receivables, are pooled according to their delinquency behaviour and evaluated for impairment collectively as a group, taking into account the historical loss experience of such loans.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the recovery procedures have been exhausted and the amount of the loss has been determined. Recoveries in full or in part of amounts previously written off are credited to the income statement in "Allowances for credit and other losses".

**General allowances for credit losses**

Apart from specific allowances, the Group also recognises general allowances for credit losses. The Group maintains a level of allowances that is deemed sufficient to absorb the estimated credit losses inherent in its loan portfolio (including off-balance sheet credit exposures). The Group maintains general allowances of at least 1% of credit exposures arising from both on and off-balance sheet items (against which specific allowances have not been made), adjusted for collateral held. This is in accordance with the transitional arrangements under MAS Notice 612.

**(b) Financial assets classified as available-for-sale**

The Group assesses at each balance sheet date whether there is evidence that an available-for-sale financial asset is impaired.

In the case of an equity investment, a significant or prolonged decline in the fair value of the security below its cost is a factor in determining whether the asset is impaired.

When there is evidence of an impairment of an available-for-sale financial asset, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is reclassified from the revaluation reserve within equity to the income statement as "Allowances for credit and other losses".

For equity investments, impairment losses are not reversed until they are disposed of. For impaired debt instruments that subsequently recover in value, the impairment losses are reversed through the income statement if there has been an identifiable event that led to the recovery.

## 2.11 Repurchase agreements

**Repurchase agreements (Repos)** are treated as collateralised borrowings. The amount borrowed is reflected as a financial liability either as "Due to banks" or "Deposits and balances from customers". The securities sold under repos are treated as pledged assets and remain on the balance sheet at amortised cost or fair value depending on their classification.

**Reverse repurchase agreements (Reverse repos)** are treated as collateralised lending. The amount lent is reflected as a financial asset as "Cash and balances with central banks", "Due from banks" or "Loans and advances to customers".

Amounts paid and received in excess of the amounts borrowed and lent on the repos and reverse repos are amortised as interest expense and interest income respectively using the effective interest method.

## 2.12 Goodwill

Goodwill arising from business combinations generally represents the excess of the acquisition cost over the fair value of identifiable assets acquired and liabilities and contingent liabilities assumed on the acquisition date. Goodwill is stated at cost less impairment losses and is tested at least annually for impairment.

At the acquisition date, any goodwill acquired is allocated to each of the cash-generating units (CGU) or group of CGUs expected to benefit from the combination's synergies.

An impairment loss is recognised when the carrying amount of a CGU, or group of CGUs, including the goodwill, exceeds the applicable recoverable amount. The recoverable amount of a CGU or CGU group is the higher of the CGU's or CGU group's fair value less cost to sell and its value-in-use. An impairment loss on goodwill is recognised in the income statement and cannot be reversed in subsequent periods.

## 2.13 Properties and other fixed assets

Properties (including investment properties) and other fixed assets are stated at cost less accumulated depreciation and impairment losses.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

Generally, the useful lives are as follows:

| | |
|---|---|
| Buildings | 50 years or over the remaining lease period, whichever is shorter. |
| Leasehold land | 100 years or over the remaining lease period, whichever is shorter. Leasehold land where the unexpired lease period is more than 100 years is not depreciated. |
| Computer software | 3 – 5 years |
| Office equipment, furniture and fittings | 5 – 10 years |

*Please refer to Note 25 for the details of properties and other fixed assets and their movements during the year.*

## 2.14 Financial liabilities

**Initial recognition, classification and subsequent measurement**
Financial liabilities are initially recognised at fair value. The Group generally classifies and measures its financial liabilities in accordance with the purpose for which the financial liabilities are incurred and managed. Accordingly:

- Financial liabilities are classified as **financial liabilities at fair value through profit or loss** if they are incurred for the purpose of repurchasing in the near term ("**held for trading**"), and this may include debt securities issued and short positions in securities for the purpose of ongoing market-making or trading. Financial liabilities at fair value through profit or loss can also be designated by management on initial recognition ("**designated at fair value through profit or loss**") if doing so eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise, or if the financial liability contains an embedded derivative that would otherwise need to be separately recorded. Financial liabilities in this classification are usually within the "Treasury" segment.

  Realised or unrealised gains or losses on financial liabilities held for trading and financial liabilities designated under the fair value option, except interest expense, are taken to "Net trading income" in the income statement in the period they arise. Interest expense on structured investment deposits at fair value through profit or loss is also presented together with other fair value changes in "Net trading income".
- Derivative liabilities are treated consistently with derivative assets. Please refer to Note 2.8 for the accounting policy on derivatives.
- Other financial liabilities are carried at **amortised cost** using the effective interest method. These comprise predominantly the Group's "Deposits and balances from customers", "Due to banks" and "Other debt securities".

*Please refer to Note 14 for further details on the types of financial liabilities classified and measured as above.*

**Determination of fair value**
The fair value of financial liabilities is the price that would be paid to transfer the liability in an orderly transaction between market participants at the measurement date.

*Please refer also to Note 39 for further fair value disclosures.*

**Derecognition**
A financial liability is derecognised from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

## 2.15 Loan commitments, letters of credit and financial guarantees

**Loan commitments**
Loan commitments are typically not financial instruments and are not recognised on the balance sheet. They are disclosed in accordance with FRS 37 and form part of the disclosures in Note 35. Upon a loan draw-down, the amount of the loan is accounted for under "loans and receivables" as described in Note 2.8.

**Letters of credit**
Letters of credit are recorded off-balance sheet as contingent liabilities upon issuance, and the corresponding payables to the beneficiaries and receivables from the applicants are recognised on balance sheet upon acceptance of the underlying documents.

**Financial guarantees**
A financial guarantee is initially recognised in the financial statements at fair value on the date the guarantee is given. This is generally the amount (fee) paid by the counterparty. Subsequently, the fee is recognised over time as income in accordance with the principles in Note 2.7.

Off-balance sheet credit exposures are managed for credit risk in the same manner as financial assets.

*Please refer to Note 2.10 on the Group's accounting policies on allowances for credit losses.*

## 2.16 Provisions and other liabilities

Provisions for other liabilities of uncertain timing and amounts are recognised when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate of the amount of the obligation can be made.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

## 2.17 Share capital and other instruments classified as equity

Ordinary shares, preference shares and other instruments which do not result in the Group having a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities with the holder under conditions that are potentially unfavourable to the Group, are classified as equity. Distributions arising from such instruments are recognised in equity as there is no contractual obligation to pay distributions on these instruments. Incremental external costs directly attributable to the issuance of such instruments are accounted for as a deduction from equity.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the consideration paid, including any directly attributable incremental cost is presented as a component within equity, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of the treasury shares is deducted against either the share capital account or retained earnings. When treasury shares are subsequently sold or reissued, any realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in capital reserves.

For ordinary and preference shares, interim dividends are recorded during the financial year in which they are declared payable. Final dividends are recorded during the financial year in which the dividends are approved by the shareholders at the Annual General Meeting.

## D) Other Specific Topics

### 2.18 Hedging and hedge accounting

The Group uses derivative contracts mainly as part of its risk management strategies for hedging interest rate risk arising from maturity mismatches or for hedging currency risk arising from currency mismatches and cash flows in foreign currencies.

In some cases, where the strict criteria in FRS 39 are met, hedge accounting is applied as set out in subsequent paragraphs. At the inception of each hedging relationship, the Group documents the relationship between the hedging instrument and the hedged item; the risk management objective for undertaking the hedge transaction; and the methods used to assess the effectiveness of the hedge. At inception and on an on-going basis, the Group also documents its assessment of whether the hedging instrument is highly effective in offsetting changes in the fair value or cash flows of the hedged item.

**Fair value hedge**
The Group's fair value hedges consist principally of interest rate swaps used for managing the interest rate gaps that naturally arise from its purchases or issues of debt securities, and where a mismatch in the measurement between the hedging derivative and the hedged item exists. Such hedges are mainly used in the "Treasury" and "Others" segments.

For a qualifying fair value hedge, the changes in the fair value of the hedging derivatives are recorded in the income statement, together with any changes in the fair value of the hedged item attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item is amortised to the income statement over its remaining maturity, using the effective interest method.

**Cash flow hedge**
For transactions with highly probable cash flows, derivatives are used to hedge against cash flow variability due to exchange rate movements in certain situations. Cash flow hedge accounting is principally applied in such cases.

The effective portion of changes in the fair value of a derivative designated and qualifying as a cash flow hedge is recognised in other comprehensive income and accumulated under the cash flow hedge reserve in equity. This amount is reclassified to the income statement in the periods when the hedged forecast cash flows affect the income statement. The ineffective portion of the gain or loss is recognised immediately in the income statement under "Net trading income".

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the cash flow hedge reserve remains until the forecast transaction is recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss in the cash flow hedge reserve is reclassified from equity to the income statement.

**Net investment hedge**
Net investment hedge accounting is applied to hedged investments in foreign operations which comprise certain subsidiaries, branches and associates with a functional currency different from that of the Company. Under the Group's hedging strategy, the carrying amount of these investments could be fully hedged, partially hedged or not hedged at all.

Hedges of net investments in the Group's foreign operations are accounted for in a manner similar to cash flow hedges. On disposal of the foreign operations, the cumulative gain or loss in the capital reserves is reclassified to the income statement as part of the gain or loss on disposal.

**Economic hedges which do not qualify for hedge accounting**
Some derivatives may be transacted as economic hedges as part of the Group's risk management but do not qualify for hedge accounting under FRS 39. These include swaps and other derivatives (e.g. futures and options) that the Group transacts to manage interest rate, foreign exchange or other risks. Such derivatives are treated in the same way as derivatives held for trading purposes, i.e. realised and unrealised gains and losses are recognised in "Net trading income". In some cases, the hedged exposures are designated at fair value through profit or loss, thereby achieving some measure of offset in the income statement.

*Please refer to Note 36.2 for disclosures on hedging derivatives.*

### 2.19 Employee benefits

Employee benefits, which include base pay, cash bonuses, share-based compensation, contribution to defined contribution plans such as the Central Provident Fund and other staff-related allowances, are recognised in the income statement when incurred. For defined contribution plans, contributions are made to publicly or privately administered funds on a mandatory, contractual or voluntary basis. Once the contributions have been paid, the Group has no further payment obligations.

Employee entitlement to annual leave is recognised when they accrue to employees. A provision is made for the estimated liability for annual unutilised leave as a result of services rendered by employees up to the balance sheet date.

### 2.20 Share-based compensation

Employee benefits also include share-based compensation, namely the DBSH Share Ownership Scheme (the Scheme), the DBSH Share Option Plan, the DBSH Share Plan and the DBSH Employee Share Plan (the Plans). The details of the Scheme and Plans are described in Note 37.

Equity instruments granted and ultimately vested under the Plans are recognised in the income statement based on the fair value of the equity instrument at the date of grant. The expense is amortised over the vesting period of each award, with a corresponding adjustment to the share option/plan reserves. Monthly contributions to the Scheme are expensed off when incurred.

For the DBSH Share Plan and the DBSH Employee Share Plan, a trust has been set up for each share plan. The employee trust funds are consolidated and the DBSH shares held by the trust funds are accounted for as "treasury shares", which is presented as a deduction within equity.

### 2.21 Current and deferred taxes

Current income tax for current and prior periods is recognised as the amount expected to be paid or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The Group considers uncertain tax positions generally at the level of the total tax liability to each tax authority for each period. The liability is determined based on the total amount of current tax expected to be paid, taking into account all tax uncertainties, using either an expected value approach or a single best estimate of the most likely outcome.

Tax assets and liabilities of the same type (current or deferred) are offset when a legal right of offset exist and settlement in this manner is intended. This applies generally when they arise from the same tax reporting group and relate to the same tax authority.

Deferred income tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted by the balance sheet date.

The amount of deferred tax assets recognised takes into account the likelihood the amount that can be used to offset payable taxes on future profits.

Deferred tax related to fair value re-measurement of available-for-sale investments, which are recognised outside profit or loss, is also recognised outside profit or loss, i.e. in other comprehensive income and accumulated in the available-for-sale revaluation reserves.

## 3 Critical Accounting Estimates

The Group's accounting policies and use of estimates are integral to the reported amounts in the financial statements. Certain accounting estimates require management's judgement in determining the appropriate methodology for valuation of assets and liabilities. Procedures are in place to ensure that methodologies are reviewed and revised as appropriate. The Group believes its estimates for determining the valuation of its assets and liabilities are appropriate.

The following is a brief description of the Group's critical accounting estimates that involve management's valuation judgement.

### 3.1 Impairment allowances

It is the Group's policy to recognise, through charges against profit, specific and general allowances in respect of estimated and inherent credit losses in its portfolio as described in Note 2.10.

In estimating specific allowances, the Group assesses the gap between borrowers' obligations to the Group and their repayment ability. The assessment takes into account various factors, including the economic or business outlook, the future profitability of the borrowers and the liquidation value of collateral. Such assessment requires considerable judgement.

Another area requiring judgement is the calculation of general allowances, which are determined after taking into account historical data and management's assessment of the current economic and credit environment, country and portfolio risks, as well as industry practices.

*Please refer to Risk management section for a further description of the Group's credit risk management.*

### 3.2 Fair value of financial instruments

The majority of the Group's financial instruments reported at fair value are based on quoted and observable market prices or on internally developed models that are based on independently sourced market parameters.

The fair value of financial instruments without an observable market price in an active market may be determined using valuation models. The choice of model requires significant judgement for complex products especially those in the "Treasury" segment.

Policies and procedures have been established to facilitate the exercise of judgement in determining the risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors used in the valuation process.

*Please refer to Note 39 for details on fair valuation and fair value hierarchy of the Group's financial instruments measured at fair value.*

### 3.3 Goodwill

The Group performs an impairment review to ensure that the carrying amount of a CGU to which goodwill is allocated does not exceed the recoverable amount of the CGU. Note 26 provides details of goodwill at the reporting date.

The recoverable amount represents the present value of the estimated future cash flows expected to arise from continuing operations. Therefore, in arriving at the recoverable amount, management exercises judgement in estimating the future cash flows, growth rate and discount rate.

### 3.4 Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group's provision for income taxes. The Group recognises liabilities for expected tax issues based on reasonable estimates of whether additional taxes will be due. Where uncertainty exists around the Group's tax position including resolution of any related appeals or litigation processes, appropriate provisions are provided based on technical merits of the positions with the same tax authority. Note 21 provides details of the Group's deferred tax assets/liabilities. In general, determination of the value of assets/liabilities relating to carry forward tax losses requires judgement.

## 4 Net Interest Income

| In $ millions | The Group 2015 | 2014 |
|---|---|---|
| Cash and balances with central banks and Due from banks | **466** | 577 |
| Customer non-trade loans | **6,126** | 5,256 |
| Trade assets | **1,294** | 1,583 |
| Securities | **1,758** | 1,532 |
| Total interest income | **9,644** | 8,948 |
| Deposits and balances from customers | **1,940** | 2,086 |
| Other borrowings | **604** | 541 |
| Total interest expense | **2,544** | 2,627 |
| Net interest income | **7,100** | 6,321 |
| Comprising: | | |
| Interest income from financial assets at fair value through profit or loss | **648** | 595 |
| Interest income from financial assets not at fair value through profit or loss | **8,996** | 8,353 |
| Interest expense from financial liabilities at fair value through profit or loss | **(204)** | (142) |
| Interest expense from financial liabilities not at fair value through profit or loss | **(2,340)** | (2,485) |
| Total | **7,100** | 6,321 |

## 5 Net Fee and Commission Income

| In $ millions | The Group 2015 | 2014 |
|---|---|---|
| Brokerage | **180** | 173 |
| Investment banking[c] | **165** | 219 |
| Trade and transaction services[b][c] | **556** | 539 |
| Loan-related | **442** | 385 |
| Cards[d] | **434** | 369 |
| Wealth management | **599** | 507 |
| Others | **76** | 83 |
| Fee and commission income | **2,452** | 2,275 |
| Less: fee and commission expense | **308** | 248 |
| Net fee and commission income[a] | **2,144** | 2,027 |

*(a) Includes net fee and commission income of $51 million (2014: $35 million), which was derived from the provision of trust and other fiduciary services during the year. Net fee and commission income earned from financial assets or liabilities not at fair value through profit or loss was $776 million (2014: $687 million) during the year*
*(b) Includes trade & remittances, guarantees and deposit-related fees*
*(c) Fees from fiduciary services for 2014 are reclassified from investment banking to trade and transaction services*
*(d) Card fees are net of interchange fees paid*

## 6 Net Trading Income

| In $ millions | The Group 2015 | 2014 |
|---|---|---|
| Net trading income | | |
| – Foreign exchange | **989** | 558 |
| – Interest rates, credit, equities and others[a] | **224** | 346 |
| Net (loss)/gain from financial assets designated at fair value | **(89)** | 9 |
| Net gain/(loss) from financial liabilities designated at fair value | **80** | (12) |
| Total | **1,204** | 901 |

*(a) Includes dividend income of $23 million (2014: $19 million)*

## 7 Net Income from Investment Securities

| In $ millions | The Group 2015 | 2014 |
|---|---|---|
| Debt securities | | |
| – Available-for-sale | **117** | 122 |
| – Loans and receivables | **#** | 4 |
| Equity securities[a][b] | **222** | 148 |
| Total[c] | **339** | 274 |
| Of which: net gains transferred from available-for-sale revaluation reserves | **125** | 212 |

*# Amount under $500,000*
*(a) Includes dividend income of $63 million (2014: $57 million)*
*(b) 2015 includes an amount of $136 million relating to gain from disposal of a property investment*
*(c) Includes fair value impact of hedges for the investment securities*

## 8 Other Income

| In $ millions | The Group 2015 | 2014 |
|---|---|---|
| Rental income | **37** | 35 |
| Net gain on disposal of properties and other fixed assets | **90** | 43 |
| Others[a] | **9** | 215 |
| Total | **136** | 293 |

*(a) 2014 includes an amount of $198 million, comprising a gain of $223 million for the divestment of remaining stake in the Bank of the Philippine Islands (BPI) less a sum of $25 million donated to National Gallery Singapore*

## 9 Employee Benefits

| In $ millions | The Group 2015 | 2014 |
|---|---|---|
| Salaries and bonuses | **2,149** | 1,887 |
| Contributions to defined contribution plans | **135** | 111 |
| Share-based expenses | **102** | 85 |
| Others | **265** | 211 |
| Total | **2,651** | 2,294 |

## 10 Other Expenses

| In $ millions | The Group 2015 | 2014 |
|---|---|---|
| Computerisation expenses[(a)] | **883** | 777 |
| Occupancy expenses[(b)] | **398** | 369 |
| Revenue-related expenses | **301** | 240 |
| Others[(c)] | **667** | 650 |
| Total | **2,249** | 2,036 |

*(a) Includes hire and maintenance costs of computer hardware and software*
*(b) Includes rental expenses of office and branch premises of $241 million (2014: $220 million) and amounts incurred in the maintenance and service of buildings*
*(c) Includes office administration expenses (e.g. printing, stationery, telecommunications, etc), and legal and professional fees*

| In $ millions | The Group 2015 | 2014 |
|---|---|---|
| Depreciation expenses | **251** | 220 |
| Hire and maintenance costs of fixed assets, including building-related expenses | **453** | 388 |
| Expenses on investment properties | **7** | 7 |
| Audit fees payable to external auditors[(a)]: | | |
| – Auditors of the Company | **3** | 3 |
| – Associated firms of Auditors of the Company | **4** | 4 |
| Non-audit fees payable to external auditors[(a)]: | | |
| – Auditors of the Company | **1** | 1 |
| – Associated firms of Auditors of the Company | **1** | 1 |

*(a) PricewaterhouseCoopers network firms*

## 11 Allowances for Credit and Other Losses

| In $ millions | The Group 2015 | 2014 |
|---|---|---|
| Loans and advances to customers (Note 18) | **676** | 620 |
| Investment securities | | |
| – Available-for-sale | **19** | 15 |
| – Loans and receivables | **(8)** | 2 |
| Properties and other fixed assets | **(14)** | – |
| Off-balance sheet credit exposures | **8** | 23 |
| Others (bank loans and sundry debtors) | **62** | 7 |
| Total | **743** | 667 |

The table below shows the movements in specific and general allowances during the year for the Group:

| In $ millions | The Group Balance at 1 January | Charge/ (Write-back) to income statement | Net write-off during the year | Exchange and other movements | Balance at 31 December |
|---|---|---|---|---|---|
| **2015** | | | | | |
| **Specific allowances** | | | | | |
| Loans and advances to customers (Note 18) | **983** | **551** | **(748)** | **35** | **821** |
| Investment securities | **80** | **19** | **(12)** | **5** | **92** |
| Properties and other fixed assets | **47** | **(14)** | **(8)** | **2** | **27** |
| Off-balance sheet credit exposures | **5** | **4** | **–** | **1** | **10** |
| Others (bank loans and sundry debtors) | **44** | **62** | **(24)** | **3** | **85** |
| Total specific allowances | **1,159** | **622** | **(792)** | **46** | **1,035** |
| Total general allowances for credit exposures | **3,054** | **121** | **–** | **47** | **3,222** |
| Total allowances | **4,213** | **743** | **(792)** | **93** | **4,257** |
| **2014** | | | | | |
| **Specific allowances** | | | | | |
| Loans and advances to customers (Note 18) | 1,129 | 478 | (687) | 63 | 983 |
| Investment securities | 69 | 15 | (8) | 4 | 80 |
| Properties and other fixed assets | 48 | – | – | (1) | 47 |
| Off-balance sheet credit exposures | 1 | 7 | (3) | – | 5 |
| Others (bank loans and sundry debtors) | 53 | 7 | (17) | 1 | 44 |
| Total specific allowances | 1,300 | 507 | (715) | 67 | 1,159 |
| Total general allowances for credit exposures | 2,865 | 160 | – | 29 | 3,054 |
| Total allowances | 4,165 | 667 | (715) | 96 | 4,213 |

## 12 Income Tax Expense

| In $ millions | The Group 2015 | 2014 |
|---|---|---|
| Current tax expense | | |
| – Current year | **828** | 756 |
| – Prior years' provision | **(55)** | 15 |
| Deferred tax expense | | |
| – Prior years' provision | **(10)** | (10) |
| – Origination of temporary differences | **(36)** | (48) |
| Total | **727** | 713 |

The deferred tax credit in the income statement comprises the following temporary differences:

| In $ millions | The Group 2015 | 2014 |
|---|---|---|
| Accelerated tax depreciation | **5** | 12 |
| Allowances for loan losses | **(49)** | (67) |
| Other temporary differences | **(2)** | (3) |
| Deferred tax credit to income statement | **(46)** | (58) |

The tax on the Group's profit (before share of profits of associates) differs from the theoretical amount that would arise using the Singapore basic tax rate as follows:

| In $ millions | The Group 2015 | 2014 |
|---|---|---|
| Profit | **5,280** | 4,819 |
| Prima facie tax calculated at a tax rate of 17% (2014: 17%) | **898** | 819 |
| Effect of different tax rates in other countries | **9** | (5) |
| Net income not subject to tax | **(51)** | (107) |
| Net income taxed at concessionary rate | **(79)** | (117) |
| Others | **(50)** | 123 |
| Income tax expense charged to income statement | **727** | 713 |

Deferred income tax relating to available-for-sale financial assets and others of $7 million was credited directly to equity (2014: $14 million charged to equity).

*Refer to Note 21 for further information on deferred tax assets/liabilities.*

## 13 Earnings per Ordinary Share

| Number of shares (millions) | | The Group 2015 | 2014 |
|---|---|---|---|
| Weighted average number of ordinary shares in issue | (a) | **2,496** | 2,457 |
| Dilutive effect of share options | | **–** | # |
| Full conversion of non-voting redeemable CPS | | **–** | 30 |
| Weighted average number of ordinary shares in issue (diluted) | (aa) | **2,496** | 2,487 |

\# *Amount under $500,000*

| In $ millions | | The Group 2015 | 2014 |
|---|---|---|---|
| Net profit attributable to shareholders (Net profit less dividends on other equity instruments) | (b) | **4,417** | 4,007 |
| Net profit (less dividends on CPS and other equity instruments) | (c) | **4,417** | 3,999 |
| **Earnings per ordinary share ($)** | | | |
| Basic | (c)/(a) | **1.77** | 1.63 |
| Diluted | (b)/(aa) | **1.77** | 1.61 |

For the purpose of calculating the diluted earnings per ordinary share, the weighted average number of ordinary shares in issue is adjusted to take into account the effect of a full conversion of non-voting redeemable convertible preference shares (CPS) and the exercise of all outstanding share options granted to employees when such shares would be issued at a price lower than the average share price during the financial year.

## 14 Classification of Financial Instruments

| In $ millions | Held for trading | Designated at fair value through profit or loss | Loans and receivables/ amortised cost | Available-for-sale | Held to maturity | Hedging derivatives | Total |
|---|---|---|---|---|---|---|---|
| | | | | The Group | | | |
| **2015** | | | | | | | |
| **Assets** | | | | | | | |
| Cash and balances with central banks | 241 | – | 14,364 | 4,224 | – | – | 18,829 |
| Government securities and treasury bills | 7,569 | – | – | 25,267 | 1,665 | – | 34,501 |
| Due from banks | 4,961 | – | 32,571 | 753 | – | – | 38,285 |
| Derivatives | 23,190 | – | – | – | – | 441 | 23,631 |
| Bank and corporate securities | 9,035 | 77 | 17,380 | 13,581 | – | – | 40,073 |
| Loans and advances to customers | – | 1,269 | 282,020 | – | – | – | 283,289 |
| Other financial assets | – | – | 11,263 | – | – | – | 11,263 |
| Total financial assets | 44,996 | 1,346 | 357,598 | 43,825 | 1,665 | 441 | 449,871 |
| Other asset items outside the scope of FRS 39[(a)] | | | | | | | 7,963 |
| Total assets | | | | | | | 457,834 |
| **Liabilities** | | | | | | | |
| Due to banks | 954 | – | 17,297 | – | – | – | 18,251 |
| Deposits and balances from customers | 91 | 1,254 | 318,789 | – | – | – | 320,134 |
| Derivatives | 21,971 | – | – | – | – | 174 | 22,145 |
| Other financial liabilities | 886 | – | 10,439 | – | – | – | 11,325 |
| Other debt securities | 4,114 | 1,424 | 32,540 | – | – | – | 38,078 |
| Subordinated term debts | – | – | 4,026 | – | – | – | 4,026 |
| Total financial liabilities | 28,016 | 2,678 | 383,091 | – | – | 174 | 413,959 |
| Other liability items outside the scope of FRS 39[(b)] | | | | | | | 1,079 |
| Total liabilities | | | | | | | 415,038 |

| In $ millions | Held for trading | Designated at fair value through profit or loss | Loans and receivables/ amortised cost | Available-for-sale | Held to maturity | Hedging derivatives | Total |
|---|---|---|---|---|---|---|---|
| | | | The Group | | | | |
| **2014** | | | | | | | |
| **Assets** | | | | | | | |
| Cash and balances with central banks | 841 | – | 14,464 | 4,212 | – | – | 19,517 |
| Government securities and treasury bills | 6,943 | – | 27 | 21,551 | 1,173 | – | 29,694 |
| Due from banks | 6,127 | – | 34,924 | 1,212 | – | – | 42,263 |
| Derivatives | 16,786 | – | – | – | – | 209 | 16,995 |
| Bank and corporate securities | 10,631 | 70 | 13,346 | 13,716 | – | – | 37,763 |
| Loans and advances to customers | – | 1,228 | 274,360 | – | – | – | 275,588 |
| Other financial assets | – | – | 10,992 | – | – | – | 10,992 |
| Total financial assets | 41,328 | 1,298 | 348,113 | 40,691 | 1,173 | 209 | 432,812 |
| Other asset items outside the scope of FRS 39[(a)] | | | | | | | 7,854 |
| Total assets | | | | | | | 440,666 |
| **Liabilities** | | | | | | | |
| Due to banks | 567 | – | 15,609 | – | – | – | 16,176 |
| Deposits and balances from customers | 369 | 742 | 316,062 | – | – | – | 317,173 |
| Derivatives | 18,571 | – | – | – | – | 184 | 18,755 |
| Other financial liabilities | 1,189 | – | 9,494 | – | – | – | 10,683 |
| Other debt securities | 3,674 | 1,297 | 26,992 | – | – | – | 31,963 |
| Subordinated term debts | – | – | 4,665 | – | – | – | 4,665 |
| Total financial liabilities | 24,370 | 2,039 | 372,822 | – | – | 184 | 399,415 |
| Other liability items outside the scope of FRS 39[(b)] | | | | | | | 1,045 |
| Total liabilities | | | | | | | 400,460 |

*(a) Includes associates, goodwill and intangibles, properties and other fixed assets and deferred tax assets*
*(b) Includes current tax liabilities, deferred tax liabilities and provision for loss in respect of off-balance sheet credit exposures*

Financial assets and liabilities are presented net when there is a legally enforceable right to offset the recognised amounts, and there is intention to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**Financial assets and liabilities offset on the balance sheet**
As at 31 December 2015, "Loans and advances to customers" of $170 million (2014: $2,168 million) were offset against "Deposits and balances from customers" of $170 million (2014: $2,176 million) because contractually the Group has a legally enforceable right to offset these amounts, and intends to settle the loans and the deposits simultaneously at maturity or termination dates.

**Financial assets and liabilities subject to netting agreement but not offset on the balance sheet**
The Group enters into master netting arrangements with counterparties where it is appropriate and feasible to do so to mitigate counterparty risk. The credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are settled on a net basis. Master netting arrangements do not result in an offset of financial assets and liabilities on the balance sheet, as the legal right to offset the transactions is conditional upon default.

These agreements include derivative master agreements (including the International Swaps and Derivatives Association (ISDA) Master Agreement), global master repurchase agreements and global securities lending agreements. The collateral received and placed under these agreements is generally conducted under terms that are in accordance with normal market practice. In these agreements, the counterparty is typically allowed to sell or re-pledge those non-cash collateral (i.e. securities) lent or transferred, but has an obligation to return the securities at maturity. If the securities decrease in value, the Group may, in certain circumstances, be required to place additional cash collateral, and typically the counterparty has recourse only to the securities.

In addition, the Group receives cash and other collateral such as marketable securities to reduce its credit exposure. The Group also engages in a variety of counterparty credit mitigation arrangements in addition to netting and collateral arrangements.

The disclosures set out in the tables below pertain to financial assets and liabilities that are not offset in the Group's balance sheet but are subject to enforceable master netting arrangement or similar agreement that covers similar financial instruments. The disclosures enable the understanding of both the gross and net amounts, as well as provide additional information on how such credit risk is mitigated.

| Types of financial assets/liabilities In $ millions | Carrying amounts on balance sheet (A) | Financial instruments not in scope of offsetting disclosures (B) | Gross recognised financial instruments in scope (A-B=C+D+E) | Related amounts not offset on balance sheet: Financial instruments (C) | Related amounts not offset on balance sheet: Cash collateral received/ placed (D) | Net amounts in scope (E) |
|---|---|---|---|---|---|---|
| **2015** | | | | | | |
| **Financial Assets** | | | | | | |
| Derivatives | **23,631** | **11,203[(a)]** | **12,428** | **11,712[(a)]** | **409** | **307** |
| Reverse repurchase agreements | **5,227[(b)]** | **124** | **5,103** | **5,097** | **–** | **6** |
| Securities borrowings | **47[(c)]** | **–** | **47** | **44** | **–** | **3** |
| Total | **28,905** | **11,327** | **17,578** | **16,853** | **409** | **316** |
| **Financial Liabilities** | | | | | | |
| Derivatives | **22,145** | **8,505[(a)]** | **13,640** | **11,047[(a)]** | **2,066** | **527** |
| Repurchase agreements | **2,930[(d)]** | **1,050** | **1,880** | **1,875** | **5** | **–** |
| Short sale of securities | **886[(e)]** | **561** | **325** | **325** | **–** | **–** |
| Total | **25,961** | **10,116** | **15,845** | **13,247** | **2,071** | **527** |
| **2014** | | | | | | |
| **Financial Assets** | | | | | | |
| Derivatives | 16,995 | 7,421[(a)] | 9,574 | 8,884[(a)] | 493 | 197 |
| Reverse repurchase agreements | 4,025[(b)] | 441 | 3,584 | 3,580 | – | 4 |
| Securities borrowings | 78[(c)] | – | 78 | 74 | – | 4 |
| Total | 21,098 | 7,862 | 13,236 | 12,538 | 493 | 205 |
| **Financial Liabilities** | | | | | | |
| Derivatives | 18,755 | 6,653[(a)] | 12,102 | 8,729[(a)] | 2,867 | 506 |
| Repurchase agreements | 1,821[(d)] | 480 | 1,341 | 1,328 | 13 | – |
| Short sale of securities | 1,189[(e)] | 553 | 636 | 635 | – | 1 |
| Securities lendings | 4[(f)] | – | 4 | 4 | – | – |
| Total | 21,769 | 7,686 | 14,083 | 10,696 | 2,880 | 507 |

*(a) Related amounts under "Financial instruments" are prepared on the same basis as netting arrangements recognised for computation of Capital Adequacy Ratio (CAR) as set out under MAS Notice 637 (unaudited), which incorporates a conservative stance on enforceable netting. Accordingly, the amounts shown under "Financial instruments not in scope of offsetting disclosures" are those where either no netting agreement exists or where the netting agreement has not been recognised for computation of CAR*

*(b) Reverse repurchase agreements are presented under separate line items on the balance sheet, namely "Cash and balances with central banks", "Due from banks" and "Loans and advances to customers"*

*(c) Cash collateral placed under securities borrowings are presented under "Other assets" on the balance sheet*

*(d) Repurchase agreements are presented under separate line items on the balance sheet, namely "Due to banks" and "Deposits and balances from customers"*

*(e) Short sale of securities are presented under "Other liabilities" on the balance sheet*

*(f) Cash collateral received under securities lendings are presented under "Other liabilities" on the balance sheet*

## 15 Cash and Balances with Central Banks

| In $ millions | The Group 2015 | 2014 |
|---|---|---|
| Cash on hand | **3,070** | 1,936 |
| Non-restricted balances with central banks | **9,008** | 9,915 |
| Cash and cash equivalents | **12,078** | 11,851 |
| Restricted balances with central banks[a] | **6,751** | 7,666 |
| Total | **18,829** | 19,517 |

*(a) Mandatory balances with central banks*

## 16 Government Securities and Treasury Bills

| In $ millions | The Group<br>Held for trading | Loans and receivables | Available-for-sale | Held to maturity | Total |
|---|---|---|---|---|---|
| **2015** | | | | | |
| Singapore Government securities and treasury bills[a] | **2,569** | **–** | **8,078** | **1,665** | **12,312** |
| Other government securities and treasury bills[b] | **5,000** | **–** | **17,189** | **–** | **22,189** |
| Total | **7,569** | **–** | **25,267** | **1,665** | **34,501** |
| **2014** | | | | | |
| Singapore Government securities and treasury bills[a] | 1,963 | – | 6,357 | 1,173 | 9,493 |
| Other government securities and treasury bills[b] | 4,980 | 27 | 15,194 | – | 20,201 |
| Total | 6,943 | 27 | 21,551 | 1,173 | 29,694 |

*(a) Includes financial assets transferred of $579 million (2014: $522 million) (See Note 19)*
*(b) Includes financial assets transferred of $1,900 million (2014: $1,571 million) (See Note 19)*

## 17 Bank and Corporate Securities

| In $ millions | The Group<br>Held for trading | Designated at fair value through profit or loss | Loans and receivables | Available-for-sale | Total |
|---|---|---|---|---|---|
| **2015** | | | | | |
| Bank and corporate debt securities[a] | **7,654** | **77** | **17,530** | **11,884** | **37,145** |
| Less: Impairment allowances | **–** | **–** | **(150)** | **–** | **(150)** |
| Equity securities | **1,381** | **–** | **–** | **1,697** | **3,078** |
| Total | **9,035** | **77** | **17,380** | **13,581** | **40,073** |
| **2014** | | | | | |
| Bank and corporate debt securities[a] | 9,851 | 70 | 13,503 | 12,257 | 35,681 |
| Less: Impairment allowances | – | – | (157) | – | (157) |
| Equity securities | 780 | – | – | 1,459 | 2,239 |
| Total | 10,631 | 70 | 13,346 | 13,716 | 37,763 |

*(a) Includes financial assets transferred of $787 million (2014: $623 million) (See Note 19)*

## 18 Loans and Advances to Customers

| In $ millions | The Group 2015 | 2014 |
|---|---|---|
| Gross | **286,871** | 279,154 |
| Less: Specific allowances | **821** | 983 |
| General allowances | **2,761** | 2,583 |
| | **283,289** | 275,588 |
| **Analysed by product** | | |
| Long-term loans | **124,362** | 116,633 |
| Short-term facilities | **62,976** | 58,819 |
| Housing loans | **58,569** | 52,866 |
| Trade loans | **40,964** | 50,836 |
| Gross total | **286,871** | 279,154 |
| **Analysed by currency** | | |
| Singapore dollar | **117,587** | 109,493 |
| Hong Kong dollar | **34,386** | 32,476 |
| US dollar | **89,283** | 96,552 |
| Chinese yuan | **19,516** | 20,399 |
| Others | **26,099** | 20,234 |
| Gross total | **286,871** | 279,154 |

*Refer to Note 40.4 for breakdown of loans and advances to customers by geography and by industry.*

The table below shows the movements in specific and general allowances for loans and advances to customers during the year:

| In $ millions | Balance at 1 January | Charge/ (Write-back) to income statement | Net write-off during the year | Exchange and other movements | Balance at 31 December |
|---|---|---|---|---|---|
| **2015** | | | | | |
| **Specific allowances** | | | | | |
| Manufacturing | **331** | **185** | **(303)** | **11** | **224** |
| Building and construction | **115** | **43** | **(43)** | **5** | **120** |
| Housing loans | **8** | **(2)** | **–** | **1** | **7** |
| General commerce | **140** | **144** | **(133)** | **6** | **157** |
| Transportation, storage and communications | **153** | **25** | **(87)** | **3** | **94** |
| Financial institutions, investment and holding companies | **90** | **14** | **(48)** | **4** | **60** |
| Professionals and private individuals (excluding housing loans) | **53** | **102** | **(99)** | **2** | **58** |
| Others | **93** | **40** | **(35)** | **3** | **101** |
| Total specific allowances | **983** | **551** | **(748)** | **35** | **821** |
| Total general allowances | **2,583** | **125** | **–** | **53** | **2,761** |
| Total allowances | **3,566** | **676** | **(748)** | **88** | **3,582** |
| **2014** | | | | | |
| **Specific allowances** | | | | | |
| Manufacturing | 240 | 151 | (80) | 20 | 331 |
| Building and construction | 42 | 156 | (91) | 8 | 115 |
| Housing loans | 9 | 1 | (2) | – | 8 |
| General commerce | 142 | 49 | (61) | 10 | 140 |
| Transportation, storage and communications | 465 | (32) | (290) | 10 | 153 |
| Financial institutions, investment and holding companies | 146 | 19 | (80) | 5 | 90 |
| Professionals and private individuals (excluding housing loans) | 48 | 76 | (76) | 5 | 53 |
| Others | 37 | 58 | (7) | 5 | 93 |
| Total specific allowances | 1,129 | 478 | (687) | 63 | 983 |
| Total general allowances | 2,398 | 142 | – | 43 | 2,583 |
| Total allowances | 3,527 | 620 | (687) | 106 | 3,566 |

Included in loans and advances to customers are loans designated at fair value, as follows:

| In $ millions | The Group 2015 | 2014 |
|---|---|---|
| **Fair value designated loans and advances and related credit derivatives/enhancements** | | |
| Maximum credit exposure | **1,269** | 1,228 |
| Credit derivatives/enhancements – protection bought | **(1,269)** | (1,228) |
| Cumulative change in fair value arising from changes in credit risk | **(280)** | (194) |
| Cumulative change in fair value of related credit derivatives /enhancements | **280** | 194 |

Changes in fair value arising from changes in credit risk are determined as the amount of change in fair value that is not attributable to changes in market conditions that give rise to market risk. These changes in market conditions include changes in a benchmark interest rate, foreign exchange rate or index of prices or rates.

During the year, the amount of change in the fair value of the loans and advances attributable to credit risk was a loss of $86 million (2014: loss of $56 million). During the year, the amount of change in the fair value of the related credit derivatives/enhancements was a gain of $86 million (2014: gain of $56 million).

## 19 Financial Assets Transferred

The Group transfers financial assets to third parties or structured entities in the course of business, for example when it pledges securities as collateral for repurchase agreements or when it undertakes securities lending arrangements.

Transferred assets are derecognised in the Group's financial statements when substantially all of their risks and rewards are also transferred. Among them is pledged collateral (mainly cash) for derivative transactions under credit support annexes agreements. Derecognised assets that were subject to the Group's partial continuing involvement were not material in 2015 and 2014.

Where the Group retains substantially all the risks and rewards of the transferred assets, they continue to be recognised in the Group's financial statements. These assets are described below.

### Securities

Securities transferred under repurchase agreements and securities lending arrangements are generally conducted under terms in line with normal market practice. The counterparty is typically allowed to sell or re-pledge the securities but has an obligation to return them at maturity. If the securities decrease in value, the Group may, in certain circumstances, be required to place additional cash collateral. The counterparty typically has no further recourse to the Group's other assets beyond the transferred securities.

For repurchase agreements, the securities transferred are either classified as "fair value through profit or loss" or "available-for-sale". The Group receives cash in exchange and records a financial liability for the cash received. The Group also pledged assets to secure its short position in securities and to facilitate settlement operations. The fair value of the associated liabilities approximates the carrying amount of $3,255 million (2014: $2,457 million), which are recorded under "Due to banks", "Deposits and balances from customers" and "Other liabilities" on the balance sheet.

For securities lending transactions, the securities lent are classified as "available-for-sale" or "loans and receivables" on the balance sheet, and the carrying amount approximates the fair value. As the Group mainly receives other financial assets in exchange, the associated liabilities recorded are not material.

| In $ millions | The Group 2015 | 2014 |
|---|---|---|
| **Securities pledged and transferred** | | |
| Singapore Government securities and treasury bills | **579** | 522 |
| Other government securities and treasury bills | **1,900** | 1,571 |
| Bank and corporate debt securities | **787** | 623 |
| Total securities pledged and transferred | **3,266** | 2,716 |

### Covered bonds

Pursuant to the Bank's Global Covered Bond Programme, selected pools of residential mortgages originated by the Bank have been assigned to a bankruptcy-remote structured entity, Bayfront Covered Bonds Pte Ltd (see Notes 22.2 and 29.4). These residential mortgages continue to be recognised on the Bank's balance sheet as the Bank remains exposed to the risks and rewards associated with them.

As at 31 December 2015, the carrying value of the covered bonds in issue was $1,412 million (2014: Nil), while the carrying value of assets assigned was $4,268 million (2014: Nil). The difference in values is attributable to an intended over-collateralisation required to maintain the credit ratings of the covered bonds in issue, and additional assets assigned to facilitate future issuances.

### Other financial assets

The Group also enters into structured funding transactions where it retains the contractual rights to receive cash flows of financial assets extended to third parties, but assumes a contractual obligation to pay these cash flows under the issued notes. The carrying amounts and fair values of these financial assets and liabilities both amount to $1,355 million (2014: $1,317 million).

## 20 Other Assets

| In $ millions | The Group 2015 | 2014 |
|---|---|---|
| Accrued interest receivable | **1,258** | 1,194 |
| Deposits and prepayments | **317** | 268 |
| Clients' monies receivable from securities business | **316** | 636 |
| Sundry debtors and others | **6,415** | 5,273 |
| Cash collateral placed [(a)] | **2,957** | 3,621 |
| Deferred tax assets (Note 21) | **299** | 257 |
| Total | **11,562** | 11,249 |

*(a) Mainly relates to cash collateral placed in respect of derivative portfolios*

## 21 Deferred Tax Assets/Liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. The deferred tax assets and liabilities are determined after appropriate offsetting as shown in "Other assets" (Note 20) and "Other liabilities" (Note 28) respectively.

Deferred tax assets and liabilities comprise the following temporary differences:

| In $ millions | The Group 2015 | The Group 2014 |
|---|---|---|
| **Deferred income tax assets** | | |
| Allowances for loan losses | **310** | 254 |
| Other temporary differences | **146** | 137 |
| | **456** | 391 |
| Amounts offset against deferred tax liabilities | **(157)** | (134) |
| Total | **299** | 257 |
| **Deferred income tax liabilities** | | |
| Accelerated tax depreciation | **111** | 104 |
| Available-for-sale financial assets and others | **13** | 20 |
| Other temporary differences | **66** | 60 |
| | **190** | 184 |
| Amounts offset against deferred tax assets | **(157)** | (134) |
| Total | **33** | 50 |
| **Net deferred tax assets** | **266** | 207 |

## 22 Subsidiaries and Consolidated Structured Entities

| In $ millions | The Company 2015 | The Company 2014 |
|---|---|---|
| Unquoted equity shares, at cost[(a)] | **17,414** | 15,326 |
| Due from subsidiaries | **2,133** | 4,090 |
| | **19,547** | 19,416 |

*(a) Includes preference shares and other equity instruments*

### 22.1 Main operating subsidiaries

The main operating subsidiaries within the Group are listed below:

| Name of subsidiary | Country of incorporation | Effective shareholding % 2015 | Effective shareholding % 2014 |
|---|---|---|---|
| **Commercial Banking** | | | |
| DBS Bank Ltd | Singapore | **100** | 100 |
| DBS Bank (Hong Kong) Limited* | Hong Kong | **100** | 100 |
| DBS Bank (China) Limited* | China | **100** | 100 |
| DBS Bank (Taiwan) Limited* | Taiwan | **100** | 100 |
| PT Bank DBS Indonesia* | Indonesia | **99** | 99 |
| **Merchant Banking** | | | |
| The Islamic Bank of Asia Limited | Singapore | **50** | 50 |
| **Stockbroking** | | | |
| DBS Vickers Securities Holdings Pte Ltd | Singapore | **100** | 100 |

* *Audited by PricewaterhouseCoopers network firms outside Singapore*

The Group's main subsidiaries are regulated banks and non-bank financial institutions. Statutory, contractual or regulatory requirements as well as protective rights of non-controlling interests may restrict the ability of the Company to access and transfer assets freely to or from other entities within the Group and to settle liabilities of the Group. Since the Group did not have any material non-controlling interests as at the balance sheet dates, any protective rights associated with these did not give rise to significant restrictions in 2014 and 2015.

The Islamic Bank of Asia Limited's operations is in progressive wind-down, following approval from its shareholders on 6 October 2015.

*Refer to Note 34 for information on non-controlling interests.*

### 22.1.1 Acquisition of remaining interest in subsidiary

**Acquisition of remaining interest in DBS China Square Limited**
On 22 June 2015, the Bank acquired the remaining 30% stake it did not own in DBS China Square Limited for a cash consideration of $150 million from CapitaLand Investments Pte Ltd, a wholly-owned subsidiary of CapitaLand Limited.

### 22.2 Consolidated structured entity

The structured entity consolidated by the Group is listed below:

| Name of entity | Purpose of consolidated structured entity | Country of incorporation |
|---|---|---|
| Bayfront Covered Bonds Pte Ltd | Covered bond guarantor | Singapore |

Bayfront Covered Bonds Pte Ltd is a bankruptcy-remote structured entity established in conjunction with the Bank's USD10 billion Global Covered Bond Programme (see Note 29.4). As part of the contractual structures that are integral to this programme, the Bank provides funding and hedging facilities to it.

## 23 Associates

| | The Group | |
|---|---|---|
| **In $ millions** | **2015** | **2014** |
| Quoted equity securities, at cost[(a)] | **71** | 71 |
| Unquoted equity securities, at cost | **800** | 779 |
| Sub-total | **871** | 850 |
| Share of post acquisition reserves | **129** | 145 |
| Total | **1,000** | 995 |

*(a) The market value of quoted associates amounted to $51 million (2014: $50 million)*

The Group's share of income and expenses, assets and liabilities and off-balance sheet items of the associates at 31 December are as follows:

| | The Group | |
|---|---|---|
| **In $ millions** | **2015** | **2014** |
| **Income statement** | | |
| Share of income | **166** | 222 |
| Share of expenses | **(152)** | (143) |
| **Balance sheet** | | |
| Share of total assets | **1,721** | 1,700 |
| Share of total liabilities | **721** | 705 |
| **Off-balance sheet** | | |
| Share of contingent liabilities and commitments | **#** | # |

\# *Amount under $500,000*

### 23.1 Main associates

The main associates of the Group are listed below:

| | | Effective shareholding % | |
|---|---|---|---|
| **Name of associate** | **Country of incorporation** | **2015** | **2014** |
| **Quoted** | | | |
| Hwang Capital (Malaysia) Bhd[(a)]* | Malaysia | **27.7** | 27.7 |
| **Unquoted** | | | |
| Central Boulevard Development Pte Ltd** | Singapore | **33.3** | 33.3 |
| Network for Electronic Transfers (Singapore) Pte Ltd | Singapore | **33.3** | 33.3 |
| Changsheng Fund Management Company** | China | **33.0** | 33.0 |

* *Audited by PricewaterhouseCoopers network firms outside Singapore*
** *Audited by other auditors*
*(a) Shareholding includes 4.15% held through the Bank*

As of 31 December 2015 and 31 December 2014, no associate was individually material to the Group. As a non-controlling shareholder, the Group's ability to receive dividends is subject to agreement with other shareholders. The associates may also be subject to statutory, contractual or regulatory requirements restricting dividend payments or to repay loans or advances made.

The Group's share of commitments and contingent liabilities of the associates as well as its commitments to finance or otherwise provide resources to them are not material.

## 24 Unconsolidated Structured Entities

"Unconsolidated structured entities" are those structured entities as defined by FRS 112 and are not controlled by the Group. To facilitate customer transactions and for specific investment opportunities, the Group in the normal course of business enters into transactions with a range of counterparties, some of which would be defined as unconsolidated structured entities.

While the economic exposures may be the same as those to other type of entities, FRS 112 specifically requires companies to disclose such exposures arising from transactions with unconsolidated structured entities. The table below reflects exposures to third party securitisation structures where the Group holds an interest in the normal course of business.

As is the case with other types of counterparties, the carrying amount from transactions with unconsolidated structured entities have been included in the Group's financial statements.

The risks arising from such transactions are subject to the Group's risk management practices.

| | The Group | |
|---|---|---|
| **In $ millions** | **2015** | **2014** |
| **The Group's maximum exposure** | | |
| Derivatives | **2** | 4 |
| Bank and corporate securities | **1,317** | 968 |
| Loans and advances to customers | **109** | 96 |
| Other assets | **1** | 1 |
| **Total assets** | **1,429** | 1,069 |
| Commitments and guarantees | **203** | 202 |
| **Maximum Exposure to Loss** | **1,632** | 1,271 |
| Derivatives | **85** | 17 |
| **Total liabilities** | **85** | 17 |

The table above represents the Group's maximum exposure to loss which for on-balance sheet assets and liabilities is represented by the carrying amount, and does not reflect mitigating effects from the availability of netting arrangements and financial instruments that the Group may utilise to economically hedge the risks inherent in third party structured entities, or risk-reducing effects of collateral or other credit enhancements.

The Group also sponsors third party structured entities, primarily by acting as lead arranger, underwriter or book runner for the issuance of securities by clients or by providing nominee services. Income, in the nature of fees from and assets transferred by all parties to sponsored structured entities, was not material.

The total assets of the third party structured entities are not considered meaningful for the purposes of understanding the related risks since they are neither representative of the Group's exposure nor the income earned, and so have not been presented.

The Group has not provided any specific non-contractual financial support during the year and does not expect to provide non-contractual support to these third party structured entities in the future.

## 25 Properties and Other Fixed Assets

The Group leases out investment properties under operating leases. The leases typically run for an initial period of one to five years, and may contain an option to renew the lease after that date at which time all terms will be renegotiated.

The minimum lease receivables as at the balance sheet date are as follows:

| | The Group | |
|---|---|---|
| **In $ millions** | **2015** | **2014** |
| **Minimum lease receivable** | | |
| Not later than 1 year | **33** | 32 |
| Later than 1 year but not later than 5 years | **34** | 49 |
| Later than 5 years | **–** | # |
| Total | **67** | 81 |

\# *Amount under $500,000*

| In $ millions | Investment properties | Owner-occupied properties | Other fixed assets[(a)] | Subtotal of owner-occupied properties and other fixed assets | Total |
|---|---|---|---|---|---|
| | | | The Group | | |
| | (1) | (2) | (3) | (4)=(2+3) | (5)=(1+4) |
| **2015** | | | | | |
| **Cost** | | | | | |
| Balance at 1 January | **644** | **538** | **1,553** | **2,091** | **2,735** |
| Additions | **–** | **6** | **328** | **334** | **334** |
| Disposals | **(24)** | **(53)** | **(69)** | **(122)** | **(146)** |
| Transfers | **(2)** | **2** | **–** | **2** | **–** |
| Exchange differences | **9** | **36** | **28** | **64** | **73** |
| Balance at 31 December | **627** | **529** | **1,840** | **2,369** | **2,996** |
| **Less: Accumulated depreciation** | | | | | |
| Balance at 1 January | **170** | **120** | **913** | **1,033** | **1,203** |
| Depreciation charge | **7** | **12** | **232** | **244** | **251** |
| Disposals | **(6)** | **(11)** | **(58)** | **(69)** | **(75)** |
| Transfers | **(1)** | **1** | **–** | **1** | **–** |
| Exchange differences | **2** | **17** | **24** | **41** | **43** |
| Balance at 31 December | **172** | **139** | **1,111** | **1,250** | **1,422** |
| Less: Allowances for impairment | **–** | **27** | **–** | **27** | **27** |
| Net book value at 31 December | **455** | **363** | **729** | **1,092** | **1,547** |
| Market value at 31 December | **868** | **831** | | | |
| **2014** | | | | | |
| **Cost** | | | | | |
| Balance at 1 January | 663 | 513 | 1,382 | 1,895 | 2,558 |
| Additions | – | 5 | 258 | 263 | 263 |
| Disposals | (17) | (3) | (105) | (108) | (125) |
| Transfers | (4) | 4 | – | 4 | – |
| Exchange differences | 2 | 19 | 18 | 37 | 39 |
| Balance at 31 December | 644 | 538 | 1,553 | 2,091 | 2,735 |
| **Less: Accumulated depreciation** | | | | | |
| Balance at 1 January | 169 | 96 | 796 | 892 | 1,061 |
| Depreciation charge | 7 | 13 | 200 | 213 | 220 |
| Disposals | (5) | (3) | (97) | (100) | (105) |
| Transfers | (2) | 2 | – | 2 | – |
| Exchange differences | 1 | 12 | 14 | 26 | 27 |
| Balance at 31 December | 170 | 120 | 913 | 1,033 | 1,203 |
| Less: Allowances for impairment | – | 47 | – | 47 | 47 |
| Net book value at 31 December | 474 | 371 | 640 | 1,011 | 1,485 |
| Market value at 31 December | 913 | 817 | | | |

*(a) Refers to computer hardware, software, office equipment, furniture and fittings and other fixed assets*

**25.1** PWC Building is held as an investment property. Its net book value was $386 million as at 31 December 2015 (2014: $392 million), and its fair value was independently appraised at $711 million (2014: $692 million).

**25.2** The market values of investment properties are determined using investment method, or using a combination of comparable sales and investment methods. The properties are classified under Level 3 of the fair value hierarchy and the significant unobservable input used for valuation is market yields. As at 31 December 2015, there were no transfers into or out of Level 3.

## 26 Goodwill and Intangibles

The carrying amounts of the Group's goodwill and intangibles arising from business acquisitions are as follows:

| In $ millions | The Group 2015 | 2014 |
|---|---|---|
| DBS Bank (Hong Kong) Limited | **4,631** | 4,631 |
| Others | **486** | 486 |
| Total | **5,117** | 5,117 |

The carrying amounts of the CGUs are reviewed at least once a year to determine if the goodwill associated with them should be impaired. If a CGU's carrying amount exceeds its recoverable value, a goodwill impairment charge is recognised in the income statement.

The recoverable value is determined based on a value-in-use calculation. The CGU's five-year projected cash flows, taking into account projected regulatory capital requirements, are discounted by its cost of capital to derive their present value. To derive the value beyond the fifth year, a long-term growth rate is imputed to the fifth-year cash flow and then discounted by the cost of capital to derive the terminal value. The long-term growth rate used does not exceed the historical long-term growth rate of the market the CGU operates in. The recoverable value is the sum of the present value of the five-year cash flows and the terminal value.

A growth rate of 4.5% (2014: 4.5%) and discount rate of 9.0% (2014: 9.0%) were assumed in the value-in-use calculation for DBS Bank (Hong Kong) Limited.

The process of evaluating goodwill impairment involves management judgement and prudent estimates of various factors including future cash flows as well as the cost of capital and long-term growth rates. The results can be highly sensitive to the assumptions used. Management believes that any reasonably possible change in the key assumptions would not cause the carrying amount of the operating unit to exceed its recoverable amount at 31 December 2015. However, if conditions in Hong Kong and the banking industry deteriorate and turn out to be significantly worse than anticipated in the Group's performance forecast, the goodwill may be further impaired in future periods.

## 27 Deposits and Balances from Customers

| In $ millions | The Group 2015 | 2014 |
|---|---|---|
| **Analysed by currency** | | |
| Singapore dollar | **140,772** | 138,332 |
| US dollar | **101,298** | 93,445 |
| Hong Kong dollar | **31,849** | 31,450 |
| Chinese yuan | **14,500** | 20,463 |
| Others | **31,715** | 33,483 |
| Total | **320,134** | 317,173 |
| **Analysed by product** | | |
| Savings accounts | **131,065** | 119,753 |
| Current accounts | **65,989** | 60,876 |
| Fixed deposits | **120,269** | 130,904 |
| Other deposits | **2,811** | 5,640 |
| Total | **320,134** | 317,173 |

## 28 Other Liabilities

| In $ millions | The Group 2015 | 2014 |
|---|---|---|
| Cash collateral received[(a)] | **981** | 734 |
| Accrued interest payable | **465** | 585 |
| Provision for loss in respect of off-balance sheet credit exposures | **324** | 322 |
| Clients' monies payable in respect of securities business | **318** | 570 |
| Sundry creditors and others[(b)] | **8,675** | 7,605 |
| Current tax liabilities | **722** | 673 |
| Short sale of securities | **886** | 1,189 |
| Deferred tax liabilities (Note 21) | **33** | 50 |
| Total | **12,404** | 11,728 |

*(a) Mainly relates to cash collateral received in respect of derivative portfolios*
*(b) Includes $800 million of the $1.6 billion receivable from Manulife for the 15-year regional distribution agreement entered on 8 April 2015*

## 29 Other Debt Securities

| In $ millions | The Group 2015 | 2014 |
|---|---|---|
| Negotiable certificates of deposit (Note 29.1) | **1,200** | 1,072 |
| Senior medium term notes (Note 29.2) | **9,870** | 10,857 |
| Commercial papers (Note 29.3) | **19,174** | 14,561 |
| Covered bonds (Note 29.4) | **1,412** | – |
| Other debt securities (Note 29.5) | **6,422** | 5,473 |
| Total | **38,078** | 31,963 |
| Due within 1 year | **26,839** | 23,193 |
| Due after 1 year | **11,239** | 8,770 |
| Total | **38,078** | 31,963 |

**29.1** Negotiable certificates of deposit issued and outstanding at 31 December are as follows:

| In $ millions<br>Currency | Interest Rate and Repayment Terms | The Group 2015 | 2014 |
|---|---|---|---|
| **Issued by the Bank and other subsidiaries** | | | |
| HKD | 2.25% to 4.22%, payable quarterly | **503** | 471 |
| HKD | 3M HIBOR +0.25%, payable quarterly | **46** | – |
| HKD | 3M HIBOR +0.2%, payable quarterly | **70** | 66 |
| HKD | 1.2% to 4.2%, payable yearly | **156** | 242 |
| AUD | 2.2% to 2.51%, payable on maturity | **165** | – |
| USD | 0.2% to 0.7%, payable on maturity | **42** | 66 |
| IDR | 9.75% to 10.65%, payable on maturity | **46** | 122 |
| TWD | 0.438% to 0.79%, payable on maturity | **172** | 105 |
| Total | | **1,200** | 1,072 |

The outstanding negotiable certificates of deposit as at 31 December 2015 were issued between 22 August 2008 and 15 December 2015 (2014: 22 August 2008 and 30 December 2014) and mature between 5 January 2016 and 16 March 2021 (2014: 16 January 2015 and 16 March 2021).

**29.2** Senior medium term notes issued and outstanding at 31 December are as follows:

| In $ millions<br>Currency | Interest Rate and Repayment Terms | The Group 2015 | 2014 |
|---|---|---|---|
| **Issued by the Company** | | | |
| USD | 2.246%, payable half yearly | **1,074** | 1,000 |
| USD | Floating rate note, payable quarterly | **707** | 661 |
| AUD | Floating rate note, payable quarterly | **103** | – |
| **Issued by the Bank** | | | |
| AUD | Floating rate note, payable quarterly | **–** | 108 |
| GBP | Floating rate note, payable quarterly | **3,604** | 4,079 |
| USD | 2.35%, payable half yearly | **1,418** | 1,327 |
| USD | 2.375%, payable half yearly | **–** | 1,331 |
| USD | Floating rate note, payable quarterly | **2,658** | 2,133 |
| USD | 1.454%, payable yearly | **141** | 132 |
| HKD | 2.24%, payable quarterly | **92** | 86 |
| CNH | 4.4%, payable yearly | **73** | – |
| Total | | **9,870** | 10,857 |

The senior medium term notes were issued by the Company and the Bank under its USD 30 billion Global Medium Term Note Programme. The outstanding senior medium term notes as at 31 December 2015 were issued between 21 February 2012 and 16 November 2015 (2014: 14 September 2010 and 2 December 2014) and mature between 14 January 2016 and 15 January 2020 (2014: 25 February 2015 and 20 November 2019).

**29.3** The zero-coupon commercial papers which are payable on maturity were issued by the Bank under its USD 5 billion Euro Commercial Paper Programme and USD 15 billion US Commercial Paper Programme. The outstanding notes as at 31 December 2015 were issued between 2 July 2015 and 30 December 2015 (2014: 4 February 2014 and 16 December 2014) and mature between 4 January 2016 and 24 May 2016 (2014: 13 January 2015 and 1 July 2015).

**29.4** To augment its sources of wholesale funding, the Bank established a USD10 billion Global Covered Bond Programme on 16 June 2015. A covered bond is a senior obligation of the Bank backed by a cover pool comprising assets that have been ring-fenced via contractual structures in a bankruptcy-remote structured entity, Bayfront Covered Bonds Pte Ltd. Bayfront Covered Bonds Pte Ltd has provided an unconditional and irrevocable guarantee, which is secured over the cover pool, to the covered bond holders.

The outstanding covered bonds as at 31 December 2015 were issued on 6 August 2015 and mature on 6 August 2018.

**29.5** Other debt securities issued and outstanding at 31 December are as follows:

| In $ millions<br>Type | The Group<br>2015 | <br>2014 |
|---|---|---|
| **Issued by the Bank and other subsidiaries** | | |
| Equity linked notes | **1,603** | 1,381 |
| Credit linked notes | **2,058** | 1,914 |
| Interest linked notes | **1,817** | 1,413 |
| Foreign exchange linked notes | **63** | 264 |
| Fixed rate bonds | **881** | 501 |
| Total | **6,422** | 5,473 |

The outstanding securities as at 31 December 2015 were issued between 31 March 2006 and 31 December 2015 (2014: 31 March 2006 and 31 December 2014) and mature between 4 January 2016 and 13 November 2045 (2014: 2 January 2015 and 30 September 2044).

## 30 Subordinated Term Debts

Subordinated term debts issued by a subsidiary of the Group are classified as liabilities in accordance with FRS 32. These are long-term debt instruments that have a junior or lower priority claim on the issuing entity's assets in the event of a default or liquidation. These instruments are in the first instance ineligible as capital instruments under Basel III rules as they lack provisions for conversion to ordinary shares or write-down at the point of non-viability as determined by the Monetary Authority of Singapore, but are accorded partial eligibility as Tier 2 capital for calculating capital adequacy ratios under the Basel III transitional arrangements for capital instruments issued prior to 1 January 2013.

| In $ millions<br>Instrument | Note | Issue Date | Maturity Date | Interest Payment | The Group<br>2015 | <br>2014 |
|---|---|---|---|---|---|---|
| **Issued by the Bank** | | | | | | |
| US$900m Floating Rate Subordinated Notes Callable with Step-up in 2016<br>*Interest rate equal to 3-month LIBOR plus 0.61% until call date*<br>*Interest rate resets to 3-month LIBOR plus 1.61% thereafter if not called* | 30.1 | 16 Jun 2006 | 15 Jul 2021 | Jan/Apr/Jul/Oct | **495** | 1,189 |
| S$500m 4.47% Subordinated Notes Callable with Step-up in 2016<br>*Interest rate resets to 6-month Singapore Dollar Swap Offer Rate plus 1.58% if not called* | | 11 Jul 2006 | 15 Jul 2021 | Jan/Jul | **500** | 500 |
| S$1,000m 3.30% Subordinated Notes Callable in 2017<br>*Interest rate resets to 5-year Singapore Dollar Swap Offer Rate plus 2.147% if not called* | 30.2 | 21 Feb 2012 | 21 Feb 2022 | Feb/Aug | **991** | 999 |
| US$750m 3.625% Subordinated Notes Callable in 2017<br>*Interest rate resets to 5-year US Dollar Swap Offer Rate plus 2.229% if not called* | 30.3 | 21 Mar 2012 | 21 Sep 2022 | Mar/Sep | **1,064** | 994 |
| S$1,000m 3.10% Subordinated Notes Callable in 2018<br>*Interest rate resets to 5-year Singapore Dollar Swap Offer Rate plus 2.085% if not called* | 30.4 | 14 Aug 2012 | 14 Feb 2023 | Feb/Aug | **976** | 983 |
| Total | | | | | **4,026** | 4,665 |
| Due within 1 year | | | | | **613** | 726 |
| Due after 1 year | | | | | **3,413** | 3,939 |
| Total | | | | | **4,026** | 4,665 |

**30.1** On 8 January 2015, the Bank purchased, for cash, US$550 million of its US$900 million Floating Rate Subordinated Notes due 2021 Callable with Step-up in 2016. The US$550 million notes were subsequently cancelled. The remaining US$350 million of notes that were not repurchased are subject to the original terms and conditions of the notes.

**30.2** The fixed rate funding has been converted to floating rate at six-month Singapore Dollar Swap Offer Rate + 2.22% via interest rate swaps. On 11 January 2016, the Company purchased $134.25 million of the notes.

**30.3** The fixed rate funding has been converted to floating rate at three-month LIBOR + 2.21% via interest rate swaps.

**30.4** The fixed rate funding has been converted to floating rate at six-month Singapore Dollar Swap Offer Rate + 2.16% via interest rate swaps. On 11 January 2016, the Company purchased $491.75 million of the notes.

*For more information on each instrument, please refer to the "Capital Disclosures" section at the Group's website (http://www.dbs.com/investor/capital-disclosures.html) (unaudited).*

## 31 Share Capital

During the financial year, pursuant to the DBSH Share Option Plan, the Company issued 350,623 (2014: 1,051,456) ordinary shares, fully paid in cash upon the exercise of the options granted. The Company also issued 5,292,246 (2014: 28,350,961) ordinary shares to eligible shareholders who elected to participate in the Scrip Dividend Scheme.

On 28 April 2015, the Company issued 30,011,421 ordinary shares upon the conversion of the outstanding 30,011,421 non-voting redeemable CPS. The newly issued shares rank pari passu in all respects with the previously issued shares.

Prior to conversion, the non-voting redeemable CPS enjoyed the same dividend rate paid on ordinary shares except that the dividend payable was subject to a maximum of $0.30 per annum (non-cumulative). The CPS did not carry voting rights, except in certain instances e.g. where any relevant dividend due was not paid up in full or where a resolution was proposed varying the rights of the preference shares. Subject to the terms set out in the Company's Articles of Association, each CPS was convertible into one fully paid ordinary share at the option of the holder. The Company could also redeem the non-voting redeemable CPS in accordance with the Articles of Association.

As at 31 December 2015, the number of treasury shares held by the Group is 14,873,769 (2014: 6,762,134), which is 0.59% (2014: 0.27%) of the total number of issued shares excluding treasury shares.

Movements in the number of shares and carrying amount of share capital are as follows:

| | The Group | | | | The Company | | | |
|---|---|---|---|---|---|---|---|---|
| | Shares ('000) | | In $ millions | | Shares ('000) | | In $ millions | |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| **Ordinary shares** | | | | | | | | |
| Balance at 1 January | **2,479,126** | 2,449,724 | **10,113** | 9,607 | **2,479,126** | 2,449,724 | **10,113** | 9,607 |
| Issue of shares pursuant to Scrip Dividend Scheme | **5,293** | 28,351 | **110** | 489 | **5,293** | 28,351 | **110** | 489 |
| Issue of shares upon exercise of share options | **351** | 1,051 | **4** | 13 | **351** | 1,051 | **4** | 13 |
| Reclassification of reserves upon exercise of share options | **–** | – | **1** | 4 | **–** | – | **1** | 4 |
| Conversion from non-voting redeemable CPS | **30,011** | – | **163** | – | **30,011** | – | **163** | – |
| Balance at 31 December | **2,514,781** | 2,479,126 | **10,391** | 10,113 | **2,514,781** | 2,479,126 | **10,391** | 10,113 |
| **Treasury shares** | | | | | | | | |
| Balance at 1 January | **(6,762)** | (6,727) | **(105)** | (94) | **(5,109)** | (4,644) | **(82)** | (66) |
| Purchase of treasury shares | **(13,716)** | (4,927) | **(258)** | (79) | **(13,000)** | (4,927) | **(246)** | (79) |
| Draw-down of reserves upon vesting of performance shares | **5,604** | 4,892 | **86** | 68 | **–** | – | **–** | – |
| Transfer of treasury shares | **–** | – | **–** | – | **5,109** | 4,462 | **81** | 63 |
| Balance at 31 December | **(14,874)** | (6,762) | **(277)** | (105) | **(13,000)** | (5,109) | **(247)** | (82) |
| **Convertible preference shares** | | | | | | | | |
| Balance at 1 January | **30,011** | 30,011 | **163** | 163 | **30,011** | 30,011 | **163** | 163 |
| Conversion to ordinary shares | **(30,011)** | – | **(163)** | – | **(30,011)** | – | **(163)** | – |
| Balance at 31 December | **–** | 30,011 | **–** | 163 | **–** | 30,011 | **–** | 163 |
| Issued share capital at 31 December | | | **10,114** | 10,171 | | | **10,144** | 10,194 |

## 32 Other Equity Instruments

| In $ millions | The Group 2015 | The Group 2014 | The Company 2015 | The Company 2014 |
|---|---|---|---|---|
| S$805m 4.70% Non-Cumulative Non-Convertible Perpetual Capital Securities First Callable in 2019 | **803** | 803 | **803** | 803 |
| Total | **803** | 803 | **803** | 803 |

The Capital Securities are non-cumulative non-convertible perpetual capital securities and qualify as Additional Tier 1 Capital under the Monetary Authority of Singapore (MAS) Notice on Risk Based Capital Adequacy Requirements for Banks Incorporated in Singapore (MAS Notice 637) on the basis that the Company is subject to the application of MAS Notice 637.

The Capital Securities are subordinated to all liabilities of the Company and senior only to shareholders of the Company. They do not have any voting rights. They are first callable at the option of the Company on 3 June 2019, subject to regulatory approval. Their terms include a write-down feature that is triggered if and when MAS notifies the Company that without the write-off of the principal, partially or in full, or a public sector injection of capital (or equivalent support), it considers that the Company or the Group would become non-viable. In addition to the first call in June 2019, the terms permit redemption for a change in qualification event and for taxation reasons.

The Capital Securities yield 4.70% per annum up to the first call date, 3 June 2019. If not called, the distribution rate resets every 5 years to the then applicable five-year Swap Offer Rate plus 3.061% per annum. Distributions are paid semi-annually in June and December.

The non-cumulative distributions may only be paid out of distributable reserves and may be cancelled at the option of the Company. As long as any distribution on the Capital Securities has not been made, certain restrictions are placed on the distributions and redemptions that may be made by the Group on parity obligations and junior obligations as defined in the terms governing the Capital Securities.

*For more information on each instrument, please refer to the "Capital Disclosures" section at the Group's website (http://www.dbs.com/investor/capital-disclosures.html) (unaudited).*

## 33 Other Reserves and Revenue Reserves

### 33.1 Other reserves

| In $ millions | The Group 2015 | The Group 2014 | The Company 2015 | The Company 2014 |
|---|---|---|---|---|
| Available-for-sale revaluation reserves | **96** | 284 | **–** | – |
| Cash flow hedge reserves | **8** | (33) | **–** | – |
| General reserves | **2,453** | 2,453 | **–** | – |
| Capital reserves | **(213)** | (233) | **–** | – |
| Share option and share plan reserves | **168** | 152 | **168** | 152 |
| Others | **4,193** | 4,271 | **–** | – |
| Total | **6,705** | 6,894 | **168** | 152 |

Movements in other reserves during the year are as follows:

| In $ millions | Available-for-sale revaluation reserves | Cash flow hedge reserves | General reserves[(a)] | Capital reserves[(b)] | Share option and share plan reserves | Other reserves[(c)] | Total |
|---|---|---|---|---|---|---|---|
| | The Group | | | | | | |
| **2015** | | | | | | | |
| Balance at 1 January | **284** | **(33)** | **2,453** | **(233)** | **152** | **4,271** | **6,894** |
| Net exchange translation adjustments | **1** | **1** | **–** | **19** | **–** | **–** | **21** |
| Share of associates' reserves | **(1)** | **2** | **–** | **1** | **–** | **–** | **2** |
| Cost of share-based payments | **–** | **–** | **–** | **–** | **103** | **–** | **103** |
| Reclassification of reserves upon exercise of share options | **–** | **–** | **–** | **–** | **(1)** | **–** | **(1)** |
| Draw-down of reserves upon vesting of performance shares | **–** | **–** | **–** | **–** | **(86)** | **–** | **(86)** |
| Acquisition of non-controlling interest (Note 22.1.1) | **–** | **–** | **–** | **–** | **–** | **(78)** | **(78)** |
| Available-for-sale financial assets and others: | | | | | | | |
| – net valuation taken to equity | **(74)** | **(144)** | **–** | **–** | **–** | **–** | **(218)** |
| – transferred to income statement | **(125)** | **186** | **–** | **–** | **–** | **–** | **61** |
| – tax on items taken directly to or transferred from equity | **11** | **(4)** | **–** | **–** | **–** | **–** | **7** |
| Balance at 31 December | **96** | **8** | **2,453** | **(213)** | **168** | **4,193** | **6,705** |
| **2014** | | | | | | | |
| Balance at 1 January | (30) | (14) | 2,453 | (324) | 136 | 4,271 | 6,492 |
| Net exchange translation adjustments | – | – | – | 91 | – | – | 91 |
| Share of associates' reserves | 7 | – | – | – | – | – | 7 |
| Cost of share-based payments | – | – | – | – | 88 | – | 88 |
| Reclassification of reserves upon exercise of share options | – | – | – | – | (4) | – | (4) |
| Draw-down of reserves upon vesting of performance shares | – | – | – | – | (68) | – | (68) |
| Available-for-sale financial assets and others: | | | | | | | |
| – net valuation taken to equity | 534 | (67) | – | – | – | – | 467 |
| – transferred to income statement | (212) | 47 | – | – | – | – | (165) |
| – tax on items taken directly to or transferred from equity | (15) | 1 | – | – | – | – | (14) |
| Balance at 31 December | 284 | (33) | 2,453 | (233) | 152 | 4,271 | 6,894 |

*(a) General reserves are maintained in accordance with the provisions of applicable laws and regulations. These reserves are non distributable unless otherwise approved by the relevant authorities. Under the Banking (Reserve Fund) (Transitional Provision) regulations 2007, which came into effect on 11 June 2007, the Bank may distribute or utilise its statutory reserves provided that the amount distributed or utilised for each financial year does not exceed 20% of the reserves as at 30 March 2007*

*(b) Capital reserves include net exchange translation adjustments arising from translation differences on net investments in foreign subsidiaries, associates and branches, and the related foreign currency financial instruments designated as a hedge*

*(c) Other reserves mainly relate to share premium of the Bank prior to the restructuring of the Bank under the Company pursuant to a scheme of arrangement under Section 210 of the Singapore Companies Act on 26 June 1999*

| In $ millions | The Company Share option and share plan reserves 2015 | 2014 |
|---|---|---|
| Balance at 1 January | **152** | 136 |
| Cost of share-based payments | **103** | 88 |
| Reclassification of reserves upon exercise of share options | **(1)** | (4) |
| Draw-down of reserves upon vesting of performance shares | **(86)** | (68) |
| Balance at 31 December | **168** | 152 |

### 33.2 Revenue reserves

| In $ millions | The Group 2015 | 2014 |
|---|---|---|
| Balance at 1 January | **19,840** | 17,262 |
| Net profit attributable to shareholders | **4,454** | 4,046 |
| Amount available for distribution | **24,294** | 21,308 |
| Less: Final dividends on ordinary shares of $0.30 (one-tier tax-exempt) paid for the previous financial year (2014: $0.30 one-tier tax-exempt) | **751** | 734 |
| Final dividends on non-voting redeemable CPS of $Nil (one-tier tax-exempt) paid for the previous financial year (2014: $0.02 one-tier tax-exempt) | **–** | # |
| Interim dividends on ordinary shares of $0.30 (one-tier tax-exempt) paid for the current financial year (2014: $0.28 one-tier tax-exempt) | **753** | 688 |
| Interim dividends on non-voting redeemable CPS of $Nil (one-tier tax-exempt) paid for the current financial year (2014: $0.28 one-tier tax-exempt) | **–** | 8 |
| Dividends on other equity instruments | **38** | 38 |
| Balance at 31 December | **22,752** | 19,840 |

\# *Amount under $500,000*

### 33.3 Proposed dividends

Proposed final one-tier tax-exempt dividends on ordinary shares of $0.30 per share have not been accounted for in the financial statements for the year ended 31 December 2015. This is to be approved at the Annual General Meeting on 28 April 2016.

## 34 Non-controlling Interests

The following preference shares issued by subsidiaries of the Group are classified as non-controlling interests. These instruments have a deeply subordinated claim on the issuing entity's assets in the event of a default or liquidation. These instruments are in the first instance ineligible as capital instruments under Basel III rules as they lack provisions for conversion to ordinary shares or write-down at the point of non-viability as determined by the Monetary Authority of Singapore, but are accorded partial eligibility as Tier 1 capital for calculating capital adequacy ratios under the Basel III transitional arrangements for capital instruments issued prior to 1 January 2013.

| In $ millions Instrument | Note | Issuance Date | Liquidation Preference | Dividend Payment | The Group 2015 | 2014 |
|---|---|---|---|---|---|---|
| **Issued by the Bank** | | | | | | |
| S$800m 4.70% Non-Cumulative, Non-Convertible, Non-Voting Preference Shares Callable in 2020 | 34.1 | 22 Nov 2010 | $100 | May/ Nov | **800** | 800 |
| **Issued by DBS Capital Funding II Corporation** | | | | | | |
| S$1,500m 5.75% Non-Cumulative, Non-Convertible, Non-Voting, Guaranteed Preference Shares Callable with Step-up in 2018 | 34.2 | 27 May 2008 | $250,000 | Jun/ Dec | **1,500** | 1,500 |
| Non-controlling interests in subsidiaries (Note 22.1.1) | | | | | **122** | 198 |
| Total | | | | | **2,422** | 2,498 |

**34.1** Dividends are payable if declared by the Board of Directors of the Bank.

**34.2** Dividends are payable if declared by the Board of Directors of DBS Capital Funding II Corporation. They are payable semi-annually on 15 June, and 15 December at a fixed rate of 5.75% per annum up to 15 June 2018. If these are not redeemed at the tenth year, dividends will be payable quarterly in arrears on 15 March, 15 June, 15 September and 15 December at a floating rate of the three-month Singapore Dollar Swap Offer Rate plus a stepped-up spread of 3.415% per annum.

*For more information on each instrument, please refer to the "Capital Disclosures" section at the Group's website (http://www.dbs.com/investor/capital-disclosures.html) (unaudited).*

## 35 Contingent Liabilities and Commitments

The Group issues guarantees, performance bonds and indemnities in the ordinary course of business. The majority of these facilities are offset by corresponding obligations of third parties.

**Guarantees and performance bonds** are generally written by the Group to support the performance of a customer to third parties. As the Group will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amount.

**Endorsements** are residual liabilities of the Group in respect of bills of exchange, which have been paid and subsequently rediscounted.

| | The Group | |
|---|---|---|
| **In $ millions** | **2015** | **2014** |
| Guarantees on account of customers | **13,605** | 15,672 |
| Endorsements and other obligations on account of customers | **6,296** | 6,559 |
| Undrawn credit commitments[a] | **219,773** | 187,423 |
| Undisbursed and underwriting commitments in securities | **9** | 53 |
| Sub-total | **239,683** | 209,707 |
| Operating lease commitments (Note 35.2) | **661** | 729 |
| Capital commitments | **48** | 22 |
| Total | **240,392** | 210,458 |
| **Analysed by industry (excluding operating lease and capital commitments)** | | |
| Manufacturing | **38,188** | 34,642 |
| Building and construction | **17,210** | 17,594 |
| Housing loans | **9,239** | 9,980 |
| General commerce | **52,695** | 46,191 |
| Transportation, storage and communications | **13,203** | 10,153 |
| Financial institutions, investment and holding companies | **22,007** | 18,081 |
| Professionals and private individuals (excluding housing loans) | **67,140** | 53,362 |
| Others | **20,001** | 19,704 |
| Total | **239,683** | 209,707 |

| | The Group | |
|---|---|---|
| **In $ millions** | **2015** | **2014** |
| **Analysed by geography (excluding operating lease and capital commitments)[b]** | | |
| Singapore | **101,521** | 90,622 |
| Hong Kong | **48,550** | 43,428 |
| Rest of Greater China | **18,073** | 14,413 |
| South and Southeast Asia | **22,732** | 20,285 |
| Rest of the World | **48,807** | 40,959 |
| Total | **239,683** | 209,707 |

*(a) Include commitments that are unconditionally cancellable at any time by the Group (2015: $183,125 million, 2014: $151,854 million)*
*(b) Based on the country of incorporation of the counterparty or borrower*

**35.1** The Group has existing outsourcing agreements for the provision of information technology and related support to the Group's operations. There are various termination clauses in the agreements that could require the Group to pay termination fees on early termination of the contract or part thereof. The termination fees are stipulated in the agreements and are determined based on the year when the agreements or part thereof are terminated.

**35.2** The Group has existing significant operating lease commitments including the leasing of office premises in Changi Business Park and Marina Bay Financial Centre in Singapore; and One Island East in Hong Kong. These include lease commitments for which the payments will be determined in the future based on the prevailing market rates in accordance with the lease agreements, of which the related amounts have not been included. The leases have varying terms, escalation clauses and renewal rights.

## 36 Financial Derivatives

Financial derivatives are financial instruments whose characteristics are derived from the underlying assets, or from interest and exchange rates or indices. These include forwards, swaps, futures and options. The following sections outline the nature and terms of the most common types of derivatives used by the Group.

### Interest rate derivatives

**Forward rate agreements** give the buyer the ability to determine the underlying rate of interest for a specified period commencing on a specified future date (the settlement date). There is no exchange of principal and settlement is effected on the settlement date. The settlement amount is the difference between the contracted rate and the market rate prevailing on the settlement date.

**Interest rate swaps** involve the exchange of interest obligations with a counterparty for a specified period without exchanging the underlying (or notional) principal.

**Interest rate futures** are exchange-traded agreements to buy or sell a standard amount of a specified fixed income security or time deposit at an agreed interest rate on a standard future date.

**Interest rate options** give the buyer on payment of a premium the right, but not the obligation, to fix the rate of interest on a future deposit or loan, for a specified period and commencing on a specified future date.

**Interest rate caps and floors** give the buyer the ability to fix the maximum or minimum rate of interest. There is no facility to deposit or draw down funds, instead the writer pays to the buyer the amount by which the market rate exceeds or is less than the cap rate or the floor rate respectively. This category includes combinations of interest rate caps and floors, which are known as interest rate collars.

### Foreign exchange derivatives

**Forward foreign exchange contracts** are agreements to buy or sell fixed amounts of currency at agreed rates of exchange on a specified future date.

**Cross currency swaps** are agreements to exchange, and on termination of the swap, re-exchange principal amounts denominated in different currencies. Cross currency swaps may involve the exchange of interest payments in one specified currency for interest payments in another specified currency for a specified period.

**Currency options** give the buyer, on payment of a premium, the right but not the obligation, to buy or sell specified amounts of currency at agreed rates of exchange on or before a specified future date.

## Equity derivatives

**Equity options** provide the buyer, on payment of a premium, the right but not the obligation, either to purchase or sell a specified stock or stock index at a specified price or level on or before a specified date.

**Equity swaps** involve the exchange of a set of payments whereby one of these payments is based on an equity-linked return while the other is typically based on an interest reference rate.

## Credit derivatives

**Credit default swaps** involve the transfer of credit risk of a reference asset from the protection buyer to the protection seller. The protection buyer makes one or more payments to the seller in exchange for an undertaking by the seller to make a payment to the buyer upon the occurrence of a predefined credit event.

## Commodity derivatives

**Commodity contracts** are agreements between two parties to exchange cash flows which are dependent on the price of the underlying physical assets.

**Commodity futures** are exchange-traded agreements to buy or sell a standard amount of a commodity at an agreed price on a standard future date.

**Commodity options** give the buyer the right, but not the obligation, to buy or sell a specific amount of commodity at an agreed contract price on or before a specified date.

### 36.1 Trading derivatives

Most of the Group's derivatives relate to sales and trading activities. Sales activities include the structuring and marketing of derivatives to customers to enable them to take, transfer, modify or reduce current or expected risks. Trading activities are entered into principally for dealer's margin or for the purpose of generating a profit from short-term fluctuations in price.

Trading includes mainly market-making and warehousing to facilitate customer orders. Market-making involves quoting bid and offer prices to other market participants with the intention of generating revenues based on spread and volume. Warehousing involves holding on to positions in order to liquidate in an orderly fashion with timing of unwinding determined by market conditions and traders' views of markets as they evolve.

### 36.2 Hedging derivatives

The accounting treatment of the hedge derivative transactions varies according to the nature of the hedge and whether the hedge meets the specified criteria to qualify for hedge accounting. Derivatives transacted as economic hedges but do not qualify for hedge accounting are treated in the same way as derivative instruments held for trading purposes.

**Fair value hedges**
The Group's fair value hedges consist principally of interest rate swaps used for managing interest rate gaps. For the year ended 31 December 2015, the gain on hedging instruments was $12 million (2014: $27 million). The total loss on hedged items attributable to the hedged risk amounted to $12 million (2014: $27 million).

**Cash flow hedges**
The Group's cash flow hedges consist principally of currency forwards and currency swaps transacted to hedge highly probable forecast transactions expected to occur at various future dates against variability in exchange rates. The currency forwards and currency swaps have maturity dates that coincide within the expected occurrence of these transactions. The forecast transactions are expected to occur within five years from the balance sheet date, and are expected to affect income statement in the same period these cash flows occur.

The ineffectiveness arising from these hedges was insignificant.

**Net investment hedges**
The Group hedges part of the currency translation risk of investments through financial derivatives and borrowings. The ineffectiveness arising from hedging of investments was insignificant. The Group regularly reviews its hedging strategy and rebalance based on long-term outlook of the currency fundamentals.

| In $ millions | Net investments in foreign operations[(a)] | Financial instruments which hedge the net investments | Remaining unhedged currency exposures |
|---|---|---|---|
| **2015** | | | |
| Hong Kong dollar | **8,398** | **8,392** | **6** |
| US dollar | **934** | **943** | **(9)** |
| Others | **6,391** | **2,211** | **4,180** |
| Total | **15,723** | **11,546** | **4,177** |
| **2014** | | | |
| Hong Kong dollar | 7,158 | 7,150 | 8 |
| US dollar | 939 | 938 | 1 |
| Others | 5,668 | 1,703 | 3,965 |
| Total | 13,765 | 9,791 | 3,974 |

*(a) Refer to net tangible assets of subsidiaries, associates and overseas operations*

The following table summarises the contractual or underlying principal amounts of derivative financial instruments held or issued for trading and hedging purposes outstanding at balance sheet date. They do not represent amounts at risk.

In the financial statements, trading derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected as derivative assets or derivative liabilities. Derivative assets and liabilities arising from different transactions are only offset if the transactions are done with the same counterparty, a legal right of offset exists, and the parties intend to settle the cash flows on a net basis. There was no offset of derivative assets and liabilities in 2015 and 2014.

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| **In $ millions** | **Underlying notional** | **Assets** | **Liabilities** | **Underlying notional** | **Assets** | **Liabilities** |
| **Derivatives held for trading** | | | | | | |
| **Interest rate derivatives** | | | | | | |
| Interest rate swaps | **971,155** | **6,482** | **6,391** | 721,269 | 5,237 | 5,075 |
| Interest rate futures | **25,240** | **4** | **8** | 8,606 | 3 | 1 |
| Interest rate options | **8,270** | **85** | **120** | 6,655 | 66 | 83 |
| Interest rate caps/floors | **20,662** | **275** | **730** | 21,879 | 277 | 644 |
| Sub-total | **1,025,327** | **6,846** | **7,249** | 758,409 | 5,583 | 5,803 |
| **Foreign exchange (FX) derivatives** | | | | | | |
| FX contracts | **579,745** | **6,425** | **5,931** | 641,978 | 4,838 | 5,810 |
| Currency swaps | **187,576** | **7,390** | **6,329** | 169,772 | 4,137 | 4,619 |
| Currency options | **198,269** | **1,774** | **1,629** | 227,440 | 1,346 | 1,225 |
| Sub-total | **965,590** | **15,589** | **13,889** | 1,039,190 | 10,321 | 11,654 |
| **Equity derivatives** | | | | | | |
| Equity options | **2,798** | **43** | **80** | 2,458 | 31 | 142 |
| Equity swaps | **903** | **7** | **25** | 706 | 9 | 10 |
| Sub-total | **3,701** | **50** | **105** | 3,164 | 40 | 152 |
| **Credit derivatives** | | | | | | |
| Credit default swaps and others | **46,132** | **284** | **389** | 52,288 | 425 | 608 |
| Sub-total | **46,132** | **284** | **389** | 52,288 | 425 | 608 |
| **Commodity derivatives** | | | | | | |
| Commodity contracts | **2,078** | **335** | **154** | 2,016 | 303 | 203 |
| Commodity futures | **3,062** | **70** | **173** | 3,274 | 79 | 107 |
| Commodity options | **366** | **16** | **12** | 1,801 | 35 | 44 |
| Sub-total | **5,506** | **421** | **339** | 7,091 | 417 | 354 |
| **Total derivatives held for trading** | **2,046,256** | **23,190** | **21,971** | 1,860,142 | 16,786 | 18,571 |
| **Derivatives held for hedging** | | | | | | |
| Interest rate swaps held for fair value hedge | **10,978** | **98** | **133** | 9,994 | 98 | 151 |
| Interest rate swaps held for cash flow hedge | **100** | **–** | **#** | – | – | – |
| FX contracts held for cash flow hedge | **5,755** | **100** | **8** | 1,093 | 12 | 16 |
| FX contracts held for hedge of net investment | **2,201** | **44** | **4** | 1,472 | 47 | 4 |
| Currency swaps held for fair value hedge | **1,924** | **120** | **13** | 1,532 | 34 | 6 |
| Currency swaps held for cash flow hedge | **939** | **79** | **16** | 623 | 16 | 7 |
| Currency swaps held for hedge of net investment | **1,441** | **#** | **#** | 2,301 | 2 | – |
| **Total derivatives held for hedging** | **23,338** | **441** | **174** | 17,015 | 209 | 184 |
| **Total derivatives** | **2,069,594** | **23,631** | **22,145** | 1,877,157 | 16,995 | 18,755 |
| **Impact of netting arrangements recognised for computation of Capital Adequacy Ratio (CAR) (unaudited)** | | **(11,047)** | **(11,047)** | | (8,729) | (8,729) |
| | | **12,584** | **11,098** | | 8,266 | 10,026 |

The contractual or underlying principal amounts of derivative financial instruments of bank and non-bank counterparties amounted to $1,082 billion (2014: $1,198 billion) and $988 billion (2014: $679 billion) respectively. These positions are mainly booked in Singapore. For purpose of managing its credit exposures, the Group maintains collateral agreements and enters into master netting agreements with most of these counterparties. For those arrangements that comply with the regulatory requirements as set out in MAS Notice 637, the Group recognises the netting arrangements in the computation of its Capital Adequacy Ratios.

## 37 Share-based Compensation Plans

As part of the Group's remuneration policy, the Group provides various share-based compensation plans to foster a culture that aligns employees' interests with shareholders, enable employees to share in the bank's performance and enhance talent retention.

| Main Scheme/Plan | Note |
|---|---|
| **DBSH Share Plan (Share Plan)**<br>• The Share Plan is granted to Group executives as determined by the Committee appointed to administer the Share Plan from time to time.<br>• Participants are awarded shares of the Company or, at the Committee's discretion, their equivalent cash value or a combination.<br>• Awards consist of main award and retention award (20% of main award). Dividends on unvested shares do not accrue to employees.<br>• The vesting of main award is staggered between 2 to 4 years after grant i.e. 33% will vest 2 years after grant; another 33% will vest on the third year and the remaining 34% plus the retention award will vest 4 years after grant.<br>• The market price of the shares on the grant date is used to estimate the fair value of the shares awarded.<br>• Shares are awarded to non-executive directors as part of director's remuneration. Details of these awards are disclosed in the Corporate Governance section of the Annual Report. | 37.1 |
| **DBSH Employee Share Plan (ESP)**<br>• The ESP caters to employees not eligible to participate in the above listed Share Plan. Eligible employees are awarded ordinary shares of the Company, their equivalent cash value or a combination of both (at the discretion of the Committee), when time-based conditions are met.<br>• The awards structure and vesting conditions are similar to Share Plan.<br>• There are no additional retention awards for shares granted to top performers and key employees.<br>• However, in specific cases where the award forms part of an employee's annual performance remuneration, the retention award which constitutes 20% of the shares given in the main award will be granted. The shares in the retention award will vest 4 years after the date of grant. | 37.1 |
| **DBSH Share Ownership Scheme**<br>• All Singapore- based employees with at least one year of service who hold the rank of Assistant Vice President and below are eligible.<br>• Participants contribute up to 10% of monthly salary and the Group will match up to 5% of monthly base salary to buy units of the Company's ordinary shares. | 37.2 |
| **DBSH Share Option Plan (Option Plan)**<br>• The Option Plan expired on 19 June 2009. Any outstanding unexercised options as of 1 March 2015 had lapsed following the expiry of all options granted under the plan.<br>• The Option Plan is granted to eligible Group executives who hold the rank of Vice President (or equivalent) and above and selected employees below the rank of Vice President (or equivalent).<br>• The exercise price is equal to the average of the last dealt prices for the Company's share as determined by reference to the daily official list published by the Singapore Exchange Securities Trading Ltd, for the three consecutive trading days immediately preceding the date of the grant.<br>• The options vest over a period in accordance to vesting schedule and are exercisable after the first anniversary of the date of the grant up to the date of expiration of the options.<br>• The fair value of options granted is determined using the Binomial model. | 37.3 |

### 37.1 DBSH Share Plan and DBSH Employee Share Plan

The following table sets out the movements of the awards during the year.

| | 2015 | | 2014 | |
|---|---|---|---|---|
| **Number of shares** | **Share Plan** | **ESP** | **Share Plan** | **ESP** |
| Balance at 1 January | **17,216,431** | **1,777,193** | 16,008,527 | 1,534,441 |
| Granted | **5,718,522** | **889,166** | 5,848,665 | 815,748 |
| Vested | **(5,154,074)** | **(471,393)** | (4,496,850) | (395,370) |
| Forfeited | **(412,391)** | **(196,185)** | (143,911) | (177,626) |
| Balance at 31 December | **17,368,488** | **1,998,781** | 17,216,431 | 1,777,193 |
| Weighted average fair value of the shares granted during the year | **$19.50** | **$19.51** | $16.66 | $16.65 |

### 37.2 DBSH Share Ownership Scheme

The outstanding shares held under DBSH Share Ownership Scheme are as follows:

| | Ordinary shares | | | |
|---|---|---|---|---|
| | Number | | Market value (in $ millions) | |
| | 2015 | 2014 | 2015 | 2014 |
| Balance at 1 January | **6,593,283** | 6,658,006 | **136** | 114 |
| Balance at 31 December | **7,282,740** | 6,593,283 | **122** | 136 |

### 37.3 DBSH Share Option Plan

The following table sets out movements of the unissued ordinary shares of the Company under outstanding options.

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Unissued number of ordinary shares under outstanding options | Weighted average exercise price ($) | Unissued number of ordinary shares under outstanding options | Weighted average exercise price ($) |
| Balance at 1 January | **354,877** | **12.81** | 1,434,875 | 12.64 |
| Movements during the year: | | | | |
| – Exercised | **(350,623)** | **12.81** | (1,051,456) | 12.58 |
| – Forfeited/Expired | **(4,254)** | **12.81** | (28,542) | 12.56 |
| Balance at 31 December | **–** | **–** | 354,877 | 12.81 |
| Weighted average remaining contractual life of options outstanding at 31 December | **–** | | 0.16 years | |
| Exercise price of options outstanding at 31 December | **–** | | $12.81 | |

In 2015, 350,623 options (2014: 1,051,456) were exercised at their contractual exercise prices. During the year, the corresponding weighted average market price of the Company's shares was $19.63 (2014: $16.71).

## 38 Related Party Transactions

**38.1** Transactions between the Company and its subsidiaries, including consolidated structured entities, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this Note.

**38.2** During the financial year, the Group had banking transactions with related parties, consisting of associates and key management personnel of the Group. These included the taking of deposits and extension of credit card and other loan facilities. These transactions were made in the ordinary course of business and carried out at arms-length commercial terms, and were not material.

In addition, key management personnel received remuneration for services rendered during the financial year. Non-cash benefits including performance shares were also granted.

**38.3** Total compensation and fees to key management personnel[(a)] are as follows:

| In $ millions | The Group 2015 | 2014 |
|---|---|---|
| Short-term benefits[(b)] | **46** | 44 |
| Share-based payments[(c)] | **26** | 23 |
| Total | **72** | 67 |
| Of which: Company Directors' remuneration and fees | **15** | 14 |

*(a) Includes Company Directors and members of the Management Committee who have authority and responsibility in planning the activities and direction of the Group. The composition and number of Directors and Management Committee members may differ from year to year*

*(b) Includes cash bonus based on amount accrued during the year, to be paid in the following year*

*(c) Share-based payments are expensed over the vesting period in accordance with FRS 102*

# 39 Fair Value of Financial Instruments

## 39.1 Valuation Process

The valuation processes within the Group are governed by the Valuation Policy and supporting Standards, which are approved by the Board Risk Management Committee and the Group Market and Liquidity Risk Committee respectively. The policy and standards apply to financial assets and liabilities where mark-to-market or model valuation is required.

The Valuation Policy and supporting Standards govern the revaluation of all financial assets and liabilities that are measured at fair value, covering both market prices as well as model inputs. Financial assets and liabilities are marked directly using reliable and independent market prices or by using reliable and independent market parameters (as model inputs) in conjunction with a valuation model. Products with a liquid market or those traded via an exchange will fall under the former while most over-the-counter (OTC) products will form the latter. Market parameters include interest rate yield curves, credit spreads, exchange prices, dividend yields, option volatilities and foreign exchange rates.

Valuation models go through an assurance process carried out by the Risk Management Group (RMG), independent of the model developers. This assurance process covers the review of the underlying methodology including its logic and conceptual soundness together with the model inputs and outputs. Model assurances are conducted prior to implementation and subject to regular review or when there are significant changes arising from market or portfolio changes. Where necessary, the Group also imposes model reserves and other adjustments in determining fair value. Models are approved by the Group Market and Liquidity Risk Committee.

The majority of OTC derivatives are traded in active markets. Valuations are determined using generally accepted models (for example discounted cash flows, Black-Scholes model, interpolation techniques) based on quoted market prices for similar instruments or underlyings or market parameters.

A process of independent price verification (IPV) is in place to establish the accuracy of the market parameters used when the marking is performed by the Front Office. The IPV process entails independent checks to compare traders' marks to independent sources such as broker/dealer sources or market consensus providers. The results of the IPV are reviewed by independent control functions on a monthly basis.

For illiquid financial instruments where mark-to-market is not possible, the Group will value these products using an approved valuation model. Prices and parameters used as inputs to the model or to any intermediate technique involving a transformation process must be derived using approved market sources. Where possible, the inputs must be checked against multiple sources for reliability and accuracy. Reliance will be placed on the model assurance process established by RMG for assurance of valuation models as fit for purpose.

The Group uses various market accepted benchmark interest rates such as LIBOR and Swap Offer Rates to determine the fair value of the financial instruments.

Where significant unobservable inputs are used in these models, the financial instruments are classified as Level 3 in the fair value hierarchy and valuation adjustments or reserves are taken to provide for any uncertainty in valuations. Valuation adjustments or reserve methodologies are also used to substantiate the significance of unobservable inputs. Such methodologies are approved by the Group Market and Liquidity Risk Committee and governed by the Valuation Policy and supporting Standards.

The main valuation adjustments and reserves are described below:

**Model and parameter uncertainty adjustments**
Valuation uncertainties may occur during fair value measurement either due to uncertainties in the required input parameters or uncertainties in the modelling methods used in the valuation process. In such situations, adjustments may be necessary to take these factors into account.

For example, where market data such as prices or rates for an instrument are no longer observable after an extended period of time, these inputs used to value the financial instruments may no longer be relevant in the current market conditions. In such situations, adjustments may be necessary to address the pricing uncertainty arising from the use of stale market data inputs.

**Credit valuation adjustments**
Credit valuation adjustments are taken to reflect the impact on fair value of counterparty credit risk. Credit valuation adjustments are based upon the creditworthiness of the counterparties, magnitude of the current or potential exposure on the underlying transactions, netting and collateral arrangements, and the maturity of the underlying transactions.

**Funding valuation adjustments**
Funding valuation adjustments represent an estimate of the adjustment to fair value that a market participant would make in incorporating funding costs and benefits that arise in relation to uncollateralised derivatives positions.

**Day 1 Profit or Loss (P&L) reserve**
In situations where the market for an instrument is not active and its fair value is established using a valuation model based on significant unobservable market parameters, the Day 1 P&L arising from the difference in transacted price and end-of-day model valuation is set aside as reserves. A market parameter is defined as being significant when its impact on the Day 1 P&L is greater than an internally determined threshold. The Day 1 P&L reserve is released to the income statement when the parameters become observable or when the transaction is closed out or amortised over the duration of the transaction. At year end, the unamortised Day 1 P&L was not material.

**Bid-offer adjustments**
The Group often holds, at varying points in time, both long or short positions in financial instruments which are valued using mid-market levels. Bid-offer adjustments are then made to account for close-out costs.

## 39.2 Fair Value Hierarchy

The fair value hierarchy accords the highest level to observable inputs such as unadjusted quoted prices in active markets for identical assets or liabilities and the lowest level to unobservable inputs. The fair value measurement of each financial instrument is categorised in accordance with the same level of the fair value hierarchy as the input with the lowest level that is significant to the entire measurement. If unobservable inputs are deemed significant, the financial instrument will be categorised as Level 3.

Financial instruments that are valued using quoted prices in active markets are classified as Level 1 within the fair value hierarchy. These would include government and sovereign securities, listed equities and corporate debt securities which are actively traded. Derivatives contracts which are traded in an active exchange market are also classified as Level 1 of the valuation hierarchy.

Where fair value is determined using quoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group will determine the fair value based on valuation techniques that use market parameters as inputs including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data so that reliability of the fair value measurement is high. These would include corporate debt securities, repurchase, reverse repurchase agreements and most of the Group's OTC derivatives.

The Group classifies financial instruments as Level 3 when there is reliance on unobservable inputs to the valuation model attributing to a significant contribution to the instrument value. These would include all input parameters which are derived from historical data, for example asset correlations or certain volatilities as well as unquoted equity securities. The fair value of unquoted equity securities is measured based on the net asset value of the investments. Level 3 inputs also include all quoted security prices that have not been updated for more than 3 months, quoted proxies in active markets for non-similar asset classes (e.g. bonds valued using credit default swap spreads), as well as prices/valuations that are obtained from counterparties. Valuation reserves or pricing adjustments where applicable are used to converge to fair value.

The following table presents assets and liabilities measured at fair value, classified by level within the fair value hierarchy:

| | The Group | | | |
|---|---|---|---|---|
| **In $ millions** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **2015** | | | | |
| **Assets** | | | | |
| Financial assets at fair value through profit or loss | | | | |
| – Singapore Government securities and treasury bills | **2,569** | **–** | **–** | **2,569** |
| – Other government securities and treasury bills | **2,328** | **2,672** | **–** | **5,000** |
| – Bank and corporate debt securities | **3,064** | **3,852** | **815** | **7,731** |
| – Equity securities | **1,352** | **6** | **23** | **1,381** |
| – Other financial assets | **–** | **6,471** | **–** | **6,471** |
| Available-for-sale financial assets | | | | |
| – Singapore Government securities and treasury bills | **8,078** | **–** | **–** | **8,078** |
| – Other government securities and treasury bills | **16,016** | **1,173** | **–** | **17,189** |
| – Bank and corporate debt securities | **9,353** | **2,485** | **46** | **11,884** |
| – Equity securities[(a)] | **1,011** | **2** | **110** | **1,123** |
| – Other financial assets | **–** | **4,977** | **–** | **4,977** |
| Derivatives | **76** | **23,535** | **20** | **23,631** |
| **Liabilities** | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| – Other debt securities | **–** | **5,521** | **17** | **5,538** |
| – Other financial liabilities | **886** | **2,226** | **73** | **3,185** |
| Derivatives | **181** | **21,841** | **123** | **22,145** |
| **2014** | | | | |
| **Assets** | | | | |
| Financial assets at fair value through profit or loss | | | | |
| – Singapore Government securities and treasury bills | 1,963 | – | – | 1,963 |
| – Other government securities and treasury bills | 3,056 | 1,924 | – | 4,980 |
| – Bank and corporate debt securities | 5,675 | 3,554 | 692 | 9,921 |
| – Equity securities | 769 | 11 | – | 780 |
| – Other financial assets | – | 8,196 | – | 8,196 |
| Available-for-sale financial assets | | | | |
| – Singapore Government securities and treasury bills | 6,357 | – | – | 6,357 |
| – Other government securities and treasury bills | 14,522 | 672 | – | 15,194 |
| – Bank and corporate debt securities | 10,257 | 1,973 | 27 | 12,257 |
| – Equity securities[(a)] | 1,081 | 2 | 117 | 1,200 |
| – Other financial assets | – | 5,424 | – | 5,424 |
| Derivatives | 82 | 16,902 | 11 | 16,995 |
| **Liabilities** | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| – Other debt securities | – | 4,963 | 8 | 4,971 |
| – Other financial liabilities | 1,189 | 1,678 | – | 2,867 |
| Derivatives | 110 | 18,510 | 135 | 18,755 |

*(a) Excludes unquoted equities stated at cost of $574 million (2014: $259 million)*

The following table presents the changes in Level 3 instruments for the financial year ended:

| In $ millions | Balance at 1 January | Fair value gains or losses | | Purchases | Issues | Settlements | Transfers in | Transfers out | Balance at 31 December |
|---|---|---|---|---|---|---|---|---|---|
| | | Income statement | Other comprehensive income | | | | | | |
| **2015** | | | | | | | | | |
| **Assets** | | | | | | | | | |
| Financial assets at fair value through profit or loss | | | | | | | | | |
| – Bank and corporate debt securities | 692 | 14 | – | 8 | – | (19) | 120 | – | 815 |
| – Equity securities | – | (1) | – | – | – | – | 24 | – | 23 |
| Available-for-sale financial assets | | | | | | | | | |
| – Bank and corporate debt securities | 27 | – | 1 | – | – | – | 21 | (3) | 46 |
| – Equity securities | 117 | 10 | – | 1 | – | (18) | – | – | 110 |
| Derivatives | 11 | 15 | – | – | – | (2) | 4 | (8) | 20 |
| Total | 847 | 38 | 1 | 9 | – | (39) | 169 | (11) | 1,014 |
| **Liabilities** | | | | | | | | | |
| Financial liabilities at fair value through profit or loss | | | | | | | | | |
| – Other debt securities | 8 | 1 | – | – | 4 | (9) | 14 | (1) | 17 |
| – Other financial liabilities | – | – | – | – | 48 | – | 49 | (24) | 73 |
| Derivatives | 135 | 2 | – | – | – | (2) | 2 | (14) | 123 |
| Total | 143 | 3 | – | – | 52 | (11) | 65 | (39) | 213 |
| **2014** | | | | | | | | | |
| **Assets** | | | | | | | | | |
| Financial assets at fair value through profit or loss | | | | | | | | | |
| – Bank and corporate debt securities | 539 | 80 | – | 148 | – | (101) | 26 | – | 692 |
| Available-for-sale financial assets | | | | | | | | | |
| – Bank and corporate debt securities | 26 | – | 1 | – | – | – | – | – | 27 |
| – Equity securities | 131 | 20 | (18) | – | – | (16) | – | – | 117 |
| Derivatives | 21 | 1 | – | – | – | – | 10 | (21) | 11 |
| Total | 717 | 101 | (17) | 148 | – | (117) | 36 | (21) | 847 |
| **Liabilities** | | | | | | | | | |
| Financial liabilities at fair value through profit or loss | | | | | | | | | |
| – Other debt securities | 21 | – | – | – | – | (13) | – | – | 8 |
| Derivatives | 51 | 56 | – | 17 | – | – | 11 | – | 135 |
| Total | 72 | 56 | – | 17 | – | (13) | 11 | – | 143 |

Economic hedges entered into for Level 2 exposures may be classified within a different category (i.e. Level 1) and similarly, hedges entered for Level 3 exposures may also be classified within a different category (i.e. Level 1 and/or Level 2). The effects are presented gross in the table.

During the year, the Group transferred financial assets and liabilities from Level 1 to Level 2 due to reduced market activity and from Level 2 to Level 1 arising from increased market activity.

**Gains and losses on Level 3 financial assets and liabilities measured at fair value**

| In $ millions | Net trading income | Net income from investment securities | Total |
|---|---|---|---|
| **2015** | | | |
| Total gain for the period included in income statement | **25** | **10** | **35** |
| Of which: | | | |
| Change in unrealised gain/(loss) for assets and liabilities held at the end of the reporting period | **25** | **–** | **25** |
| **2014** | | | |
| Total gain for the period included in income statement | 25 | 20 | 45 |
| Of which: | | | |
| Change in unrealised gain/(loss) for assets and liabilities held at the end of the reporting period | 16 | – | 16 |

Fair value gains or losses taken to other comprehensive income are reported in the Statement of Comprehensive Income as "Net valuation taken to equity".

**Effect of changes in significant unobservable inputs to reflect reasonably possible alternatives**

As at 31 December 2015, financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) included equity investments, bank and corporate debt securities, interest rate and credit derivatives and financial liabilities from structured product issuances.

There are limited inter-relationships between unobservable inputs as the financial instruments are usually categorised as Level 3 because of a single unobservable input.

In estimating significance, the Group performed sensitivity analysis based on methodologies applied for fair value adjustments. These adjustments reflect the values which the Group estimates to be appropriate to reflect uncertainties in the inputs used (e.g. based on stress testing methodologies on the unobservable input). The methodologies used can be statistical or based on other relevant approved techniques.

The movement in fair value arising from reasonably possible changes to the significant unobservable inputs is assessed as not significant.

| In $ millions | 2015 | 2014 | Classification | Valuation technique | Unobservable input |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Bank and corporate debt securities | **815** | 692 | FVPL[(a)] | Discounted cash flows | Credit spreads |
| Bank and corporate debt securities | **46** | 27 | AFS[(b)] | Discounted cash flows | Credit spreads |
| Equity securities | **23** | – | FVPL[(a)] | Equity pricing model | Prices |
| Equity securities (Unquoted) | **110** | 117 | AFS[(b)] | Net asset value | Net asset value of securities |
| Derivatives | **20** | 11 | FVPL[(a)] | Discounted cash flows/ CDS models/Option & interest rate pricing model | Credit spreads/ Correlations |
| Total | **1,014** | 847 | | | |
| **Liabilities** | | | | | |
| Other debt securities | **17** | 8 | FVPL[(a)] | Discounted cash flows/ Option pricing model | Credit spreads/ Correlations |
| Other financial liabilities | **73** | – | FVPL[(a)] | CDS models/Option & interest rate pricing model | Credit spreads/ Correlations |
| Derivatives | **123** | 135 | FVPL[(a)] | Discounted cash flows/ CDS models/Option & interest rate pricing model | Credit spreads/ Correlations |
| Total | **213** | 143 | | | |

*(a) FVPL denotes financial instruments classified as fair value through profit or loss*
*(b) AFS denotes financial instruments classified as available-for-sale*

### 39.3 Financial assets & liabilities not carried at fair value

For financial assets and liabilities not carried at fair value in the financial statements, the Group has ascertained that their fair values were not materially different from their carrying amounts at year-end.

For cash and balances with central banks, due from banks, loans and advances to customers, as well as due to banks and deposits and balances from customers, the basis of arriving at fair values is by discounting cash flows using the relevant market interest rates for the respective currencies.

For investment debt securities and subordinated term debts issued, fair values are determined based on independent market quotes, where available. Where market prices are not available, fair values are estimated using discounted cash flow method.

For unquoted equities not carried at fair value, fair values have been estimated by referencing to the net tangible asset backing of the investee. Unquoted equities of $574 million as at 31 December 2015 (2014: $259 million) were stated at cost less accumulated impairment losses because the fair value cannot be reliably estimated using valuation techniques supported by observable market data. The Group intends to dispose of such instruments through public listing or trade sale.

The fair value of variable interest-bearing as well as short-term financial instruments accounted for at amortised cost is assumed to be approximated by their carrying amounts.

## 40 Credit Risk

### 40.1 Maximum exposure to credit risk

The following table shows the exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, before taking into account any collateral held, other credit enhancements and netting arrangements. For on-balance sheet financial assets, the maximum credit exposure is the carrying amounts. For contingent liabilities, the maximum exposure to credit risk is the amount the Group would have to pay if the instrument is called upon. For undrawn facilities, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

| | The Group | |
|---|---|---|
| **In $ millions** | **2015** | **2014** |
| Cash and balances with central banks (excluding cash on hand) | **15,759** | 17,581 |
| Government securities and treasury bills | **34,501** | 29,694 |
| Due from banks | **38,285** | 42,263 |
| Derivatives | **23,631** | 16,995 |
| Bank and corporate debt securities | **36,995** | 35,524 |
| Loans and advances to customers | **283,289** | 275,588 |
| Other assets (excluding deferred tax assets) | **11,263** | 10,992 |
| Credit exposure | **443,723** | 428,637 |
| Contingent liabilities and commitments (excluding operating lease and capital commitments) | **239,683** | 209,707 |
| Total credit exposure | **683,406** | 638,344 |

The Group's exposures to credit risk, measured using the expected gross credit exposures that will arise upon a default of the end obligor are as shown in the Group's Basel II Pillar 3 Disclosures. These exposures, which include both on-balance sheet and off-balance sheet financial instruments, are shown without taking into account any collateral held or netting arrangements.

### Analysis of collateral

Whilst the Group's maximum exposure to credit risk is the carrying amount of the assets or, in the case of off-balance sheet instruments, the amount guaranteed, committed, accepted or endorsed, the likely exposure may be lower due to offsetting collateral, credit guarantees and other actions taken to mitigate the Group's exposure.

The description of collateral for each class of financial asset is set out below:

**Balances with central banks, government securities and treasury bills, due from banks and bank and corporate debt securities**
Collateral is generally not sought for these assets.

**Derivatives**
The Group maintains collateral agreements and enters into master netting agreements with most of the counterparties for derivative transactions. Please refer to Note 36 for the impact of netting arrangements recognised for the computation of Capital Adequacy Ratio (CAR).

**Loans and advances to customers, contingent liabilities and commitments**
Certain loans and advances to customers, contingent liabilities and commitments are typically collateralised to a substantial extent. In particular, residential mortgage exposures are generally fully secured by residential properties. Income-producing real estate, which is a sub-set of the Specialised Lending exposure, is fully secured by the underlying assets financed.

The extent to which credit exposures are covered by Basel II-eligible collateral, besides real estate, after the application of the requisite regulatory hair-cuts, is shown in the Group's Basel II Pillar 3 Disclosures. The amounts are a sub-set of the actual collateral arrangements entered by the Group as Basel II imposes strict legal and operational standards before collateral can be admitted as credit risk mitigants. As a result, certain collateral arrangements which do not meet its criteria will not be included. Certain collateral types which are not permitted as credit risk mitigants for credit exposures under the Standardised Approach are also excluded.

## 40.2 Loans and advances to customers

| | The Group | |
|---|---|---|
| **In $ millions** | **2015** | **2014** |
| Loans and advances to customers | | |
| Performing Loans | | |
| – Neither past due nor impaired (i) | **282,946** | 275,436 |
| – Past due but not impaired (ii) | **1,313** | 1,299 |
| Non-performing Loans | | |
| – Impaired (iii) | **2,612** | 2,419 |
| Total gross loans (Note 18) | **286,871** | 279,154 |

### (i) Loans and advances neither past due nor impaired, analysed by loan grading and industry

The credit quality of the portfolio of loans and advances that are neither past due nor impaired can be assessed by reference to the loan gradings in MAS Notice 612:

| | | The Group | |
|---|---|---|---|
| **In $ millions** | **Pass** | **Special Mention[(a)]** | **Total** |
| **2015** | | | |
| Manufacturing | **29,409** | **791** | **30,200** |
| Building and construction | **54,646** | **530** | **55,176** |
| Housing loans | **58,023** | **–** | **58,023** |
| General commerce | **46,459** | **891** | **47,350** |
| Transportation, storage and communications | **25,541** | **451** | **25,992** |
| Financial institutions, investment and holding companies | **13,602** | **18** | **13,620** |
| Professionals and private individuals (excluding housing loans) | **23,492** | **13** | **23,505** |
| Others | **28,740** | **340** | **29,080** |
| Total | **279,912** | **3,034** | **282,946** |
| **2014** | | | |
| Manufacturing | 31,241 | 1,009 | 32,250 |
| Building and construction | 47,650 | 594 | 48,244 |
| Housing loans | 52,393 | – | 52,393 |
| General commerce | 54,358 | 1,686 | 56,044 |
| Transportation, storage and communications | 22,866 | 381 | 23,247 |
| Financial institutions, investment and holding companies | 16,061 | – | 16,061 |
| Professionals and private individuals (excluding housing loans) | 23,237 | 29 | 23,266 |
| Others | 23,552 | 379 | 23,931 |
| Total | 271,358 | 4,078 | 275,436 |

*(a) For companies scored by HK SME scoring model, in addition to the ACRR, a further test was introduced in 2015 which evaluates whether the borrower meets the definition of Special Mention. The additional criteria resulted in a reclassification of $1.6 billion Special Mention loans to the Pass category*

### (ii) Loans and advances past due but not impaired, analysed by past due period and industry

| | The Group | | | |
|---|---|---|---|---|
| In $ millions | Less than 30 days past due | 30 to 59 days past due | 60 to 90 days days past due | Total |
| **2015** | | | | |
| Manufacturing | **55** | **18** | **41** | **114** |
| Building and construction | **63** | **4** | **7** | **74** |
| Housing loans | **346** | **55** | **23** | **424** |
| General commerce | **158** | **16** | **20** | **194** |
| Transportation, storage and communications | **52** | **4** | **2** | **58** |
| Financial institutions, investment and holding companies | **5** | **–** | **–** | **5** |
| Professionals and private individuals (excluding housing loans) | **328** | **59** | **10** | **397** |
| Others | **30** | **5** | **12** | **47** |
| Total | **1,037** | **161** | **115** | **1,313** |
| **2014** | | | | |
| Manufacturing | 51 | 26 | 37 | 114 |
| Building and construction | 106 | 4 | 1 | 111 |
| Housing loans | 300 | 39 | 21 | 360 |
| General commerce | 153 | 11 | 16 | 180 |
| Transportation, storage and communications | 36 | 28 | 1 | 65 |
| Financial institutions, investment and holding companies | 1 | – | – | 1 |
| Professionals and private individuals (excluding housing loans) | 351 | 52 | 14 | 417 |
| Others | 27 | 3 | 21 | 51 |
| Total | 1,025 | 163 | 111 | 1,299 |

### (iii) Non-performing assets (NPAs)

| | The Group | |
|---|---|---|
| In $ millions | 2015 | 2014 |
| Balance at 1 January | **2,513** | 2,996 |
| New NPAs | **1,398** | 1,156 |
| Upgrades, recoveries and translations | **(293)** | (873) |
| Write-offs | **(826)** | (766) |
| Balance at 31 December | **2,792** | 2,513 |

**Non-performing assets by loan grading and industry**

| | The Group | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | NPAs | | | | Specific allowances | | | |
| In $ millions | Sub-standard | Doubtful | Loss | Total | Sub-standard | Doubtful | Loss | Total |
| **2015** | | | | | | | | |
| **Customer loans** | | | | | | | | |
| Manufacturing | **367** | **121** | **72** | **560** | **53** | **99** | **72** | **224** |
| Building and construction | **219** | **87** | **28** | **334** | **19** | **73** | **28** | **120** |
| Housing loans | **112** | **5** | **5** | **122** | **-** | **2** | **5** | **7** |
| General commerce | **497** | **165** | **43** | **705** | **14** | **100** | **43** | **157** |
| Transportation, storage and communications | **223** | **25** | **59** | **307** | **10** | **25** | **59** | **94** |
| Financial institutions, investment and holding companies | **36** | **50** | **14** | **100** | **10** | **36** | **14** | **60** |
| Professional and private individuals (excluding housing loans) | **176** | **19** | **8** | **203** | **34** | **16** | **8** | **58** |
| Others | **206** | **52** | **23** | **281** | **40** | **38** | **23** | **101** |
| Total customer loans | **1,836** | **524** | **252** | **2,612** | **180** | **389** | **252** | **821** |
| Debt securities | **4** | **–** | **1** | **5** | **2** | **-** | **1** | **3** |
| Contingent liabilities and others | **84** | **70** | **21** | **175** | **24** | **46** | **21** | **91** |
| Total | **1,924** | **594** | **274** | **2,792** | **206** | **435** | **274** | **915** |
| Of which: restructured loans | **236** | **142** | **8** | **386** | **30** | **82** | **8** | **120** |
| **2014** | | | | | | | | |
| **Customer loans** | | | | | | | | |
| Manufacturing | 366 | 203 | 91 | 660 | 60 | 180 | 91 | 331 |
| Building and construction | 289 | 47 | 21 | 357 | 57 | 37 | 21 | 115 |
| Housing loans | 101 | 6 | 6 | 113 | – | 2 | 6 | 8 |
| General commerce | 293 | 116 | 25 | 434 | 25 | 90 | 25 | 140 |
| Transportation, storage and communications | 182 | 113 | 43 | 338 | 3 | 107 | 43 | 153 |
| Financial institutions, investment and holding companies | – | 83 | 23 | 106 | – | 67 | 23 | 90 |
| Professional and private individuals (excluding housing loans) | 139 | 14 | 13 | 166 | 26 | 14 | 13 | 53 |
| Others | 167 | 53 | 25 | 245 | 29 | 39 | 25 | 93 |
| Total customer loans | 1,537 | 635 | 247 | 2,419 | 200 | 536 | 247 | 983 |
| Debt securities | 5 | 1 | 1 | 7 | 2 | – | 1 | 3 |
| Contingent liabilities and others | 50 | 16 | 21 | 87 | 10 | 13 | 21 | 44 |
| Total | 1,592 | 652 | 269 | 2,513 | 212 | 549 | 269 | 1,030 |
| Of which: restructured loans | 317 | 120 | 25 | 462 | 32 | 111 | 25 | 168 |

### Non-performing assets by region[a]

| In $ millions | The Group NPAs | Specific allowances |
|---|---|---|
| **2015** | | |
| Singapore | **527** | **117** |
| Hong Kong | **480** | **129** |
| Rest of Greater China | **435** | **118** |
| South and Southeast Asia | **909** | **454** |
| Rest of the World | **441** | **97** |
| Total | **2,792** | **915** |
| **2014** | | |
| Singapore | 432 | 147 |
| Hong Kong | 269 | 107 |
| Rest of Greater China | 361 | 137 |
| South and Southeast Asia | 948 | 445 |
| Rest of the World | 503 | 194 |
| Total | 2,513 | 1,030 |

*(a) Based on the country of incorporation of the borrower*

### Non-performing assets by past due period

| In $ millions | The Group 2015 | 2014 |
|---|---|---|
| Not overdue | **520** | 597 |
| Less than 90 days past due | **508** | 273 |
| 91 to 180 days past due | **424** | 162 |
| More than 180 days past due | **1,340** | 1,481 |
| Total past due assets | **2,272** | 1,916 |
| Total | **2,792** | 2,513 |

### Collateral value for non-performing assets

| In $ millions | The Group 2015 | 2014 |
|---|---|---|
| Properties | **670** | 441 |
| Shares and debentures | **268** | 316 |
| Fixed deposits | **21** | 11 |
| Others | **467** | 367 |
| Total | **1,426** | 1,135 |

### Past due non-performing assets by industry

| In $ millions | The Group 2015 | 2014 |
|---|---|---|
| Manufacturing | **502** | 581 |
| Building and construction | **267** | 255 |
| Housing loans | **95** | 94 |
| General commerce | **604** | 325 |
| Transportation, storage and communications | **183** | 201 |
| Financial institutions, investment and holding companies | **85** | 106 |
| Professional and private individuals (excluding housing loans) | **158** | 123 |
| Others | **249** | 177 |
| Sub-total | **2,143** | 1,862 |
| Debt securities, contingent liabilities and others | **129** | 54 |
| Total | **2,272** | 1,916 |

### Past due non-performing assets by region[a]

| In $ millions | The Group 2015 | 2014 |
|---|---|---|
| Singapore | **410** | 401 |
| Hong Kong | **361** | 222 |
| Rest of Greater China | **312** | 221 |
| South and Southeast Asia | **771** | 740 |
| Rest of the World | **289** | 278 |
| Sub-total | **2,143** | 1,862 |
| Debt securities, contingent liabilities and others | **129** | 54 |
| Total | **2,272** | 1,916 |

*(a) Based on the country of incorporation of the borrower*

## 40.3 Credit quality of Government securities and treasury bills and Bank and corporate debt securities

The table below presents an analysis of Government securities and treasury bills and Bank and corporate debt securities for the Group by rating agency designation as at 31 December:

| External Rating<br>In $ millions | Singapore Government securities and treasury bills | Other government securities and treasury bills | Bank and corporate debt securities |
|---|---|---|---|
| **2015** | | | |
| AAA | **12,312** | **5,812** | **11,024** |
| AA- to AA+ | **–** | **12,466** | **4,845** |
| A– to A+ | **–** | **1,016** | **5,272** |
| Lower than A– | **–** | **2,895** | **4,296** |
| Unrated | **–** | **–** | **11,558** |
| Total | **12,312** | **22,189** | **36,995** |
| **2014** | | | |
| AAA | 9,493 | 6,696 | 8,713 |
| AA- to AA+ | – | 10,050 | 3,850 |
| A- to A+ | – | 625 | 6,501 |
| Lower than A- | – | 2,830 | 4,333 |
| Unrated | – | – | 12,127 |
| Total | 9,493 | 20,201 | 35,524 |

## 40.4 Credit risk by Geography[(a)] and Industry

| Analysed by geography<br>In $ millions | Government securities and treasury bills | Due from banks | Derivatives | Bank and corporate debt securities | Loans and advances to customers (Gross) | Total |
|---|---|---|---|---|---|---|
| **2015** | | | | | | |
| Singapore | **12,312** | **261** | **2,475** | **12,476** | **135,860** | **163,384** |
| Hong Kong | **2,708** | **474** | **2,999** | **1,779** | **50,976** | **58,936** |
| Rest of Greater China | **4,199** | **16,054** | **1,966** | **3,907** | **45,129** | **71,255** |
| South and Southeast Asia | **2,892** | **3,011** | **1,124** | **4,669** | **26,443** | **38,139** |
| Rest of the World | **12,390** | **18,485** | **15,067** | **14,164** | **28,463** | **88,569** |
| Total | **34,501** | **38,285** | **23,631** | **36,995** | **286,871** | **420,283** |
| **2014** | | | | | | |
| Singapore | 9,493 | 89 | 2,194 | 13,192 | 129,167 | 154,135 |
| Hong Kong | 2,958 | 1,176 | 1,637 | 1,730 | 49,881 | 57,382 |
| Rest of Greater China | 3,012 | 19,706 | 1,114 | 3,258 | 50,865 | 77,955 |
| South and Southeast Asia | 2,816 | 4,973 | 1,052 | 5,018 | 25,446 | 39,305 |
| Rest of the World | 11,415 | 16,319 | 10,998 | 12,326 | 23,795 | 74,853 |
| Total | 29,694 | 42,263 | 16,995 | 35,524 | 279,154 | 403,630 |

*(a) Based on the country of incorporation of the issuer (for debt securities), counterparty (for derivatives), borrower (for loans) or the issuing bank in the case of bank-backed export financing*

| Analysed by industry<br>In $ millions | Government securities and treasury bills | Due from banks | Derivatives | Bank and corporate debt securities | Loans and advances to customers (Gross) | Total |
|---|---|---|---|---|---|---|
| **2015** | | | | | | |
| Manufacturing | **–** | **–** | **1,038** | **2,849** | **30,874** | **34,761** |
| Building and construction | **–** | **–** | **330** | **2,976** | **55,584** | **58,890** |
| Housing loans | **–** | **–** | **–** | **–** | **58,569** | **58,569** |
| General commerce | **–** | **–** | **920** | **980** | **48,249** | **50,149** |
| Transportation, storage and communications | **–** | **–** | **801** | **2,192** | **26,357** | **29,350** |
| Financial institutions, investment and holding companies | **–** | **38,285** | **19,406** | **15,547** | **13,725** | **86,963** |
| Government | **34,501** | **–** | **–** | **–** | **–** | **34,501** |
| Professionals and private individuals (excluding housing loans) | **–** | **–** | **606** | **–** | **24,105** | **24,711** |
| Others | **–** | **–** | **530** | **12,451** | **29,408** | **42,389** |
| Total | **34,501** | **38,285** | **23,631** | **36,995** | **286,871** | **420,283** |
| **2014** | | | | | | |
| Manufacturing | – | – | 641 | 2,350 | 33,024 | 36,015 |
| Building and construction | – | – | 174 | 2,983 | 48,712 | 51,869 |
| Housing loans | – | – | – | – | 52,866 | 52,866 |
| General commerce | – | – | 646 | 947 | 56,658 | 58,251 |
| Transportation, storage and communications | – | – | 591 | 2,467 | 23,650 | 26,708 |
| Financial institutions, investment and holding companies | – | 42,263 | 14,017 | 16,688 | 16,168 | 89,136 |
| Government | 29,694 | – | – | – | – | 29,694 |
| Professionals and private individuals (excluding housing loans) | – | – | 266 | – | 23,849 | 24,115 |
| Others | – | – | 660 | 10,089 | 24,227 | 34,976 |
| Total | 29,694 | 42,263 | 16,995 | 35,524 | 279,154 | 403,630 |

# 41 Liquidity Risk

## 41.1 Contractual maturity profile of assets and liabilities

The table below analyses assets and liabilities of the Group as at 31 December based on the remaining period as at balance sheet date to the contractual maturity date.

| In $ millions | Less than 7 days | 1 week to 1 month | 1 to 3 months | 3 to 12 months | 1 to 3 years | 3 to 5 years | More than 5 years | No specific maturity | Total |
|---|---|---|---|---|---|---|---|---|---|
| **2015** | | | | | | | | | |
| Cash and balances with central banks | 14,209 | 1,064 | 595 | 1,935 | 1,026 | – | – | – | 18,829 |
| Government securities and treasury bills | 544 | 334 | 2,328 | 4,535 | 12,089 | 4,338 | 10,333 | – | 34,501 |
| Due from banks | 19,276 | 3,020 | 5,799 | 9,511 | 381 | 298 | – | – | 38,285 |
| Derivatives[(a)] | 23,631 | – | – | – | – | – | – | – | 23,631 |
| Bank and corporate securities | 117 | 241 | 988 | 5,148 | 13,384 | 9,083 | 8,034 | 3,078 | 40,073 |
| Loans and advances to customers | 24,711 | 36,063 | 28,343 | 45,259 | 51,893 | 34,646 | 62,374 | – | 283,289 |
| Other assets | 5,874 | 949 | 1,435 | 1,421 | 1,211 | 14 | 12 | 646 | 11,562 |
| Associates | – | – | – | – | – | – | – | 1,000 | 1,000 |
| Properties and other fixed assets | – | – | – | – | – | – | – | 1,547 | 1,547 |
| Goodwill and intangibles | – | – | – | – | – | – | – | 5,117 | 5,117 |
| Total assets | 88,362 | 41,671 | 39,488 | 67,809 | 79,984 | 48,379 | 80,753 | 11,388 | 457,834 |
| Due to banks | 13,575 | 2,634 | 1,835 | 98 | 36 | 73 | – | – | 18,251 |
| Deposits and balances from customers | 218,063 | 42,716 | 34,018 | 23,237 | 1,278 | 170 | 652 | – | 320,134 |
| Derivatives[(a)] | 22,145 | – | – | – | – | – | – | – | 22,145 |
| Other liabilities | 4,226 | 1,189 | 1,670 | 2,037 | 931 | 16 | 19 | 2,316 | 12,404 |
| Other debt securities | 1,765 | 6,622 | 13,278 | 5,174 | 5,195 | 4,022 | 2,022 | – | 38,078 |
| Subordinated term debts | – | 613 | – | – | – | – | 3,413 | – | 4,026 |
| Total liabilities | 259,774 | 53,774 | 50,801 | 30,546 | 7,440 | 4,281 | 6,106 | 2,316 | 415,038 |
| Non-controlling interests | – | – | – | – | – | – | – | 2,422 | 2,422 |
| Shareholders' funds | – | – | – | – | – | – | – | 40,374 | 40,374 |
| Total equity | – | – | – | – | – | – | – | 42,796 | 42,796 |

| In $ millions | Less than 7 days | 1 week to 1 month | 1 to 3 months | 3 to 12 months | 1 to 3 years | 3 to 5 years | More than 5 years | No specific maturity | Total |
|---|---|---|---|---|---|---|---|---|---|
| **2014** | | | | | | | | | |
| Cash and balances with central banks | 11,675 | 1,894 | 2,742 | 2,152 | 1,054 | – | – | – | 19,517 |
| Government securities and treasury bills | 67 | 746 | 2,595 | 4,690 | 11,266 | 2,312 | 8,018 | – | 29,694 |
| Due from banks | 14,685 | 4,865 | 11,321 | 10,974 | 418 | – | – | – | 42,263 |
| Derivatives[(a)] | 16,995 | – | – | – | – | – | – | – | 16,995 |
| Bank and corporate securities | 61 | 457 | 2,981 | 5,186 | 10,376 | 8,262 | 8,201 | 2,239 | 37,763 |
| Loans and advances to customers | 20,650 | 34,324 | 31,291 | 48,010 | 54,794 | 30,244 | 56,275 | – | 275,588 |
| Other assets | 5,253 | 490 | 790 | 3,505 | 486 | 4 | – | 721 | 11,249 |
| Associates | – | – | – | – | – | – | – | 995 | 995 |
| Properties and other fixed assets | – | – | – | – | – | – | – | 1,485 | 1,485 |
| Goodwill and intangibles | – | – | – | – | – | – | – | 5,117 | 5,117 |
| Total assets | 69,386 | 42,776 | 51,720 | 74,517 | 78,394 | 40,822 | 72,494 | 10,557 | 440,666 |
| Due to banks | 10,205 | 3,401 | 2,501 | 3 | 66 | – | – | – | 16,176 |
| Deposits and balances from customers | 207,405 | 49,032 | 32,720 | 25,279 | 2,429 | 19 | 289 | – | 317,173 |
| Derivatives[(a)] | 18,755 | – | – | – | – | – | – | – | 18,755 |
| Other liabilities | 2,548 | 522 | 2,478 | 3,942 | 517 | 227 | 207 | 1,287 | 11,728 |
| Other debt securities | 37 | 2,569 | 9,236 | 11,351 | 3,602 | 3,495 | 1,673 | – | 31,963 |
| Subordinated term debts | – | 726 | – | – | – | – | 3,939 | – | 4,665 |
| Total liabilities | 238,950 | 56,250 | 46,935 | 40,575 | 6,614 | 3,741 | 6,108 | 1,287 | 400,460 |
| Non-controlling interests | – | – | – | – | – | – | – | 2,498 | 2,498 |
| Shareholders' funds | – | – | – | – | – | – | – | 37,708 | 37,708 |
| Total equity | – | – | – | – | – | – | – | 40,206 | 40,206 |

*(a) Derivatives financial assets and liabilities are included in the "Less than 7 days" bucket as they are mainly held for trading. Refer to the table in Note 41.2 on cash flows associated with these derivatives*

The above table includes disclosure of the contractual maturity of financial liabilities, which approximates the same analysis on an undiscounted basis as total future interest payments are not material relative to the principal amounts. Assets and liabilities (including non-maturing savings/current deposits) are represented on a contractual basis or in a period when it can legally be withdrawn. On a behavioural basis for liquidity risk analysis, the assets and liabilities cash flows may differ from the contractual basis.

## 41.2 Derivatives

The table below shows the contractual undiscounted cash flows for derivatives settled on net and gross settlement basis.

| In $ millions[(a)] | Less than 7 days | 1 week to 1 month | 1 to 3 months | 3 to 12 months | More than 1 year | Total |
|---|---|---|---|---|---|---|
| **2015** | | | | | | |
| Derivatives settled on a net basis | **(398)** | **3** | **41** | **153** | **457** | **256** |
| Derivatives settled on a gross basis | | | | | | |
| – inflow | **48,301** | **93,374** | **141,698** | **263,871** | **136,811** | **684,055** |
| – outflow | **(48,045)** | **(93,041)** | **(141,707)** | **(263,906)** | **(136,252)** | **(682,951)** |
| **2014** | | | | | | |
| Derivatives settled on a net basis | (490) | 18 | 20 | 149 | 451 | 148 |
| Derivatives settled on a gross basis | | | | | | |
| – inflow | 51,768 | 92,889 | 165,736 | 307,503 | 155,025 | 772,921 |
| – outflow | (51,476) | (92,575) | (165,570) | (307,689) | (155,044) | (772,354) |

*(a) Positive indicates inflow and negative indicates outflow of funds*

## 41.3 Contingent liabilities and commitments

The table below analyses assets and liabilities of the Group as at 31 December based on the remaining period as at balance sheet date to the contractual expiry date.

| In $ millions | Less than 1 year | 1 to 3 years | 3 to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| **2015** | | | | | |
| Guarantees, endorsements and other contingent liabilities | **19,901** | **-** | **-** | **-** | **19,901** |
| Undrawn credit commitments[(a)] and other facilities | **197,676** | **8,985** | **10,389** | **2,732** | **219,782** |
| Operating lease commitments | **226** | **342** | **84** | **9** | **661** |
| Capital commitments | **33** | **8** | **7** | **-** | **48** |
| Total | **217,836** | **9,335** | **10,480** | **2,741** | **240,392** |
| **2014** | | | | | |
| Guarantees, endorsements and other contingent liabilities | 22,231 | – | – | – | 22,231 |
| Undrawn credit commitments[(a)] and other facilities | 166,719 | 8,345 | 9,637 | 2,775 | 187,476 |
| Operating lease commitments | 207 | 308 | 158 | 56 | 729 |
| Capital commitments | 22 | – | – | – | 22 |
| Total | 189,179 | 8,653 | 9,795 | 2,831 | 210,458 |

*(a) Includes commitments that are unconditionally cancellable at any time by the Group*

The Group expects that not all of the contingent liabilities and undrawn credit commitments will be drawn before expiry.

## 42 Capital Management

The capital management and planning process is overseen by the Capital Committee which is chaired by the Chief Financial Officer. Regular updates on the Group's current and projected capital positions are provided to the Board of Directors, which holds ultimate responsibility for the Group's capital management objective and capital structure.

The Group's capital management objective is to maintain a strong capital position consistent with regulatory requirements under the MAS' Notice to Banks No. 637 "Notice on Risk Based Capital Adequacy Requirements for Banks Incorporated in Singapore" (MAS Notice 637) and the expectations of various stakeholders, e.g. customers, investors and rating agencies. This objective is pursued while delivering returns to shareholders and ensuring that adequate capital resources are available for business growth and investment opportunities as well as adverse situations, taking into consideration our strategic plans and risk appetite.

The Group is subject to the capital adequacy requirements set out in the MAS Notice 637, which effects the Basel Committee on Banking Supervision's capital adequacy framework in Singapore. The Group has complied with all externally imposed capital requirements (whether prescribed by regulation or by contract) throughout the financial year (unaudited).

## 43 Segment Reporting

### 43.1 Business segment reporting

The Group's various business segments are described below:

**Consumer Banking/Wealth Management**
Consumer Banking/ Wealth Management provides individual customers with a diverse range of banking and related financial services. The products and services available to customers include current and savings accounts, fixed deposits, loans and home finance, cards, payments, investment and insurance products.

**Institutional Banking**
Institutional Banking provides financial services and products to institutional clients including bank and non-bank financial institutions, government-linked companies, large corporates and small and medium-sized businesses. The business focuses on broadening and deepening customer relationships. Products and services comprise the full range of credit facilities from short-term working capital financing to specialised lending. It also provides global transactional services such as cash management, trade finance and securities and fiduciary services; treasury and markets products; corporate finance and advisory banking as well as capital markets solutions.

**Treasury**
Treasury provides treasury services to corporations, institutional and private investors, financial institutions and other market participants. It is primarily involved in sales, structuring, market-making and trading across a broad range of financial products including foreign exchange, interest rate, debt, credit, equity and other structured derivatives. Income from these financial products and services offered to the customers of other business segments, such as Consumer Banking/Wealth Management and Institutional Banking, is reflected in the respective segments. Treasury is also responsible for managing surplus funds.

**Others**
Others encompass a range of activities from corporate decisions and include income and expenses not attributed to other business segments, including capital and balance sheet management, funding and liquidity. DBS Vickers Securities and Islamic Bank of Asia are also included in this segment.

The following table analyses the results, total assets and total liabilities of the Group by business segment:

| In $ millions | Consumer Banking/ Wealth Management | Institutional Banking | Treasury | Others | Total |
|---|---|---|---|---|---|
| **2015** | | | | | |
| Net interest income | **2,157** | **3,538** | **694** | **711** | **7,100** |
| Non-interest income | **1,390** | **1,752** | **446** | **235** | **3,823** |
| Total income | **3,547** | **5,290** | **1,140** | **946** | **10,923** |
| Expenses | **2,261** | **1,722** | **572** | **345** | **4,900** |
| Allowances for credit and other losses | **116** | **558** | **(38)** | **107** | **743** |
| Share of profits of associates | **–** | **–** | **–** | **14** | **14** |
| Profit before tax | **1,170** | **3,010** | **606** | **508** | **5,294** |
| Income tax expense | | | | | **727** |
| Net profit attributable to shareholders | | | | | **4,454** |
| Total assets before goodwill and intangibles | **90,685** | **224,196** | **91,257** | **46,579** | **452,717** |
| Goodwill and intangibles | | | | | **5,117** |
| Total assets | | | | | **457,834** |
| Total liabilities | **172,723** | **155,231** | **43,354** | **43,730** | **415,038** |
| Capital expenditure | **75** | **28** | **12** | **219** | **334** |
| Depreciation[a] | **37** | **11** | **4** | **199** | **251** |
| **2014** | | | | | |
| Net interest income | 1,689 | 3,258 | 996 | 378 | 6,321 |
| Non-interest income | 1,193 | 1,709 | 106 | 487 | 3,495 |
| Total income | 2,882 | 4,967 | 1,102 | 865 | 9,816 |
| Expenses | 1,920 | 1,536 | 510 | 364 | 4,330 |
| Allowances for credit and other losses | 89 | 540 | (1) | 39 | 667 |
| Share of profits of associates | 3 | – | – | 76 | 79 |
| Profit before tax | 876 | 2,891 | 593 | 538 | 4,898 |
| Income tax expense | | | | | 713 |
| Net profit attributable to shareholders | | | | | 4,046 |
| Total assets before goodwill and intangibles | 84,451 | 225,504 | 90,586 | 35,008 | 435,549 |
| Goodwill and intangibles | | | | | 5,117 |
| Total assets | | | | | 440,666 |
| Total liabilities | 162,146 | 164,788 | 36,229 | 37,297 | 400,460 |
| Capital expenditure | 72 | 25 | 13 | 153 | 263 |
| Depreciation[a] | 32 | 13 | 7 | 168 | 220 |

*(a) Amounts for each business segment are shown before allocation of centralised cost*

## 43.2 Geographical segment reporting

Income and net profit attributable to shareholders (Net profit) are based on the country in which the transactions are booked. Total assets are shown by geographical area in which the assets are booked. The total assets, income and net profit are stated after elimination of inter-group assets and revenues.

| | The Group | | | | | |
|---|---|---|---|---|---|---|
| **In $ millions** | **Singapore** | **Hong Kong** | **Rest of Greater China[(a)]** | **South and Southeast Asia[(b)]** | **Rest of the World[(c)]** | **Total** |
| **2015** | | | | | | |
| Net interest income | **4,658** | **1,330** | **547** | **382** | **183** | **7,100** |
| Non-interest income | **2,154** | **959** | **472** | **175** | **63** | **3,823** |
| Total income | **6,812** | **2,289** | **1,019** | **557** | **246** | **10,923** |
| Expenses | **2,816** | **951** | **699** | **343** | **91** | **4,900** |
| Allowances for credit and other losses | **320** | **58** | **140** | **181** | **44** | **743** |
| Share of profits of associates | **(3)** | **–** | **13** | **4** | **–** | **14** |
| Profit before tax | **3,673** | **1,280** | **193** | **37** | **111** | **5,294** |
| Income tax expense | **469** | **189** | **26** | **5** | **38** | **727** |
| Net profit attributable to shareholders | **3,091** | **1,091** | **167** | **32** | **73** | **4,454** |
| Total assets before goodwill and intangibles | **303,530** | **73,013** | **41,784** | **16,304** | **18,086** | **452,717** |
| Goodwill and intangibles | **5,083** | **34** | **–** | **–** | **–** | **5,117** |
| Total assets | **308,613** | **73,047** | **41,784** | **16,304** | **18,086** | **457,834** |
| Non-current assets[(d)] | **2,022** | **386** | **85** | **46** | **8** | **2,547** |
| **2014** | | | | | | |
| Net interest income | 4,018 | 1,098 | 598 | 404 | 203 | 6,321 |
| Non-interest income | 2,130 | 802 | 352 | 148 | 63 | 3,495 |
| Total income | 6,148 | 1,900 | 950 | 552 | 266 | 9,816 |
| Expenses | 2,521 | 789 | 622 | 310 | 88 | 4,330 |
| Allowances for credit and other losses | 254 | 52 | 68 | 272 | 21 | 667 |
| Share of profits of associates | 18 | 3 | 8 | 50 | – | 79 |
| Profit before tax | 3,391 | 1,062 | 268 | 20 | 157 | 4,898 |
| Income tax expense | 487 | 180 | 31 | (25) | 40 | 713 |
| Net profit attributable to shareholders | 2,766 | 882 | 237 | 44 | 117 | 4,046 |
| Total assets before goodwill and intangibles | 286,633 | 72,487 | 44,637 | 17,254 | 14,538 | 435,549 |
| Goodwill and intangibles | 5,083 | 34 | – | – | – | 5,117 |
| Total assets | 291,716 | 72,521 | 44,637 | 17,254 | 14,538 | 440,666 |
| Non-current assets[(d)] | 1,959 | 382 | 96 | 41 | 2 | 2,480 |

*(a) Rest of Greater China includes branch, subsidiary and associate operations in Mainland China and Taiwan*
*(b) South and Southeast Asia includes branch, subsidiary and associate operations in India, Indonesia, Malaysia and Vietnam*
*(c) Rest of the World includes branch operations in South Korea, Japan, Dubai, United States of America, United Kingdom and Australia. Los Angeles Agency became a representative office on 31 March 2015 and its business was transferred to Singapore*
*(d) Includes investments in associates, properties and other fixed assets*

# Income statement

*for the year ended 31 December 2015*

| In $ millions | Note | Bank 2015 | 2014 |
|---|---|---|---|
| Interest income | | **7,080** | 6,282 |
| Interest expense | | **1,691** | 1,617 |
| **Net interest income** | | **5,389** | 4,665 |
| Net fee and commission income | | **1,536** | 1,431 |
| Net trading income | | **274** | 312 |
| Net income from investment securities | | **319** | 233 |
| Other income | 2 | **514** | 456 |
| **Non-interest income** | | **2,643** | 2,432 |
| **Total income** | | **8,032** | 7,097 |
| Employee benefits | | **1,667** | 1,464 |
| Other expenses | | **1,450** | 1,304 |
| **Total expenses** | | **3,117** | 2,768 |
| **Profit before allowances** | | **4,915** | 4,329 |
| Allowances for credit and other losses | | **435** | 547 |
| **Profit before tax** | | **4,480** | 3,782 |
| Income tax expense | | **636** | 533 |
| **Net profit attributable to shareholders** | | **3,844** | 3,249 |

*(see notes on pages 172 and 173 which form part of these financial statements)*

# Statement of comprehensive income

*for the year ended 31 December 2015*

| In $ millions | Bank 2015 | 2014 |
|---|---|---|
| **Net profit** | **3,844** | 3,249 |
| | | |
| **Other comprehensive income[(a)]:** | | |
| Foreign currency translation differences for foreign operations | **20** | 19 |
| Available-for-sale financial assets and others: | | |
| Net valuation taken to equity | **(222)** | 427 |
| Transferred to income statement | **58** | (134) |
| Tax on items taken directly to or transferred from equity | **7** | (14) |
| **Other comprehensive income, net of tax** | **(137)** | 298 |
| **Total comprehensive income attributable to shareholders** | **3,707** | 3,547 |

*(a) Items recorded in "Other comprehensive income" above will be reclassified subsequently to the income statement when specific conditions are met e.g. when foreign operations or available-for-sale financial assets are disposed of*

*(see notes on pages 172 and 173 which form part of these financial statements)*

# Balance sheet

*as at 31 December 2015*

| In $ millions | Note | Bank 2015 | Bank 2014 |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances with central banks | | **11,021** | 12,395 |
| Government securities and treasury bills | | **29,181** | 24,034 |
| Due from banks | | **32,704** | 35,716 |
| Derivatives | | **22,791** | 16,488 |
| Bank and corporate securities | | **35,978** | 33,686 |
| Loans and advances to customers | | **229,287** | 218,232 |
| Other assets | | **8,818** | 8,000 |
| Associates | | **239** | 205 |
| Subsidiaries | 3 | **25,331** | 18,641 |
| Properties and other fixed assets | | **635** | 569 |
| Goodwill and intangibles | | **281** | 281 |
| **Total assets** | | **396,266** | 368,247 |
| **Liabilities** | | | |
| Due to banks | | **15,797** | 14,310 |
| Deposits and balances from customers | | **250,082** | 244,669 |
| Derivatives | | **21,386** | 18,383 |
| Other liabilities | | **8,726** | 7,062 |
| Other debt securities | | **34,554** | 28,835 |
| Due to holding company | | **1,085** | 3,373 |
| Due to subsidiaries | 4 | **24,432** | 14,341 |
| Subordinated term debts | | **4,026** | 4,665 |
| **Total liabilities** | | **360,088** | 335,638 |
| **Net assets** | | **36,178** | 32,609 |
| **Equity** | | | |
| Share capital | 5 | **23,496** | 22,096 |
| Other reserves | 6 | **2,435** | 2,572 |
| Revenue reserves | 6 | **10,247** | 7,941 |
| **Shareholders' funds** | | **36,178** | 32,609 |
| **Total equity** | | **36,178** | 32,609 |

*(see notes on pages 172 and 173 which form part of these financial statements)*

# Notes to the supplementary financial statements

*for the year ended 31 December 2015*

The supplementary financial statements of DBS Bank Ltd (the Bank) are extracted from the Audited Statutory Financial Statements of DBS Bank Ltd and its subsidiaries (the Bank Group) for the financial year ended 31 December 2015. The statutory financial statements of the Bank and the Bank Group which contained an unqualified audit report, will be delivered to the Accounting & Corporate Regulatory Authority in accordance with the Singapore Companies Act.

## 1 Summary of Significant Accounting Policies

The accounting policies applied by the Bank and the Bank Group are consistent with those applied by the Group as disclosed in Note 2 of the "Notes to the Financial Statements" (Notes) in the Group's Consolidated Financial Statements.

## 2 Other Income

Other income includes the following:

| In $ millions | 2015 | 2014 |
|---|---|---|
| Dividends from subsidiaries | **475** | 243 |
| Dividends from associates | **10** | 19 |
| Total | **485** | 262 |

## 3 Subsidiaries

| In $ millions | 2015 | 2014 |
|---|---|---|
| Unquoted equity shares[(a)(b)] | **11,407** | 11,846 |
| Due from subsidiaries | **13,924** | 6,795 |
| Total | **25,331** | 18,641 |

*(a) The carrying amounts of certain investments which are designated as hedged items in a fair value hedge are adjusted for fair value changes attributable to the hedged risks*

*(b) The carrying amounts presented are net of impairment allowances*

## 4 Due to Subsidiaries

| In $ millions | 2015 | 2014 |
|---|---|---|
| Subordinated term debts issued to DBS Capital Funding II Corporation (Note 4.1) | **1,500** | 1,500 |
| Due to subsidiaries | **22,932** | 12,841 |
| Total | **24,432** | 14,341 |

4.1 The $1,500 million 5.75% subordinated note was issued on 27 May 2008 by the Bank to DBS Capital Funding II Corporation, both wholly-owned subsidiaries of DBSH. Interest is payable semi-annually on 15 June and 15 December at a fixed rate of 5.75% per annum up to 15 June 2018. If these are not redeemed at the tenth year, interest will be payable quarterly on 15 March, 15 June, 15 September and 15 December at a floating rate of three-month Singapore Dollar Swap Offer Rate plus a stepped-up spread of 3.415% per annum.

## 5 Share Capital

| | Shares ('000) | | In $ millions | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| **Ordinary shares** | | | | |
| Balance at 1 January | **2,489,381** | 2,233,103 | **21,297** | 14,597 |
| Issue of shares | **85,262** | 256,278 | **1,400** | 5,000 |
| Redemption of preference shares | **–** | – | **–** | 1,700 |
| Balance at 31 December | **2,574,643** | 2,489,381 | **22,697** | 21,297 |
| **Non-cumulative preference shares** | | | | |
| Balance at 1 January | | | | |
| S$1,700m 4.7% non-cumulative non-convertible perpetual preference shares | **–** | 7 | **–** | 1,700 |
| S$800m 4.7% non-cumulative non-convertible perpetual preference shares | **8,000** | 8,000 | **799** | 799 |
| | **8,000** | 8,007 | **799** | 2,499 |
| Redemption of preference shares | **–** | (7) | **–** | (1,700) |
| Balance at 31 December | **8,000** | 8,000 | **799** | 799 |
| Issued share capital at 31 December | | | **23,496** | 22,096 |

## 6 Other Reserves

### 6.1 Other reserves

| In $ millions | 2015 | 2014 |
|---|---|---|
| Available-for-sale revaluation reserves | **92** | 288 |
| Cash flow hedge reserves | **6** | (33) |
| General reserves | **2,360** | 2,360 |
| Capital reserves | **(23)** | (43) |
| Total | **2,435** | 2,572 |

Movements in other reserves of the Bank during the year are as follows:

| In $ millions | Available-for-sale revaluation reserves | Cash flow hedge reserves | General reserves[(a)] | Capital reserves[(b)] | Total |
|---|---|---|---|---|---|
| **2015** | | | | | |
| Balance at 1 January | **288** | **(33)** | **2,360** | **(43)** | **2,572** |
| Net exchange translation adjustments | **–** | **1** | **–** | **20** | **21** |
| Available-for-sale financial assets and others: | | | | | |
| – net valuation taken to equity | **(79)** | **(144)** | **–** | **–** | **(223)** |
| – transferred to income statement | **(128)** | **186** | **–** | **–** | **58** |
| – tax on items taken directly to or transferred from equity | **11** | **(4)** | **–** | **–** | **7** |
| Balance at 31 December | **92** | **6** | **2,360** | **(23)** | **2,435** |
| **2014** | | | | | |
| Balance at 1 January | (10) | (14) | 2,360 | (62) | 2,274 |
| Net exchange translation adjustments | – | – | – | 19 | 19 |
| Available-for-sale financial assets and others: | | | | | |
| – net valuation taken to equity | 494 | (67) | – | – | 427 |
| – transferred to income statement | (182) | 47 | – | – | (135) |
| – tax on items taken directly to or transferred from equity | (14) | 1 | – | – | (13) |
| Balance at 31 December | 288 | (33) | 2,360 | (43) | 2,572 |

(a) *General reserves are maintained in accordance with the provisions of applicable laws and regulations. These reserves are non distributable unless otherwise approved by the relevant authorities. Under the Banking (Reserve Fund) (Transitional Provision) regulations 2007, which came into effect on 11 June 2007, the Bank may distribute or utilise its statutory reserves provided that the amount distributed or utilised for each financial year does not exceed 20% of the reserves as at 30 March 2007*

(b) *Capital reserves include net exchange translation adjustments arising from translation differences on net investments in foreign branches and the related foreign currency instruments designated as a hedge*

### 6.2 Revenue reserves

| In $ millions | 2015 | 2014 |
|---|---|---|
| Balance at 1 January | **7,941** | 12,649 |
| Redemption of preference shares | **–** | (1,700) |
| Remeasurement of defined benefit plan | **–** | (1) |
| Net profit attributable to shareholders | **3,844** | 3,249 |
| Amount available for distribution | **11,785** | 14,197 |
| Less: Dividends paid to holding company | **1,500** | 6,197 |
| Dividends paid on preference shares | **38** | 59 |
| Balance at 31 December | **10,247** | 7,941 |

# Directors' statement

The Directors are pleased to submit their statement to the Members, together with the audited balance sheet of DBS Group Holdings Ltd (the Company or DBSH) and the consolidated financial statements of the Company and its subsidiaries (the Group) for the financial year ended 31 December 2015. These have been prepared in accordance with the provisions of the Companies Act, Chapter 50 (the Companies Act) and the Singapore Financial Reporting Standards, as modified by the requirements of Notice to Banks No. 612 "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore.

In the opinion of the Directors, the balance sheet of the Company and the consolidated financial statements of the Group, together with the notes thereon, as set out on pages 115 to 168, are drawn up so as to give a true and fair view of the financial position of the Company and the Group as at 31 December 2015, and the performance, changes in equity and cash flows of the Group for the financial year ended on that date. As at the date of this statement, there are reasonable grounds to believe that the Company and the Group will be able to pay their debts as and when they fall due.

## DBSH Share Option Plan

Particulars of the share options granted under the DBSH Share Option Plan in 2004 and 2005 have been set out in the Directors' Reports for the years ended 31 December 2004 and 2005 respectively. No grants have been made under the DBSH Share Option Plan since 2006.

The movements of the unissued ordinary shares of the Company in outstanding DBSH options granted under the DBSH Share Option Plan were as follows:

| DBSH options | Number of unissued ordinary shares | During the year | | Number of unissued ordinary shares | Exercise price per share | Expiry date |
|---|---|---|---|---|---|---|
| | 1 January 2015 | Exercised | Forfeited/expired | 31 December 2015 | | |
| March 2005 | 354,877 | 350,623 | 4,254 | – | $12.81 | 01 March 2015 |
| | 354,877 | 350,623 | 4,254 | – | | |

The DBSH Share Option Plan expired on 19 June 2009 and it was not extended or replaced. Therefore, no further options were granted by the Company during the financial year. The termination of the DBSH Share Option Plan will not affect the rights of holders of any outstanding existing options.

The persons to whom the DBSH options have been granted do not have any right to participate by virtue of the DBSH options in any share issue of any other company. No Director has received any DBSH option under the DBSH Share Option Plan.

## DBSH Share Plan

During the financial year, time-based awards in respect of an aggregate of 5,718,522 ordinary shares were granted pursuant to the DBSH Share Plan to selected employees of the Group. This included 312,085 ordinary shares comprised in awards granted to the executive Director, Mr Piyush Gupta, which formed part of his remuneration. During the financial year, certain non-executive Directors received an aggregate of 47,545 share awards, which formed part of their directors' fees. Details are set out below.

| Directors of the Company | Share awards granted during the financial year under review | Share awards vested during the financial year under review |
|---|---|---|
| Peter Seah(2) | 25,496 | 38,102 |
| Piyush Gupta | 312,085(1) | 319,347 |
| Bart Broadman(2) | 3,021 | 6,347 |
| Euleen Goh(2) | 4,861 | 10,122 |
| Ho Tian Yee(2) | 2,778 | 3,754 |
| Nihal Kaviratne CBE(2) | 3,529 | 4,851 |
| Andre Sekulic(2) | 3,794 | 3,794 |
| Danny Teoh(2) | 4,066 | 6,712 |

*(1) Mr Gupta's awards formed part of his remuneration for 2014*

*(2) The awards of these non-executive Directors formed part of their directors' fees for 2014, which had been approved by the shareholders at DBSH's annual general meeting held on 23 April 2015. All the awards granted to these non-executive Directors during the financial year under review vested immediately upon grant*

Information on the DBSH Share Plan is as follows:

(i) Awards over DBSH's ordinary shares may be granted to Group executives who hold such rank as may be determined by the Compensation and Management Development Committee of DBSH from time to time. Awards may also be granted to (amongst others) executives of associated companies of DBSH who hold such rank as may be determined by the Compensation and Management Development Committee from time to time, and non-executive Directors of DBSH.

The participants of the DBSH Share Plan shall not be eligible to participate in the DBSH Employee Share Plan or other equivalent plans.

(ii) Where time-based awards are granted, participants are awarded ordinary shares of DBSH or, at the Compensation and Management Development Committee's discretion, their equivalent cash value or a combination of both as part of their deferred bonus, at the end of the prescribed vesting periods. Dividends on unvested shares do not accrue to employees.

(iii) The DBSH Share Plan shall continue to be in force at the discretion of the Compensation and Management Development Committee, subject to a maximum period of ten years. At an Extraordinary General Meeting held on 8 April 2009, the DBSH Share Plan was extended for another ten years, from 18 September 2009 to 17 September 2019, provided always that the DBSH Share Plan may continue beyond the above stipulated period with the approval of the shareholders of DBSH by ordinary resolution in general meeting and of any relevant authorities which may then be required.

(iv) Awards under the DBSH Share Plan may be granted at any time in the course of a financial year, and may lapse by reason of cessation of service of the participant, or the retirement, redundancy, ill health, injury, disability, death, bankruptcy or misconduct of the participant, or by reason of the participant, being a non-executive Director, ceasing to be a Director, or in the event of a take-over, winding up or reconstruction of DBSH.

(v) Subject to the prevailing legislation and the rules of the Singapore Exchange, DBSH will have the flexibility to deliver ordinary shares of DBSH to participants upon vesting of their awards by way of an issue of new ordinary shares and/or the transfer of existing ordinary shares (which may include ordinary shares held by the Company in treasury).

(vi) The class and/or number of ordinary shares of DBSH comprised in an award to the extent not yet vested, and/or which may be granted to participants, are subject to adjustment by reason of any variation in the ordinary share capital of DBSH (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation, or distribution) or if DBSH makes a capital distribution or a declaration of a special dividend (whether in cash or in specie), upon the written confirmation of the auditor of DBSH that such adjustment (other than in the case of a capitalisation issue) is fair and reasonable.

## Board of Directors

The Directors in office at the date of this statement are:

| | | |
|---|---|---|
| Peter Seah Lim Huat | – | Chairman |
| Piyush Gupta | – | Chief Executive Officer |
| Bart Joseph Broadman | | |
| Euleen Goh Yiu Kiang | | |
| Ho Tian Yee | | |
| Nihal Vijaya Devadas Kaviratne CBE | | |
| Andre Sekulic | | |
| Danny Teoh Leong Kay | | |
| Woo Foong Pheng (Mrs Ow Foong Pheng) | | |

Ms Euleen Goh, Mr Danny Teoh and Mr Piyush Gupta will retire in accordance with Article 95 of the Company's Constitution at the forthcoming annual general meeting (AGM) and will offer themselves for re-election at the AGM.

Mr Nihal Vijaya Devadas Kaviratne CBE, who is over the age of 70 years, will retire under the resolution passed at the AGM held on 23 April 2015 pursuant to Section 153(6) of the Companies Act, Chapter 50 which was then in force. As such, Mr Kaviratne has to be re-appointed by the Members at the forthcoming AGM to continue in office as a Director.

## Arrangements to enable Directors to acquire shares or debentures

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement, the object of which is to enable the Directors to acquire benefits through the acquisition of shares in, or debentures of, the Company or any other body corporate, save as disclosed in this statement.

## Directors' interest in shares or debentures

The following Directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Companies Act, an interest in shares of the Company and related corporations as stated below:

| | Holdings in which Directors have a direct interest | | Holdings in which Directors are deemed to have an interest | |
|---|---|---|---|---|
| | As at 31 Dec 2015 | As at 1 Jan 2015 | As at 31 Dec 2015 | As at 1 Jan 2015 |
| **DBSH ordinary shares** | | | | |
| Peter Seah | 125,994 | 84,838 | – | – |
| Piyush Gupta | 623,196 | 403,849 | 118,000 | 118,000 |
| Bart Broadman | 28,862 | 22,515 | – | – |
| Euleen Goh | 34,245 | 24,123 | – | – |
| Ho Tian Yee | 12,017 | 7,973 | – | – |
| Nihal Kaviratne CBE | 9,865 | 5,014 | – | – |
| Andre Sekulic | 11,611 | 7,539 | – | – |
| Danny Teoh | 25,966 | 19,254 | 18,723 | 18,723 |
| Ow Foong Pheng | 24,466 | 4,403 | – | – |
| **Share awards (unvested) granted under the DBSH Share Plan** | | | | |
| Peter Seah | 7,639 | 20,245 | – | – |
| Piyush Gupta[1] | 1,052,706 | 1,059,968 | – | – |
| Bart Broadman | 1,647 | 4,973 | – | – |
| Euleen Goh | 2,961 | 8,222 | – | – |
| Ho Tian Yee | 1,008 | 1,984 | – | – |
| Nihal Kaviratne CBE | 1,364 | 2,686 | – | – |
| Danny Teoh | 2,256 | 4,902 | – | – |
| **DBS Bank 4.7% non-cumulative non-convertible redeemable perpetual preference shares** | | | | |
| Euleen Goh | 3,000 | 3,000 | – | – |

*(1) Mr Gupta's share awards form part of his remuneration. Details of the DBSH Share Plan are set out in Note 37 of the Notes to the 2015 Company's financial statements*

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2016.

## Audit Committee

The Audit Committee comprises non-executive Directors Mr Danny Teoh (Chairman), Mr Nihal Kaviratne CBE, Mr Peter Seah, Mr Andre Sekulic and Mrs Ow Foong Pheng.

The Audit Committee performed its functions in accordance with the Companies Act, the SGX-ST Listing Manual, the Banking (Corporate Governance) Regulations 2005, the MAS Guidelines for Corporate Governance and the Code of Corporate Governance 2012, which include, inter alia, the following:

(i) reviewing the Group's consolidated financial statements and financial announcements prior to submission to the Board;

(ii) reviewing the adequacy and effectiveness of the Group's internal controls;

(iii) reviewing with the external auditor, its audit plan, its audit report, its evaluation of the internal accounting controls of DBS and assistance given by the management to the external auditor;

(iv) reviewing the internal auditor's plans and the scope and results of audits; and

(v) overseeing the adequacy and effectiveness of the internal audit function, and the effectiveness, independence and objectivity of the external auditor.

In its review of the audited financial statements for the financial year ended 31 December 2015, the Audit Committee had discussed with management and the external auditor the accounting principles that were applied and their judgement on the items that might affect the financials. Based on the review and discussions with management and the external auditor, the Audit Committee is of the view that the financial statements are fairly presented in conformity with generally accepted accounting principles in all material aspects.

The Audit Committee has received the requisite information from PricewaterhouseCoopers LLP (PwC) and has considered the financial, business and professional relationship between PwC and the Group. It is of the view that such relationship is compatible with maintaining PwC's independence.

The Audit Committee has recommended, to the Board of Directors, the re-appointment of PwC as independent external auditor at the forthcoming AGM of the Company on 28 April 2016.

## Independent auditor

PricewaterhouseCoopers LLP has expressed its willingness to accept re-appointment as independent external auditor.

On behalf of the Directors

**Peter Seah Lim Huat**

**Piyush Gupta**

19 February 2016
Singapore

# Independent auditor's report

## To the members of DBS Group Holdings Ltd (incorporated in Singapore)

### Report on the Financial Statements

We have audited the accompanying financial statements of DBS Group Holdings Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 115 to 168, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 2015, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

#### Auditor's Responsibility

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

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

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

#### Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards, including the modification of the requirements of FRS 39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning by Notice to Banks No. 612 "Credit Files, Grading and Provisioning" issued by Monetary Authority of Singapore, so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015, and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

### Report on other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

**PricewaterhouseCoopers LLP**
Public Accountants and Chartered Accountants

Singapore, 19 February 2016

# Five-year summary

| Group | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| **Selected income statement items ($ millions)** | | | | | |
| Total income | **10,787** | 9,618 | 8,927 | 8,064 | 7,631 |
| Profit before allowances | **5,887** | 5,288 | 5,009 | 4,450 | 4,328 |
| Allowances | **743** | 667 | 770 | 417 | 722 |
| Profit before tax | **5,158** | 4,700 | 4,318 | 4,157 | 3,733 |
| Net profit excluding one-time items and goodwill charges | **4,318** | 3,848 | 3,501 | 3,359 | 3,035 |
| One-time items(1) | **136** | 198 | 171 | 450 | – |
| Goodwill charges | **–** | – | – | – | – |
| Net profit | **4,454** | 4,046 | 3,672 | 3,809 | 3,035 |
| **Selected balance sheet items ($ millions)** | | | | | |
| Total assets | **457,834** | 440,666 | 402,008 | 353,033 | 340,847 |
| Customer loans | **283,289** | 275,588 | 248,654 | 210,519 | 194,720 |
| Total liabilities | **415,038** | 400,460 | 364,322 | 317,035 | 307,778 |
| Customer deposits(2) | **320,134** | 317,173 | 292,365 | 253,464 | 225,346 |
| Total shareholders' funds | **40,374** | 37,708 | 34,233 | 31,737 | 28,794 |
| **Per ordinary share ($)** | | | | | |
| Earnings excluding one-time items and goodwill charges | **1.71** | 1.55 | 1.43 | 1.39 | 1.30 |
| Earnings | **1.77** | 1.63 | 1.50 | 1.57 | 1.30 |
| Net asset value | **15.82** | 14.85 | 13.61 | 12.96 | 11.99 |
| Dividends | **0.60** | 0.58 | 0.58 | 0.56 | 0.56 |
| **Selected financial ratios (%)** | | | | | |
| Dividend cover for ordinary shares (number of times) | **2.94** | 2.80 | 2.58 | 2.79 | 2.28 |
| Net interest margin | **1.77** | 1.68 | 1.62 | 1.70 | 1.77 |
| Cost-to-income | **45.4** | 45.0 | 43.9 | 44.8 | 43.3 |
| Return on assets(3) | **0.96** | 0.91 | 0.91 | 0.97 | 0.97 |
| Return on shareholders' funds(3)(4) | **11.2** | 10.9 | 10.8 | 11.2 | 11.0 |
| Loan/deposit ratio | **88.5** | 86.9 | 85.0 | 83.1 | 86.4 |
| Non-performing loan rate | **0.9** | 0.9 | 1.1 | 1.2 | 1.3 |
| Loss allowance coverage | **148** | 163 | 135 | 142 | 126 |
| Capital adequacy(5) | | | | | |
| Common Equity Tier 1 | **13.5** | 13.1 | 13.7 | – | – |
| Tier I | **13.5** | 13.1 | 13.7 | 14.0 | 12.9 |
| Total | **15.4** | 15.3 | 16.3 | 17.1 | 15.8 |
| Basel III fully phased-in Common Equity Tier 1(6) | **12.4** | 11.9 | 11.9 | – | – |

*(1) One-time items include gains on sale of investments, impairment charges for investments, an amount set aside to establish the DBS Foundation and a sum donated to National Gallery Singapore*

*(2) Includes deposits related to fund management activities of institutional investors from 2012 onwards. Prior to 2012, these deposits were classified as "Due to Banks"*

*(3) Excludes one-time items and goodwill charges*

*(4) Calculated based on net profit attributable to the shareholders net of dividends on preference shares and other equity instruments. Non-controlling interests, preference shares and other equity instruments are not included as equity in the computation of return of equity*

*(5) With effect from 1 January 2013, Basel III capital adequacy requirements came into effect in Singapore. Changes due to Basel III affected both eligible capital and risk-weighted assets. Unless otherwise stated, capital adequacy disclosures relating to dates prior to 1 January 2013 are calculated in accordance with the then prevailing capital adequacy regulations and are thus not directly comparable to those pertaining to dates from 1 January 2013*

*(6) Calculated by dividing Common Equity Tier 1 capital after all regulatory adjustments applicable from 1 January 2018 by RWA as at each reporting date*

# Board
# of Directors

*as at 29 February 2016*

## Peter Seah Lim Huat, 69

**Chairman**
*Non-Executive and Independent Director*

**Bachelor of Business Administration (Honours)**
*National University of Singapore*

Date of first appointment as a director: 16 November 2009
Date of appointment as Chairman: 1 May 2010
Date of last re-election as a director: 23 April 2015
Length of service as a director: 6 years 3 months

**Present directorships:**
**Other listed companies**

| | |
|---|---|
| • Level 3 Communications Inc | Director |
| • Singapore Airlines Limited | Deputy Chairman |
| • StarHub Ltd | Director |

**Other principal commitments**

| | |
|---|---|
| • DBS Bank Ltd | Chairman |
| • DBS Bank (Hong Kong) Limited(1) | Chairman |
| • GIC Private Limited | Director |
| • Asia Mobile Holdings Pte Ltd | Director |
| • STT Communications Ltd | Deputy Chairman |
| • Fullerton Financial Holdings Pte Ltd | Deputy Chairman |
| • LaSalle College of the Arts Limited | Chairman |
| • Singapore Health Services Pte Ltd | Chairman |

**Past directorships in listed companies held over the preceding 3 years:**

| | |
|---|---|
| • CapitaLand Limited | Deputy Chairman |
| • Singapore Technologies Engineering Ltd | Chairman |
| • STATS ChipPAC Ltd(2) | Director |

*(1) Total director's fees received for FY2015: HKD 900,000*
*(2) STATS ChipPAC Ltd was delisted from the official list of the Singapore Exchange Securities Trading Limited on 19 October 2015*

## Piyush Gupta, 56

**Chief Executive Officer**
***Executive Director***

**Post Graduate Diploma in Management**
*Indian Institute of Management, Ahmedabad, India*

**Bachelor of Arts, Economics**
*University of Delhi, India*

Date of first appointment as a director: 9 November 2009
Date of last re-election as a director: 28 April 2014
Length of service as a director: 6 years 3 months

**Present directorships:**
**Other listed companies**
Nil

**Other principal commitments**

| | |
|---|---|
| • DBS Bank Ltd | Chief Executive Officer & Director |
| • DBS Bank (Hong Kong) Limited | Vice Chairman |
| • The Islamic Bank of Asia Limited | Director |
| • Institute of International Finance, Washington | Board Member |
| • Dr Goh Keng Swee Scholarship Fund | Director |
| • MasterCard Asia/Pacific, Middle East and Africa – Regional Advisory Board | Director |
| • Info Communications Development Authority of Singapore | Board Member |
| • SPRING Singapore | Deputy Chairman |
| • Asian Bureau of Finance and Economic Research | Council Member |
| • The Association of Banks in Singapore | Vice Chairman |
| • The Institute of Banking & Finance | Council Member |
| • Sim Kee Boon Institute for Financial Economics | Chairman, Advisory Board |
| • Indian Business-leaders Roundtable under Singapore Indian Development Association (SINDA) | Member, Managing Council |

**Past directorships in listed companies held over the preceding 3 years:**
Nil

## Bart Joseph Broadman, 54

***Non-Executive and Independent Director***

**Bachelor of Science in Agricultural Science and Management**
*University of California at Davis*

**MBA in Financial Economics**
*University of Southern California, Graduate School of Business*

**Ph.D in Financial Economics**
*University of Southern California, Graduate School of Business*

Date of first appointment as a director: 17 December 2008
Date of last re-election as a director: 28 April 2014
Length of service as a director: 7 years 3 months

**Present directorships:**
**Other listed companies**
Nil

**Other principal commitments**

| | |
|---|---|
| • DBS Bank Ltd | Director |
| • Alphadyne Asset Management Pte Ltd | Director |
| • Alphadyne (UK) Holdings Limited | Director |
| • Alphadyne Asset Management, LLC | Managing Member |
| • Alphadyne Capital, LLC | Managing Member |
| • Nanyang Technological University | Member, Investment Committee |

**Past directorships in listed companies held over the preceding 3 years:**
Nil

## Euleen Goh Yiu Kiang, 60

***Non-Executive and Independent Director***

**Fellow**
*Institute of Singapore Chartered Accountants*

**Associate member**
*Institute of Chartered Accountants in England and Wales*

**Member**
*Chartered Institute of Taxation, UK*

**Associate member**
*Institute of Financial Services, UK*

**Fellow**
*Singapore Institute of Directors*

Date of first appointment as a director: 1 December 2008
Date of last re-election as a director: 29 April 2013
Length of service as a director: 7 years 3 months

**Present directorships:**
**Other listed companies**

| | |
|---|---|
| • CapitaLand Limited | Director |
| • Royal Dutch Shell PLC | Director |
| • SATS Ltd | Director |

**Other principal commitments**

| | |
|---|---|
| • DBS Bank Ltd | Director |
| • DBS Foundation Ltd | Chairman |
| • NorthLight School | Chairman, Board of Governors |
| • Singapore Chinese Girls' School | Chairman |
| • Singapore Health Services Pte Ltd | Director |
| • Cinnamon College, National University of Singapore | Rector |
| • Singapore Institute of International Affairs | Trustee, Endowment Fund |
| • Temasek Trust | Member, Board of Trustees |

**Past directorships in listed companies held over the preceding 3 years:**

| | |
|---|---|
| • Singapore Airlines Limited | Director |

## Ho Tian Yee, 63

***Non-Executive and Independent Director***

**Master of Business Administration**
*University of Chicago*

**Bachelor of Arts (Honours), Economics (CNAA)**
*Portsmouth University, UK*

Date of first appointment as a director: 29 April 2011
Date of last re-election as a director: 28 April 2014
Length of service as a director: 4 years 10 months

**Present directorships:**
**Other listed companies**

| | |
|---|---|
| • AusNet Services Ltd | Director |

**Other principal commitments**

| | |
|---|---|
| • DBS Bank Ltd | Director |
| • Pacific Asset Management (S) Pte Ltd | Managing Director |
| • Fullerton Fund Management Co. Ltd | Chairman |
| • Singapore Power Ltd | Director |
| • Mount Alvernia Hospital | Director |
| • Blue Edge Advisors Pte. Ltd. | Investment Advisor |

**Past directorships in listed companies held over the preceding 3 years:**
Nil

## Nihal Vijaya Devadas Kaviratne CBE, 71

*Non-Executive and Independent Director*

**Bachelor of Arts, Economics (Honours)**
*Bombay University, India*

Date of first appointment as a director: 29 April 2011
Date of last re-appointment as a director: 23 April 2015
Length of service as a director: 4 years 10 months

**Present directorships:**
**Other listed companies**

| | |
|---|---|
| • Akzo Nobel India Limited | Chairman |
| • GlaxoSmithKline Pharmaceuticals Ltd | Director |
| • Olam International Limited | Director |
| • SATS Ltd | Director |
| • StarHub Ltd | Director |

**Other principal commitments**

| | |
|---|---|
| • DBS Bank Ltd | Director |
| • DBS Foundation Ltd | Director |
| • Caraway Pte. Ltd. | Chairman |
| • TVS Motor (Singapore) Pte. Limited | Director |
| • PT TVS Motor Company | President Commissioner |
| • Bain & Company SE Asia, Inc | Member, Advisory Board for South East Asia/Indonesia |
| • The Department for International Development (DFID) | Member, UK Government's DFID Private Sector Portfolio Advisory Committee for India |

**Past directorships in listed companies held over the preceding 3 years:**
Nil

## Andre Sekulic, 65

*Non-Executive and Independent Director*

**University of Sydney**

Date of first appointment as a director: 26 April 2012
Date of last re-election as a director: 23 April 2015
Length of service as a director: 3 years 10 months

**Present directorships:**
**Other listed companies**
Nil

**Other principal commitments**

| | |
|---|---|
| • DBS Bank Ltd | Director |
| • comGateway (S) Pte Ltd | Chairman |
| • Optal Limited | Chairman |
| • Hussar Pty Ltd | Director |
| • Insourcing International Pty Ltd | Director |
| • Queenstar Pty Ltd | Director |
| • Royal Motor Yacht Club Broken Bay | Director |

**Past directorships in listed companies held over the preceding 3 years:**
Nil

## Danny Teoh Leong Kay, 60

*Non-Executive and Independent Director*

**Associate Member**
*Institute of Chartered Accountants in England and Wales*

**Diploma in Accounting**
*Newcastle-upon-Tyne Polytechnic, England*

Date of first appointment as a director: 1 October 2010
Date of last re-election as a director: 29 April 2013
Length of service as a director: 5 years 5 months

**Present directorships:**
**Other listed companies**

| | |
|---|---|
| • Keppel Corporation Limited | Director |
| • CapitaLand Mall Trust Management Limited(1) (the Manager of CapitaLand Mall Trust(2)) | Chairman |

**Other principal commitments**

| | |
|---|---|
| • DBS Bank Ltd | Director |
| • DBS Bank (China) Limited(3) | Director |
| • DBS Foundation Ltd | Director |
| • Ascendas-Singbridge Pte. Ltd. | Director |
| • Changi Airport Group (Singapore) Pte Ltd | Director |
| • JTC Corporation | Director |

**Past directorships in listed companies held over the preceding 3 years:**
Nil

*(1) CapitaLand Mall Trust Management Limited was formerly known as CapitaMall Trust Management Limited*
*(2) CapitaLand Mall Trust was formerly known as CapitaMall Trust*
*(3) Total director's fees received for FY2015: CNY 365,000*

## Woo Foong Pheng (Mrs Ow Foong Pheng), 52

*Non-Executive and Non-Independent Director*

**Master of Science in Management**
*Stanford University, USA*

**Bachelor of Arts, Politics, Philosophy and Economics**
*St John's College, Oxford University*

Date of first appointment as a director: 26 April 2012
Date of last re-election as a director: 23 April 2015
Length of service as a director: 3 years 10 months

**Present directorships:**
**Other listed companies**

| | |
|---|---|
| • Mapletree Greater China Commercial Trust Management Ltd (the Manager of Mapletree Greater China Commercial Trust) | Director |

**Other principal commitments**

| | |
|---|---|
| • DBS Bank Ltd | Director |
| • Ministry of Trade and Industry | Permanent Secretary |

**Past directorships in listed companies held over the preceding 3 years:**
Nil

# Group Management Committee

**The Group Management Committee comprises 18 members, including members of the Group Executive Committee.**

### 1
### Piyush Gupta*
Chief Executive Officer

Piyush is Chief Executive Officer and Director of DBS Group, as well as Director of DBS Bank (Hong Kong) and The Islamic Bank of Asia. Prior to joining DBS, Piyush was Citigroup's Chief Executive Officer for Southeast Asia, Australia and New Zealand. His external appointments include serving as the Deputy Chairman of SPRING Singapore and on the boards of Infocomm Development Authority of Singapore, the Institute of International Finance, Washington, The Institute of Banking and Finance, Dr. Goh Keng Swee Scholarship Fund, and the MasterCard Asia-Pacific, Middle East and Africa Regional Advisory Board. He is also Chairman of Sim Kee Boon Institute for Financial Economics Advisory Board, and a council member of the Asian Bureau of Finance and Economic Research.

### 2
### Jerry Chen
Taiwan

Jerry is the country head of DBS Taiwan. Prior to joining DBS in 2008, he was the President of Ta Chong Bank for four years, during which he significantly improved the bank's asset quality to attract foreign investments. Jerry has extensive experience in corporate banking, consumer banking and treasury businesses, and spent over 25 years in Citibank Taiwan.

### 3
### Chng Sok Hui*
Chief Financial Officer

Sok Hui is the Chief Financial Officer of DBS Group. Prior to this appointment in October 2008, she was the Group Head of Risk Management for six years. Sok Hui is the Supervisor of the Board of DBS Bank (China) Limited and a board member of the Inland Revenue Authority of Singapore and Singapore Exchange Limited. She also serves on the Industry Advisory Board of the NUS Centre for Future Ready Graduates and the International Integrated Reporting Council. Sok Hui was named Best CFO at the Singapore Corporate Awards 2013. In 2014, she was awarded Accountant of the Year at the inaugural Singapore Accountancy Awards.

### 4
### Eng-Kwok Seat Moey
Capital Markets

Seat Moey has been with DBS for over 20 years. As Head of Capital Markets, Seat Moey oversees and supervises several teams which are regionally responsible for advisory and capital markets, including structuring and executing equity fund raising activities for companies, REITs and Business Trusts. Under her leadership, DBS is a market leader in Singapore and Asia ex-Japan. The bank also launched Singapore's first REIT and Business Trust.

### 5
### Neil Ge
China

Neil is the country head of DBS China. A seasoned banker, he has over 20 years of international experience spanning Beijing, Shanghai, Hong Kong, Tokyo and New York. Formerly Managing Director at Credit Suisse's Shanghai office, Neil played an instrumental role in building up the joint venture between Credit Suisse and Founder Securities.

### 6
### David Gledhill*
Technology & Operations

David brings with him over 25 years of experience in the financial services industry and has spent over 20 years in Asia. Prior to joining DBS in 2008, he held progressively senior positions with regional responsibilities in JP Morgan. David is a Director of Singapore Clearing House Pte Ltd and an advisor to IBM, Singapore Management University School of Information Systems and National University of Singapore School of Computing.

### 7
### Lam Chee Kin
Compliance, Legal & Secretariat

Chee Kin is the Head of Compliance, Legal & Secretariat and has more than 20 years of experience in financial services regulation. Prior to joining DBS, he held various roles in Standard Chartered Bank, JPMorgan Chase, Rajah & Tann and Allen & Gledhill. Chee Kin also serves on the Disciplinary Committee of SGX, the Advisory Panel to the NUS Centre for Banking and Finance Law, and the Data Protection Advisory Committee of Singapore.

### 8
### Lee Yan Hong
Human Resources

With more than 25 years of human resources experience in a diverse range of industries, Yan Hong is responsible for driving the strategic people agenda of DBS. Prior to joining DBS in 2011, Yan Hong was Citigroup's Managing Director of Human Resources, Singapore. She also worked at General Motors and Hewlett Packard previously.

### 9
### Sim S Lim*
Singapore

Sim is the first DBS country head with dedicated oversight for Singapore. He is responsible for helping the bank to deliver greater synergy and value across the Singapore franchise. He is also the Chairman of DBS Vickers Securities Holdings Pte Ltd. He spent the bulk of his 32-year banking career in Asia, where he assumed a wide variety of roles. Prior to joining DBS, Sim was the President and CEO of Citigroup Global Markets Japan Inc. Sim is Chairman of Singapore Land Authority. He sits on the Board of Nikko Asset Management Co., Ltd in Japan, ST Engineering and ST Aerospace Ltd. He also serves on the Board of Governors for Nanyang Polytechnic.

## 10
## Andrew Ng*
Treasury & Markets

Andrew joined DBS in 2000 and has over 30 years of experience in the treasury business. Prior to joining DBS, he was Executive Director at Canadian Imperial Bank of Commerce (CIBC) from 1995 to 1999. He set up CIBC's trading platform and derivative capabilities on Asian currencies. Between 1986 and 1995, Andrew was Head of North Asia Trading and Treasurer of Chase Manhattan Bank in Taipei. He is currently President of ACI Singapore – The Financial Markets Association.

## 11
## Jimmy Ng
Audit

Jimmy is the Head of Audit, responsible for providing assurance to the Board, senior management and regulators on the adequacy and effectiveness of the Group's risk and control governance processes. He plays a key role integrating the three lines of defence, through the innovative use of technology in strengthening the bank's control environment, risk management and governance process.

Jimmy has over 20 years of banking experience in leadership roles across various functions, including technology & operations, risk management, product control and audit. Prior to DBS, his career spanned the globe in multinational corporations such as Morgan Guaranty Trust Company of New York, ABN Amro Bank and Royal Bank of Scotland, across Asia and Europe, including London and Amsterdam.

## 12
## Karen Ngui
Strategic Marketing & Communications

Karen is responsible for corporate communications, brand management, strategic marketing and corporate social responsibility. She has over 25 years of experience in corporate branding, marketing and communications for financial institutions. Prior to joining DBS, she was the Global Head of Brand Management and Strategic Marketing for Standard Chartered Bank. She is also a board member of the DBS Foundation and a governor of the Singapore International Foundation.

## 13
## Sebastian Paredes*
Hong Kong

Sebastian is the Chief Executive Officer of DBS Bank (Hong Kong) and also Chairman of the Board Risk Management Committee and Non-Executive Director of DBS Bank (China). An Ecuadorian citizen and a banker for over 25 years, Sebastian has a strong track record in building franchises across multiple markets. Prior to joining DBS, Sebastian was President Director of P.T. Bank Danamon, Indonesia, from 2005 to 2010. Prior to that, he spent 20 years at Citigroup, as Country Head of Ecuador, Honduras, Turkey and Israel and CEO of Sub-Saharan Africa.

## 14
## Elbert Pattijn*
Chief Risk Officer

Elbert joined DBS in 2007 as Head of Specialised Corporate and Investment Banking, responsible for DBS' corporate and investment banking activities in the region. He was appointed Chief Risk Officer in 2008. Prior to this, he was Head of Debt Products Origination, Asia for ING Bank, where he was in charge of overseeing the Debt Capital Markets, Securitisation and Syndicated Lending product groups. Previously, Elbert held progressively senior positions at Barclays Bank, ABN Amro and ING Group. A Dutch national, Elbert holds a Master of Law from the University of Leiden in The Netherlands.

## 15
## Surojit Shome
India

Surojit is the country head of DBS India. He joined DBS in April 2015. Surojit has 30 years of banking experience across capital markets, commercial, investment and consumer banking since graduating from Xavier School of Management (XLRI) Jamshedpur in 1986. Before he joined DBS, he was the CEO of Rabobank in India. Prior to that, he spent several years at Citibank before moving to Lehman Brothers and later Nomura Securities.

## 16
## Paulus Sutisna
Indonesia

Paulus is President Director of P.T. Bank DBS Indonesia and responsible for driving business growth in Indonesia. Prior to that, he was HSBC Indonesia's head of client management for global banking and co-head of cash management. Paulus also spent 23 years in various functions in Citibank, including the role of head of the multinational franchise in Indonesia.

## 17
## Tan Su Shan*
Consumer Banking/ Wealth Management

Su Shan is responsible for growing DBS' regional wealth management and consumer banking business. Prior to joining DBS in 2010, Su Shan was Morgan Stanley's Head of Private Wealth Management for Southeast Asia. She has also worked at Citi Private Bank, responsible for Singapore, Malaysia and Brunei. In October 2014, Su Shan became the first Singaporean to be recognised as the world's "Best Leader in Private Banking" by PWM and The Banker, leading wealth publications by the Financial Times Group.

## 18
## Jeanette Wong*
Institutional Banking

A seasoned banker with over 30 years of experience, Jeanette oversees DBS' institutional banking business, which includes corporate banking and global transaction services. She was the CFO of DBS between 2003 and 2008. Prior to this, Jeanette was at JP Morgan for 16 years, responsible for regional businesses in FX, fixed income and emerging markets. Jeanette is a Director of DBS Bank China and Chairperson of DBS Bank Taiwan. She is a member of the advisory boards of NUS Business School Management and the University of Chicago Booth School of Business. She also sits on the boards of Neptune Orient Lines and Singapore International Arbitration Centre, and is a member of the Securities Industry Council.

Those marked by * are also in the Group Executive Committee.

# Main subsidiaries & associated companies

**DBS Bank Ltd ("DBS Bank")**
12 Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: (65) 6878 8888
*100% owned by DBS Group Holdings Ltd*

**AXS Pte Ltd**
61 Mohamed Sultan Road
#01-11 Sultan Link
Singapore 239001
Tel: (65) 6560 2727
Fax: (65) 6636 4550
*26.41% owned by DBS Bank and 59.77% owned by Primefield Company Pte Ltd, a wholly-owned subsidiary of DBS Bank*

**Central Boulevard Development Pte. Ltd.**
8 Marina Boulevard #04-01
Marina Bay Financial Centre Tower 1
Singapore 018981
*33% owned by Heedum Pte. Ltd., a wholly-owned subsidiary of DBS Bank*

**Changsheng Fund Management Company Limited**
21F Building A, Chengjian Plaza
18 Beitaipingzhuang Road
Haidian District, Beijing 100088
People's Republic of China
Tel: (86 10) 8201 9988
Fax: (86 10) 8225 5988
*33% owned by DBS Bank*

**DBS Asia Capital Limited**
17th Floor, The Center
99 Queen's Road Central
Hong Kong
Tel: (852) 3668 1148
Fax: (852) 2868 0250
*100% owned by DBS Bank*

**DBS Asia Hub 2 Private Limited**
1st Floor, Block A, Park View Estate
No. 8-2-120, Road No. 2, Banjara Hills
Hyderabad - 500034
Telangana, India
Tel: (91 40) 6613 4401
*100% owned by DBS Bank*

**DBS Bank (China) Limited**
Units 1301 & 1801 DBS Bank Tower
1318 Lujiazui Ring Road
Pudong New Area, Shanghai 200120
People's Republic of China
Tel: (86 21) 3896 8888
Fax: (86 21) 3896 8989
*100% owned by DBS Bank*

**DBS Bank (Hong Kong) Limited**
11th Floor, The Center
99 Queen's Road Central
Hong Kong
Tel: (852) 3668 0808
Fax: (852) 2167 8222
*100% owned by DBS Diamond Holdings Ltd, a wholly-owned subsidiary of DBS Bank*

**DBS Bank (Taiwan) Ltd**
15th, 16th, 17th Floor
No. 32 & 36 Songren Road
Xinyi District, 110 Taipei City
Taiwan, R.O.C.
Tel: (886 2) 6612 9889
Fax: (886 2) 6612 9285
*100% owned by DBS Bank*

**DBS China Square Limited**
12 Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: (65) 6878 8888
*100% owned by DBS Bank*

**DBS Compass Limited**
11th Floor, One Island East
18 Westlands Road
Island East
Hong Kong
Tel: (852) 2290 8888
Fax: (852) 2893 0410
*100% owned by DBS Bank (Hong Kong) Limited*

**DBS Nominees (Private) Limited**
12 Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: (65) 6878 8888
Fax: (65) 6338 8936
*100% owned by DBS Bank*

**DBS Trustee Limited**
12 Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: (65) 6878 8888
Fax: (65) 6878 3977
*100% owned by DBS Bank*

**DBS Vickers Securities (Singapore) Pte Ltd**
12 Marina Boulevard Level 3
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: (65) 6327 2288
Email: info-sg@dbsonline.com
*100% owned by DBS Vickers Securities Holdings Pte Ltd, a wholly-owned subsidiary of DBS Bank*

*DBS Vickers Securities (Singapore) Pte Ltd is the main operating entity in Singapore of the DBS Vickers Group, which has operations of varying scope and complexity in other jurisdictions including Hong Kong, Indonesia, Thailand, Malaysia and the US.*

**DBSN Services Pte. Ltd.**
12 Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: (65) 6878 8888
Fax: (65) 6338 8936
*100% owned by DBS Bank*

**Hwang Capital (Malaysia) Berhad**
Level 8, Wisma Sri Pinang
60 Green Hall, 10200 Penang
Malaysia
Tel: (604) 263 6108
Fax: (604) 263 6206
*4.15% owned by DBS Bank and 23.51% owned by DBS Vickers Securities (Malaysia) Pte Ltd, an indirect wholly-owned subsidiary of DBS Bank*

**Network For Electronic Transfers (Singapore) Pte Ltd**
298 Tiong Bahru Road, #04-01/06
Central Plaza
Singapore 168730
Tel: (65) 6272 0533/6274 1212
Fax: (65) 6272 2334
Email: info@nets.com.sg
*33.33% owned by DBS Bank*

**PT Bank DBS Indonesia**
DBS Bank Tower, Lobby
33rd to 37th Floor, Ciputra World 1
Jalan Prof. Dr. Satrio Kav 3-5
Jakarta 12940
Indonesia
Tel: (62 21) 2988 5000
Fax: (62 21) 2988 5005
*99% owned by DBS Bank*

**The Islamic Bank of Asia Limited**
12 Marina Boulevard #15-03
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: (65) 6878 5522
Fax: (65) 6878 5500
*50% owned by DBS Bank*

# International banking offices

## Australia

### DBS Bank Australia Branch
Suite 1901, Level 19, Chifley Tower
2 Chifley Square, Sydney NSW 2000
Australia
Tel: (61 2) 8823 9300
Fax: (61 2) 8823 9301

## China

### DBS Bank (China) Limited
Units 1301 – 1801 DBS Bank Tower
1318 Lujiazui Ring Road
Pudong New Area, Shanghai 200120
People's Republic of China
Tel: (86 21) 3896 8888
Fax: (86 21) 3896 8989

## Hong Kong

### DBS Bank (Hong Kong) Limited
11th Floor, The Center
99 Queen's Road Central
Hong Kong
Tel: (852) 3668 0808
Fax: (852) 2167 8222

### DBS Bank Hong Kong Branch
18th Floor, The Center
99 Queen's Road Central
Hong Kong
Tel: (852) 3668 1900
Fax: (852) 2596 0577

## India

### DBS Bank India
Fort House, 3rd Floor
221, Dr. D.N. Road, Fort
Mumbai 400001, India
Tel: (91 22) 6638 8888
Fax: (91 22) 6638 8899

## Indonesia

### PT Bank DBS Indonesia
DBS Bank Tower, Lobby, 33rd – 37th Floor
Ciputra World 1
Jalan Prof. Dr. Satrio Kav 3-5
Jakarta 12940, Indonesia
Tel: (62 21) 2988 5000
Fax: (62 21) 2988 5005

## Japan

### DBS Bank Tokyo Branch
Otemachi First Square East Tower 15F
5-1, Otemachi 1-chome,
Chiyoda-ku, Tokyo 100-0004
Tel: (81 3) 3213 4411
Fax: (81 3) 3213 4415

## Korea

### DBS Bank Seoul Branch
18th Floor, Seoul Finance Center
136 Sejong-daero Jung-Gu
Seoul Republic of Korea 04520
Tel: (822) 6322 2660
Fax: (822) 6322 2670

## Macau

### DBS Bank (Hong Kong) Limited, Macau Branch
Nos 5 a 7E da Rua de Santa Clara, Edif, Ribelro
Loja C e D., Macau
Tel: (853) 2832 9338
Fax: (853) 2832 3711

## Malaysia

### DBS Bank Kuala Lumpur Representative Office
#08-01, Menara Keck Seng
203 Jalan Bukit Bintang
55100 Kuala Lumpur, Malaysia
Tel: (60 3) 2116 3888
Fax: (60 3) 2116 3901

### DBS Bank Labuan Branch
Level 10 (A) Main Office Tower
Financial Park Labuan
Jalan Merdeka
87000 F.T. Labuan, Malaysia
Tel: (60 87) 595 500
Fax: (60 87) 423 376

## Myanmar

### DBS Bank Yangon Representative Office
Unit 1002 Sakura Tower, Level 10
339 Bogyoke Aung San Road, Kyauktada Township
Yangon, Myanmar
Tel: (95 1) 255 299
Fax: (95 1) 255 239

## The Philippines

### DBS Bank Manila Representative Office
22F, The Enterprise Center, Tower 1
Ayala Avenue corner Paseo de Roxas
Makati City
Tel: (632) 869 3876
Fax: (632) 750 2144

## Taiwan

### DBS Bank (Taiwan) Limited
15F-17F, No36
Songren Road
Xinyi District
Taipei City 110 Taiwan R.O.C
Tel: (886 2) 6612 9889
Fax: (886 2) 6612 9285

## Thailand

### DBS Bank Bangkok Representative Office
989 Siam Tower 15th Floor
Rama 1 Road, Pathumwan
Bangkok 10330, Thailand
Tel: (66 2) 658 1400-1
Fax: (66 2) 658 1402

## United Arab Emirates

### DBS Bank Ltd (DIFC Branch)
Suite 5, 3rd Floor, Building 3
Gate Precinct, DIFC
P.O. Box 506538
Dubai, UAE
Tel: (971) 4364 1800
Fax: (971) 4364 1801

## United Kingdom

### DBS Bank London Branch
4th Floor, Paternoster House
65 St Paul's Churchyard
London EC4M 8AB, UK
Tel: (44 207) 489 6550
Fax: (44 207) 489 5850

## United States of America

### DBS Bank Los Angeles Representative Office
725 South Figueroa Street, Suite 2000
Los Angeles, CA 90017 USA
Tel: (1 213) 627 0222
Fax: (1 213) 627 0228

## Vietnam

### DBS Bank Hanoi Representative Office
Room 1404
14th Floor, Pacific Place
83B Ly Thuong Kiet Street
Hanoi, Vietnam
Tel: (84 4) 3946 1688
Fax: (84 4) 3946 1689

### DBS Bank Ho Chi Minh City Branch
11th floor, Saigon Centre
65 Le Loi Boulevard, District 1
Ho Chi Minh City, Vietnam
Tel: (84 8) 3914 7888
Fax: (84 8) 3914 4488

# Awards
# and accolades

## DBS Group

- Safest Bank in Asia
  *– Global Finance*
- Asian Bank of the Year
  *– IFR Asia*
- Best Asia Commercial Bank
  *– FinanceAsia*
- Best Bank in ASEAN
  *– Alpha Southeast Asia*

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- Best Domestic Bank, Singapore
  *– Alpha Southeast Asia*
- Best Domestic Bank, Singapore
  *– Asiamoney*
- Best Bank, Singapore
  *– FinanceAsia*
- Best Bank, Singapore
  *– Global Finance*
- Best Bank, Singapore
  *– The Asset*
- Best e-Bank, Singapore
  *– The Asset*
- Best Managed Company (Large Cap), Singapore
  *– Asiamoney*
- Singapore Financial Company of the Year
  *– Charlton EastColes*
- Best Investor Relations (Gold), Singapore
  *– Singapore Corporate Awards*
- Best Senior Management Investor Relations Support, Singapore
  *– Alpha Southeast Asia*
- Best Investor Relations Company, Singapore
  *– Corporate Governance Asia*
- Most Transparent Company Award (Finance Category and Golden Circle Award), Singapore
  *– Securities Investors Association Singapore*
- Best Annual Report in Singapore
  *– Alpha Southeast Asia*
- Hall of Fame – Internal Audit Excellence Award
  *– Securities Investors Association Singapore*
- Singapore Corporate Governance Award (Big Cap Category and Diversity)
  *– Securities Investors Association Singapore*
- Icon on Corporate Governance, Singapore
  *– Corporate Governance Asia*
- Asian Corporate Director of the Year, Singapore
  *– Corporate Governance Asia*
- Best Executive, Singapore
  *– Asiamoney*
- Best CFO in Singapore
  *– Alpha Southeast Asia*
- Best CFO, Singapore
  *– Corporate Governance Asia*
- Treasurer of the Year, Asia-Pacific
  *– The Asset*
- Best e-Bank, Hong Kong
  *– The Asset*
- Best Investor Education, Hong Kong
  *– Bloomberg Businessweek*

## Institutional Banking

- Editors' Triple Star for BusinessClass, Asia-Pacific
  *– The Asset*
- Social Media Project of the Year, Asia-Pacific
  *– The Asset*
- M&A, Asia-Pacific
  *– IJGLobal*
- Refinancing, Asia-Pacific
  *– IJGLobal*
- Power, Asia-Pacific
  *– IJGLobal*
- Rising Star M&A House, Asia
  *– The Asset*
- Best Loan, Asia
  *– FinanceAsia*
- Best Leveraged Loan, Asia
  *– GlobalCapital Asia/Asiamoney*
- Best Web Site Design (Corporate Category), Asia
  *– Global Finance*
- Best in Social Media (Corporate Category), Asia
  *– Global Finance*
- Best Social Media Engagement Project, Asia
  *– The Asian Banker*
- Best Loan Deal of the Year, Southeast Asia
  *– Alpha Southeast Asia*
- Best Domestic/Cross-Border M&A Deal of the Year, Southeast Asia
  *– Alpha Southeast Asia*
- Best Reverse Takeover M&A Deal, Southeast Asia
  *– Alpha Southeast Asia*
- Best Use of Social Platform (Gold), Southeast Asia
  *– Marketing Magazine*
- Most Informative Use of Mobile (Gold), Southeast Asia
  *– Marketing Magazine*

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- Syndicated Loan House of the Year, Singapore
  *– APLMA*
- Singapore Loan House
  *– IFR Asia*
- Best Loan House, Singapore
  *– The Asset*
- Best M&A Deal, Singapore
  *– The Asset*
- Best Project Finance Deal of the Year/Best Oil and Gas Deal, Singapore
  *– The Asset*
- Best SME Banking Brand, Singapore
  *– Global Brands Magazine*

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- Best SME Bank, Hong Kong
  *– Asian Banking & Finance*
- Best SME Partner, Hong Kong
  *– Hong Kong General Chamber of Small and Medium Businesses*

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- Best SME Bank, China
  *– Asian Banking & Finance*

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- Best SME Banking Brand, Taiwan
  *– Global Brands Magazine*

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- Best Project Finance Deal of the Year/Best Power Deal, Vietnam
  *– The Asset*

## Global Transaction Services

- Best Transaction Bank for Trade Finance Services, Global
  *– The Banker*
- Best Invoice Discount Management Deal, Global
  *– Global Finance*
- Product Innovation, Global
  *– Global Finance*
- Best Regional Specialist Awards – Supply Chain Solutions, Asia-Pacific
  *– The Asset*
- Cash Management Banker of the Year, Asia-Pacific
  *– The Asset*
- Best Global Cash Management Bank in Asia-Pacific as voted by small-sized financial institutions
  *– Asiamoney*
- Best Global Cash Management Bank in Asia-Pacific as voted by medium-sized financial institutions
  *– Asiamoney*
- Best USD Cash Management Services as voted by financial institutions, Asia-Pacific
  *– Asiamoney*
- Best Local Currency Cash Management Bank for HKD as voted by financial institutions, Asia-Pacific
  *– Asiamoney*
- Best Transaction Services House in Asia
  *– Euromoney*
- Best Online Cash Management (Corporate Category), Asia
  *– Global Finance*
- Best Card Solution, Asia
  *– Treasury Today Asia*
- Best Trade Solution (Highly Commended), Asia
  *– Treasury Today Asia*
- Best in Working Capital and Trade Finance, North Asia
  *– The Asset*
- Best Cash Management Solution, Southeast Asia
  *– Alpha Southeast Asia*

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- Best Bank, Singapore
  *– Corporate Treasurer*
- Best Corporate Digital Bank, Singapore
  *– Global Finance*
- Best MNC/Large Corporates Bank for Treasury/Working Capital Management, Singapore
  *– The Asset*
- Best FI and NBFI Bank for Treasury/Working Capital Management, Singapore
  *– The Asset*
- Best Overall Treasury & Cash Management Bank, Singapore
  *– Global Finance*
- Best Trade Finance Bank, Singapore
  *– Alpha Southeast Asia*
- Best Trade Finance Provider, Singapore
  *– Global Finance*
- Best Trade Finance Bank, Singapore
  *– Trade Finance Magazine*
- Best Structured Trade Finance Bank, Singapore
  *– The Asset*
- Best Trade Finance Deal, Singapore
  *– The Asset*
- Best Liquidity Management Solution, Singapore
  *– The Asset*
- Best Renminbi Bank, Singapore
  *– The Asset*
- Best Cash Management, Singapore
  *– Asian Banking & Finance*
- Best Cash Management Bank, Singapore
  *– The Asset*
- Best Overall Domestic Cash Management Services in Singapore as voted by large-sized corporates
  *– Asiamoney*
- Best Overall Cross-Border Cash Management Services in Singapore as voted by large-sized corporates
  *– Asiamoney*
- Domestic Custodian, Singapore
  *– The Asset*
- Best Subcustodian Bank, Singapore
  *– Global Finance*
- Leadership Award: Custodian Banker of the Year, Singapore
  *– The Asset*

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- Best Foreign Cash Management Bank in Hong Kong as voted by small, medium and large-sized corporates
  *– Asiamoney*
- Best Foreign Domestic Cash Management Services in Hong Kong as voted by small, medium and large-sized corporates
  *– Asiamoney*
- Best Foreign Cross-Border Cash Management Services in Hong Kong as voted by small, medium and larged-sized corporates
  *– Asiamoney*

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- Best Treasury & Cash Management (Foreign), China
  *– Global Finance*
- Best Cash Management Bank, China
  *– Asian Banking & Finance*
- Best Trade Finance Bank, China
  *– Asian Banking & Finance*
- Best In-Country Cash Management Solution, China
  *– The Asset*
- Best Structured Trade Deal, China
  *– The Asset*
- Best Foreign Cash Management Bank in China as voted by large-sized corporates
  *– Asiamoney*
- Best Foreign Domestic Cash Management Services in China as voted by medium and large-sized corporates
  *– Asiamoney*
- Best Foreign Cross-Border Cash Management Services in China as voted by medium and large-sized corporates
  *– Asiamoney*

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- Best Overall Treasury & Cash Management Bank, India
  *– Global Finance*
- Best In-Country Cash Management Solution, India
  *– The Asset*
- Best SME Cash Management Solution, India
  *– The Asset*
- Best Foreign Cash Management Bank in India as voted by large-sized corporates
  *– Asiamoney*
- Best Foreign Domestic Cash Management Services in India as voted by small and medium-sized corporates
  *– Asiamoney*
- Best Foreign Cross-Border Cash Management Services in India as voted by small and medium-sized corporates
  *– Asiamoney*

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- Best Cash Management Bank, Indonesia
  *– Global Banking and Finance Reivew*
- Best Foreign Cash Management Bank in Indonesia as voted by small-sized corporates
  *– Asiamoney*

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- Best Foreign Cash Management Bank in Taiwan as voted by medium-sized corporates
  *– Asiamoney*
- Best Foreign Domestic Cash Management Services in Taiwan as voted by small, medium and large-sized corporates
  *– Asiamoney*
- Best Foreign Cross-Border Cash Management Services in Taiwan as voted by small, medium and large-sized corporates
  *– Asiamoney*

## Treasury & Markets

- Covered Bond of the Year, Global
  *– IFR Asia*
- Best Debt Bank, Asia-Pacific
  *– Global Finance*
- Editor's Choice Award – DBS Covered Bond, Asia
  *– The Cover*
- Best New Bond, Asia
  *– The Asset*
- Best Investment Grade Bond, Asia
  *– The Asset*
- Best Bank Bond, Asia
  *– The Asset*
- Best Corporate Bond, Asia
  *– The Asset*
- Best Financial Bond, Asia
  *– GlobalCapital Asia/Asiamoney*
- Regional House of the Year
  *– Asia Risk*
- Best Bond House in Southeast Asia
  *– Alpha Southeast Asia*
- Best FX Provider, Southeast Asia
  *– Global Finance*
- Borrower Award, Southeast Asia
  *– Alpha Southeast Asia*
- Most Innovative Deal, Southeast Asia
  *– Alpha Southeast Asia*

- Best Domestic Debt Bank, Singapore
  *– Asiamoney*
- Best Debt House, Singapore
  *– Euromoney*
- Best Debt Capital Market, Singapore
  *– FinanceAsia*
- Best Bond House, Singapore
  *– Alpha Southeast Asia*
- Best Bond House, Singapore
  *– The Asset*
- Best FX Provider, Singapore
  *– Asian Banking & Finance*
- Best FX Bank, Singapore
  *– FinanceAsia*
- Best FX Provider, Singapore
  *– Global Finance*
- House of the Year, Singapore
  *– Asia Risk*
- Derivatives House of the Year, Singapore
  *– The Asset*
- Best Singapore Deal
  *– FinanceAsia*
- Best Singapore Deal
  *– GlobalCapital Asia/Asiamoney*
- Singapore Capital Markets Deal
  *– IFR Asia*
- Deal of the Year, Singapore
  *– The Asset*

- Offshore RMB Business (Honourable Mention), Hong Kong
  *– Bloomberg Businessweek*

- Best Offshore FX Hedging (Risk Mitigation Services), China
  *– Global Finance*
- Best Bond Deal, China
  *– The Asset*
- Top 200 Banks in CNY Interbank Trading, China
  *– China Foreign Exchange Trade System*
- Top 40 Banks in FX Interbank Trading, China
  *– China Foreign Exchange Trade System*

- Best FX Provider, India
  *– Global Finance*

- Best FX Provider, Indonesia
  *– Global Finance*

- Best Bank for Mergers and Acquisitions, China
  *– Global Finance*

## Capital Markets

- Most Innovative Investment Bank from Asia-Pacific
  *– The Banker*
- Best Asia Investment Bank
  *– FinanceAsia*
- Best REIT House, Asia
  *– The Asset*
- Best Small-Cap Equity House, Asia
  *– The Asset*

- Best Investment Bank, Singapore
  *– Alpha Southeast Asia*
- Best Investment Bank, Singapore
  *– FinanceAsia*
- Best Investment Bank, Singapore
  *– Global Finance*
- Best Corporate Bank, Singapore
  *– Global Banking and Finance Review*
- Best Corporate and Institutional Bank, Singapore
  *– The Asset*
- Best Equity House, Singapore
  *– Alpha Southeast Asia*
- Best Equity House, Singapore
  *– Asiamoney*
- Best Equity Capital Markets House, Singapore
  *– FinanceAsia*
- Best Equity House, Singapore
  *– The Asset*
- Best Equity Deal, Singapore
  *– The Asset*

## Brokerage (DBS Vickers)

- Best Brokerage, Asia
  *– The Asset*
- Best Country Presentation, Asia
  *– Asian Banks Association*

- Best Institutional Broker, Singapore
  *– Alpha Southeast Asia*
- Best Broker, Singapore
  *– FinanceAsia*
- Best ETF Broker, Singapore
  *– The Asset*
- Best Participating Dealer, Singapore
  *– The Asset*

- 3rd Best Earnings Estimator for Real Estate, Hong Kong
  *– Thomson Reuters/StarMine*
- Top Earnings Estimator for Telecom Services, Hong Kong
  *– Thomson Reuters/StarMine*
- Top Ten Best Research Report, Hong Kong
  *– Hong Kong Society of Financial Analysts*
- Best Research House Award, Hong Kong
  *– Hong Kong Society of Financial Analysts*

## Consumer Banking Group

- Best Gamification Project, Asia-Pacific
  *– The Asset*
- Best Mobile Banking Experience, Asia-Pacific
  *– The Asset*
- Best Digital Payment Experience, Asia-Pacific
  *– The Asset*

- Best Digital Wallet Platform, Asia-Pacific
  *– The Asset*
- Best Payments Product, Asia-Pacific
  *– The Asian Banker*
- Best Card Based Loyalty Programme, Asia-Pacific
  *– Marketing Magazine*
- Best Use of Direct Marketing, Asia-Pacific
  *– Marketing Magazine*
- Best Use of Loyalty Related Technology, Asia-Pacific
  *– Marketing Magazine*
- Trailblazer Award of the Year, Asia
  *– Retail Banker International*
- Best Payments Innovation, Asia
  *– Smart Asia*
- Excellence in Mobile Banking Overall, Asia
  *– Retail Banker International*
- Excellence in Customer Centricity, Asia
  *– Retail Banker International*
- Best Affinity Co-Branded Card Programme, Asia
  *– Cards and Electronic Payments International*
- Excellence in Internet Banking – Overall (Highly Commended), Asia
  *– Retail Banker International*
- Excellence in Multi-Channel Integration (Highly Commended), Asia
  *– Retail Banker International*
- Outstanding Investment Services – Retail Clients (Highly Commended), Asia
  *– Retail Banker International*
- Best Card Offering (Highly Commended), Asia
  *– Retail Banker International*
- Best Debit Card Offering (Highly Commended), Asia
  *– Cards and Electronic Payments International*
- Best of Show, Southeast Asia
  *– Marketing Magazine*
- Best App Content by a Consumer Brand (Gold), Southeast Asia
  *– Marketing Magazine*
- Best App Content by a Consumer Brand (Silver), Southeast Asia
  *– Marketing Magazine*
- Best User Experience (Gold), Southeast Asia
  *– Marketing Magazine*

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- Best Bank, Singapore
  *– AsiaOne*
- Domestic Retail Bank of the Year, Singapore
  *– Asian Banking & Finance*
- Best Retail Bank, Singapore
  *– Global Banking and Finance Review*
- Best Retail Bank, Singapore
  *– The Asian Banker*
- Best Mortgage-Lending Bank, Singapore
  *– Alpha Southeast Asia*
- Best Credit Card/Debit Card, Singapore
  *– AsiaOne*
- Excellence in Digital Marketing (Bronze), Singapore
  *– Marketing Magazine*
- Service Co-Creation, Singapore
  *– Singapore Service Excellence Medallion*
- Medallion Service Professional Award (Individual Category), Singapore
  *– Singapore Service Excellence Medallion*
- Best Credit Card Offering (Highly Commended), Singapore
  *– Cards and Electronic Payments International*

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- Best Retail Bank, Hong Kong
  *– Bloomberg Businessweek*
- Best Online Banking Initiative, Hong Kong
  *– Asian Banking & Finance*
- Technology Usability – Online and Apps, Hong Kong
  *– Bloomberg Businessweek*
- Best CRM & Loyalty Programme (Gold), Hong Kong
  *– Marketing Magazine*
- Best Insight Driven Mobile Campaign (Gold), Hong Kong
  *– Marketing Magazine*
- Best App – Consumer Brand (Silver), Hong Kong
  *– Marketing Magazine*
- Best MCommerce Solution (Silver), Hong Kong
  *– Marketing Magazine*
- Most Responsive Mobile Campaign (Bronze), Hong Kong
  *– Marketing Magazine*

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- Best Consumer Bank (Foreign), China
  *– Global Finance*
- Best Mobile Banking Initiative, China
  *– Asian Banking & Finance*
- Best Online Banking Initiative, China
  *– Asian Banking & Finance*

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- Best Customer Service Brand, Taiwan
  *– Global Brands Magazine*
- Best Advertising Campaign, Taiwan
  *– Asian Banking & Finance*
- Best Product of the Year, Taiwan
  *– Outstanding Enterprise Manager Association*

## Wealth Management & Private Banking

- Most Innovative Private Bank in the World
  *– Global Finance*
- Best Private Bank for Innovation, Global
  *– PWM/The Banker*
- Most Innovative Business Model, Global
  *– Private Banker International*
- Outstanding NRI/Global Indians Offerings, Global
  *– Private Banker International*
- Outstanding Young Private Bankers, Global
  *– Private Banker International*
- Most Innovative Digital Offering (Highly Commended), Global
  *– Private Banker International*
- Outstanding Wealth Management Service for the Affluent (Highly Commended), Global
  *– Private Banker International*
- Outstanding Private Bank – Asia-Pacific Regional Player
  *– Private Banker International*
- Best Onshore Private Bank in Asia-Pacific
  *– Global Finance*
- Best Asian Private Bank
  *– FinanceAsia*
- Best Wealth Manager, Asia
  *– The Asset*
- Best Customer Experience – Wealth Management, Asia
  *– Customer Experience in Financial Services*
- Outstanding Private Banker, North Asia
  *– Private Banker International*
- Outstanding Private Bank, Southeast Asia
  *– Private Banker International*

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- Best Private Bank, Singapore
  *– Asian Private Banker*
- Best Private Bank, Singapore
  *– FinanceAsia*
- Best Private Bank, Singapore
  *– Global Finance*
- Best Private Bank, Singapore
  *– The Asset*
- Best Private Bank, Singapore
  *– PWM/The Banker*
- Private Banker of the Year, Singapore
  *– The Asset*
- Best Wealth Manager, Singapore
  *– The Asset*

- Best Private Bank, Hong Kong
  *– Bloomberg Businessweek*

- Best Wealth Manager, China
  *– The Asset*

- Best Wealth Manager, Indonesia
  *– The Asset*

## Technology and Operations

- Risk Management Project of the Year, Asia-Pacific
  *– The Asset*
- Best Customer Experience, Asia-Pacific
  *– Marketing Magazine*
- Best Use of Consumer Insights Data Analytics, Asia-Pacific
  *– Marketing Magazine*
- Best Use of Mobile, Asia-Pacific
  *– Marketing Magazine*
- Innovator of the Year, Asia
  *– Enterprise Innovation*
- Enterprise Innovators, Asia
  *– Enterprise Innovation*
- Best Digital Experience, Asia
  *– International Quality Productivity Centre*
- Best Use of CEM Technology, Asia
  *– International Quality Productivity Centre*
- Best Contact Centre, Asia
  *– International Quality Productivity Centre*
- Best Technology Implementation Initiative – Security Perspective and Performance, Asia
  *– Cards and Electronic Payments International*
- Best Technology Implementation Initiative – Back Office, Asia
  *– Cards and Electronic Payments International*
- Best Technology Implementation Initiative – Front End (Highly Commended), Asia
  *– Cards and Electronic Payments International*
- Best Service Innovation, Asia
  *– Customer Experience in Financial Services*
- Best Customer Experience – Cards, Asia
  *– Customer Experience in Financial Services*
- Best Customer Experience – Mobile, Asia
  *– Customer Experience in Financial Services*
- Leadership in Customer Experience – Individual, Asia
  *– Customer Experience in Financial Services*
- Best Technology Implementation – Front End (Highly Commended), Asia
  *– Customer Experience in Financial Services*
- Best Omni-Channel Customer Experience (Highly Commended), Asia
  *– Customer Experience in Financial Services*
- Best CX Business Model (Highly Commended), Asia
  *– Customer Experience in Financial Services*
- Excellence in Customer Experience, Asia
  *– Retail Banker International*
- Best Staff Training and Development Program, Asia
  *– Retail Banker International*
- Outstanding Tech Implementation Award, Asia
  *– Retail Banker International*
- Best Loan Offering (Highly Commended), Asia
  *– Retail Banker International*
- Excellence in Service Innovation (Highly Commended), Asia
  *– Retail Banker International*
- Excellence in Social Media – Customer Relations and Brand Engagement (Highly Commended), Asia
  *– Retail Banker International*
- IES Prestigious Engineering Achievement Awards, Southeast Asia
  *– ASEAN Outstanding Engineering Achievement Award*

- Prestigious Engineering Achievement Award, Singapore
  *– Institution of Engineers Singapore*
- Best Technology & Operations, Singapore
  *– Asian Banking & Finance*
- Recognition of Excellence Performance Award (Corporate category over 100 seats), Singapore
  *– Contact Centre Association of Singapore*
- Recognition of Excellence Performance Award (Corporate category 20-100 seats), Singapore
  *– Contact Centre Association of Singapore*
- Corporate Real Estate Executive of the Year, Singapore
  *– CORNET Global*

- Best Technology & Operations, Hong Kong
  *– Asian Banking & Finance*
- Inbound Contact Centre of the Year, Hong Kong
  *– Hong Kong Call Centre Association*
- Mystery Caller Assessment Award, Hong Kong
  *– Hong Kong Call Centre Association*
- Best Contact Centre Campaign, Hong Kong
  *– Hong Kong Call Centre Association*
- Best Contact Centre in Training & Development, Hong Kong
  *– Hong Kong Call Centre Association*
- Best Contact Centre in Technology Application, Hong Kong
  *– Hong Kong Call Centre Association*
- Contact Centre Recruitment Professional, Hong Kong
  *– Hong Kong Call Centre Association*
- Contact Centre Technical Support Professional, Hong Kong
  *– Hong Kong Call Centre Association*
- Inbound Contact Centre Representative, Hong Kong
  *– Hong Kong Call Centre Association*
- Inbound Contact Centre Manager, Hong Kong
  *– Hong Kong Call Centre Association*
- Multimedia Contact Centre Representative, Hong Kong
  *– Hong Kong Call Centre Association*

- Global Best CIO, Indonesia
  *– iCMG*
- Most Innovative Banking Project, Indonesia
  *– Global Banking & Finance Review*
- Indonesia's Best CIO – Top 5
  *– SWA*
- Top 10 Future IT Leaders, Indonesia
  *– SWA*

## Human Resources

- Great Workplace Award, Global
  *– Gallup*
- Best Employee Engagement Strategy, Asia-Pacific
  *– Marketing Magazine*

- IBF Inspire Award, Singapore
  *– Institute of Banking and Finance Singapore*

- SG50 Special Award, Singapore
  *– NTUC*
- Hays Award for Employer of Choice, Singapore
  *– HRM*
- NTU Major Employer Award, Singapore
  *– NTU*
- Compensation and Benefits Strategy, Singapore
  *– Human Resources Online*
- Best Reward and Recognition Strategies, Singapore
  *– HRM*
- Best Work Life Balance, Singapore
  *– HRM*
- HR Social Media, Singapore
  *– Human Resources Online*
- Most Supportive Colleagues, Singapore
  *– NTUC*
- NS Advocate Award (Large Companies), Singapore
  *– MINDEF*

- Training Academy of the Year, Hong Kong
  *– Bloomberg Businessweek*
- Development Category (Best Presentation Award), Hong Kong
  *– Hong Kong Management Association Awards*
- Skills Training Category (Excellence Award), Hong Kong
  *– Hong Kong Management Association Awards*
- Excellence in Graduate Development (Gold Award), Hong Kong
  *– Human Resources Magazine*
- Excellence in Talent Management (Gold Award), Hong Kong
  *– Human Resources Magazine*
- Excellence in Employee Work-Life Balance (Gold Award), Hong Kong
  *– Human Resources Magazine*
- Excellence in Workplace Well-Being (Gold Award), Hong Kong
  *– Human Resources Magazine*

- China Top Employer, Shanghai Top 30 Employer
  *– Zhaopin.com*
- China Best Employer
  *– TopHR*
- Top 100 Most Attractive Employers, China
  *– Universum*
- Best HR Team (Top 3), China
  *– Wolters Kluwer*

- Best Corporate Volunteering Program, Taiwan
  *– Taipei City Government*

## Group Strategic Marketing & Communications

- Best Bank in Community Outreach Initiative, Asia
  *– Retail Banker International*
- Best Digital Integration – B2B (Gold), SEA, South Asia, Australia and New Zealand
  *– Marketing Magazine*
- Best Home-Grown Event (Gold), SEA, South Asia, Australia and New Zealand
  *– Marketing Magazine*
- Best Venue Experience (Gold), SEA, South Asia, Australia and New Zealand
  *– Marketing Magazine*
- Best Use of Venue (Bronze), SEA, South Asia, Australia and New Zealand
  *– Marketing Magazine*
- Best B2B Event (Bronze), SEA, South Asia, Australia and New Zealand
  *– Marketing Magazine*

- Best Corporate Social Responsibility, Singapore
  *– Corporate Governance Asia*
- Friends of SRC Award, Singapore
  *– Singapore Red Cross Society*
- Friend of the Seniors Award, Singapore
  *– Lions Befrienders Service Association*
- Social Enterprise – Education, Singapore
  *– Singapore Creative CSR Awards*
- Best Corporate Communications Team, Singapore
  *– Corporate Governance Asia*
- Excellence in Sponsorship Activation (Bronze), Singapore
  *– Marketing Magazine*
- Excellence in Integrated B2B Marketing (Bronze), Singapore
  *– Marketing Magazine*

- Corporate Social Enterprise, Hong Kong
  *– Best Practice Awards*
- The Best Corporate Social Responsibility Ad, Hong Kong
  *– Metro Daily*
- Volunteer Team, Hong Kong
  *– The Productivity Council*
- Brand Leadership, Hong Kong
  *– Best Practice Awards*

- Best Use of Social Media, Hong Kong
  *– Marketing Magazine*
- Social Media Marketing, Hong Kong
  *– Best Practice Awards*

- Best Marketing Initiative by a Financial Institution, China
  *– Dong Fang Daily*

- Hall of Fame – Best Digital and Social Media Advertiser of the Year, India
  *– Indian Digital Media Awards*
- Platinum Award for Best Social Media Campaign, India
  *– Public Relations Council of India*
- Content Marketing Campaign of the Year, India
  *– CMS Asia*
- Best Digital Campaign, India
  *– India Digital Review*
- Best Social Media Campaign, India
  *– Global Youth Marketing Forum*
- Best Use of Digital/Social Media in Cause Marketing/ CSR Program, India
  *– Golden Globe Tiger Awards*
- Best Online/Digital Marketing Campaign, India
  *– Golden Globe Tiger Awards*

- Best Contest/Competition Activation, Indonesia
  *– MIX Marcomm*

- Best Brand Building Initiative, Taiwan
  *– The Asian Banker*
- Best CSR Report (Bronze), Taiwan
  *– TCSA*

# Global reporting initiative (GRI) index

| General standard disclosures | Disclosure requirements | Where have we disclosed this? |
|---|---|---|
| **General standard disclosures** | | |
| **Strategy and analysis** | | |
| G4-1 | Statement from the most senior decision-maker | Refer to page 8 "Letter from the Chairman and CEO". |
| **Organisational profile** | | |
| G4-3 | Name of the organisation | DBS Group Holdings Ltd |
| G4-4 | Primary brands, products and services | Refer to page 14 "Business model – How we create value". |
| G4-5 | Location of headquarters | 12 Marina Boulevard<br>Marina Bay Financial Centre Tower 3<br>Singapore 018982 |
| G4-6 | Countries of operation | Refer to page 2 "Who we are". |
| G4-7 | Nature of ownership and legal form | Public limited company listed on the Singapore Exchange. |
| G4-8 | Markets served | Refer to page 2 "Who we are". |
| G4-9 | Scale of the organisation | Refer to page 2 "Who we are". |
| G4-10 | Employee profile | Refer to page 200 Table 1 and Table 2.<br><br>Read more about our employee initiatives on page 40. |
| G4-11 | Collective bargaining agreements | Our house union in Singapore, the DBS Staff Union, is an affiliate of the National Trades Union Congress (NTUC). 2,278 of our employees are eligible for collective bargaining under the Memorandum of Understanding between DBS and NTUC. We do not have house unions in other countries. |
| G4-12 | Supply chain | Refer to Page 47 "Sustainable sourcing". |
| G4-13 | Significant changes during the reporting period | There were no significant changes to our organisational profile during the reporting period. |
| G4-14 | Precautionary approach or principle | DBS does not explicitly refer to the precautionary approach or principle in its risk management framework. We seek to contribute to society by generating profits responsibly, which ties in with our corporate value of being purpose-driven.<br><br>Refer to page 44 "Society and environment". |
| G4-15 | Externally developed sustainability initiatives subscribed to or endorsed | Refer to inside cover "About this report".<br><br>DBS has applied the GRI G4 Sustainability Reporting Guidelines in the preparation of its Annual Report. |
| G4-16 | Memberships of associations | DBS' key memberships include Institute of International Finance and The Association of Banks in Singapore (Vice Chairman Bank). |
| **Identified material aspects and boundaries** | | |
| G4-17 | List of entities included in consolidated financial statements | Refer to Financial statements Note 22 "Subsidiaries and consolidated structured entities" on page 136 and Note 23 "Associates" on page 137. |
| G4-18 | Process for defining report content | Our Annual Report is prepared in accordance with the International Integrated Reporting <IR> Framework.<br><br>Under <IR>, our disclosures primarily focus on matters that substantively affect our ability to create long-term value.<br><br>Refer to page 19 for our material matters identification process.<br><br>In addition, through internal evaluation and our stakeholder interactions, we have identified additional GRI aspects where DBS may impact its surroundings and stakeholders. These are outlined below (see G4-19). |

| General standard disclosures | | |
|---|---|---|
| **General standard disclosures** | **Disclosure requirements** | **Where have we disclosed this?** |
| G4-19 | List of GRI aspects applicable to DBS | We impact our surrounding environmental, social and economic conditions directly through our business conduct and indirectly through the customers, suppliers and other stakeholders we engage. In this context, the GRI aspects applicable to DBS are as follows:<br><br>• Economic performance*<br>• Customer privacy*<br>• Compliance*<br>• Anti-corruption*<br>• Product service and labelling*<br>• Product responsibility*<br>• Employment*<br>• Training and education*<br>• Diversity and equal opportunity<br>• Occupational health and safety<br>• Local communities<br>• Emissions<br>• Effluents and waste<br>• Supplier environmental assessment<br>• Supplier assessment for labour practices<br>• Supplier human rights assessment<br>• Supplier assessment for impact on society<br><br>*Denotes matters material to our value creation – see page 19. |
| G4-20 | Aspect boundary for each GRI aspect within DBS | All GRI aspects identified are applicable to all subsidiaries and branches within the DBS Group. |
| G4-21 | Aspect boundary for each GRI aspect outside DBS | We consider all GRI aspects applicable to DBS to be relevant to all stakeholder groups identified on page 20 "What our stakeholders are telling us". |
| G4-22 | Effect of any restatements of information | Not applicable. This is DBS' first GRI Report. |
| G4-23 | Significant changes in scope and aspect boundaries | Not applicable. This is DBS' first GRI Report. |
| **Stakeholder engagement** | | |
| G4-24 | List of stakeholder groups engaged | Refer to page 20 "What our stakeholders are telling us". |
| G4-25 | Basis for identification and selection of stakeholders with whom to engage | |
| G4-26 | Approach to stakeholder engagement | |
| G4-27 | Key topics and concerns raised by stakeholders | |
| **Report profile** | | |
| G4-28 | Reporting period | This report covers the period 1 January to 31 December 2015. |
| G4-29 | Date of most recent previous report | Not applicable. This is DBS' first GRI Report. |
| G4-30 | Reporting cycle | Annual |
| G4-31 | Contact point for the report | For any questions regarding this report or its contents, please contact Investor Relations at investor@dbs.com. |
| G4-32 | "In accordance" option and GRI Index | DBS has chosen the "in accordance - core" option to focus on the matters most material to our stakeholders.<br><br>This Appendix is the GRI Content Index. |
| G4-33 | External assurance for the report | This report has not been externally assured. DBS will consider external assurance in the future. |
| **Governance** | | |
| G4-34 | Governance structure | Refer to page 48 "Corporate governance". |
| **Ethics and integrity** | | |
| G4-56 | Description of values, principles, standards and norms of behaviour | Refer to pages 65 and 66 for information on DBS Code of Conduct and our culture.<br><br>See also "Our values-led culture" on page 14. |

| Specific standard disclosures | | |
|---|---|---|
| **DMA and indicators** | **Standard disclosure title** | **Where have we disclosed this?** |
| **Category: Economic** | | |
| **GRI aspect: Economic performance** | | |
| G4-DMA | Generic disclosures on management approach | Refer to page 22 "CFO Statement".<br><br>See also page 44 "Society and environment" on our community investment strategy. |
| G4-EC1 | Direct economic value generated and distributed | Refer to "Consolidated income statement" on page 115. Further breakdown of income and expenses by geography can be found in Financial statements Note 43.2 "Geographical segment reporting" on page 168.<br><br>See also "How we distribute value created" on page 18. |
| **Category: Environmental** | | |
| **GRI aspect: Emissions** | | |
| G4-DMA | Generic disclosures on management approach | Refer to page 47 "Managing our environmental footprint". |
| G4-EN16 | Energy indirect greenhouse gas (GHG) emissions (Scope 2) | |
| **GRI aspect: Effluents and waste** | | |
| G4-DMA | Generic disclosures on management approach | Refer to page 47 "Managing our environmental footprint". |
| G4-EN23 | Total weight of waste by type and disposal method | |
| **GRI aspect: Supplier environmental assessment** | | |
| G4-DMA | Generic disclosures on management approach | Refer to page 47 "Sustainable sourcing". |
| G4-EN32 | Percentage of new suppliers that were screened using environmental criteria | |
| **Category: Social** | | |
| **Sub-category: Labour practices and decent work** | | |
| **GRI aspect: Employment** | | |
| G4-DMA | Generic disclosures on management approach | Refer to page 40 "Employees". |
| G4-LA1 | Total number and rates of new employee hires and employee turnover by age group, gender and region | Refer to page 201 Table 4.<br><br>We will consider providing additional disclosures in the future. |
| **GRI aspect: Occupational health and safety** | | |
| G4-DMA | Generic disclosures on management approach | Refer to page 40 "Employees".<br><br>Employee safety is also considered under our business continuity management. See page 100 "Other mitigation programmes". |
| **GRI aspect: Training and education** | | |
| G4-DMA | Generic disclosures on management approach | Refer to page 40 "Employees". |
| G4-LA9 | Average hours of training per year per employee by gender, and by employee category | Refer to page 201 Table 5. |
| G4-LA11 | Percentage of employees receiving regular performance and career development reviews, by gender and by employee category | All of our permanent employees received regular performance and career development reviews in 2014 and 2015. |
| **GRI aspect: Diversity and equal opportunity** | | |
| G4-DMA | Generic disclosures on management approach | Refer to page 40 "Employees". |
| G4-LA12 | Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity | Refer to page 49 "Key features of our Board"<br><br>See also page 200 Table 3. |

| Specific standard disclosures | | |
|---|---|---|
| **DMA and indicators** | **Standard disclosure title** | **Where have we disclosed this?** |
| **GRI aspect: Supplier assessment for labour practices** | | |
| G4-DMA | Generic disclosures on management approach | Refer to page 47 "Sustainable sourcing". |
| G4-LA14 | Percentage of new suppliers that were screened using human rights criteria | |
| **Sub-category: Human rights** | | |
| **GRI aspect: Supplier human rights assessment** | | |
| G4-DMA | Generic disclosures on management approach | Refer to page 47 "Sustainable sourcing". |
| G4-HR10 | Percentage of new suppliers that were screened using human rights criteria | |
| **Sub-category: Society** | | |
| **GRI aspect: Local communities** | | |
| FS14 | Initiatives to improve access to financial services for disadvantaged people (people with disabilities or impairment and people facing language, cultural, age or gender barriers) | Refer to page 36 "POSB". |
| **GRI aspect: Anti-corruption** | | |
| G4-DMA | Generic disclosures on management approach | Refer to page 45 "Combating financial crime". |
| G4-SO4 | Communication and training on anti-corruption policies and procedures | Refer to page 65 "Significant incident protocol and Code of Conduct (Code)". Our anti-corruption policy is covered under Principle 1 – Professional Integrity of the Code. All employees of the DBS Group are required to read and acknowledge the Code on an annual basis.<br><br>More than 99% of our employees completed training on anti-corruption in 2014 and 2015. |
| **GRI aspect: Compliance** | | |
| G4-DMA | Generic disclosures on management approach | Refer to page 78 "CRO statement"and page 100 "Compliance risk". |
| G4-SO8 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations | |
| **GRI aspect: Supplier assessment for impact on society** | | |
| G4-DMA | Generic disclosures on management approach | Refer to page 47 "Sustainable sourcing". |
| G4-SO9 | Percentage of new suppliers that were screened using criteria for impact on society | |
| **Sub-category: Product responsibility** | | |
| **GRI aspect: Product and service labelling** | | |
| G4-DMA | Generic disclosures on management approach | Refer to page 45 "Fair dealing". |
| G4-PR5 | Results of surveys measuring customer satisfaction | Refer to page 16 "How we use our resources". |
| **GRI aspect: Customer privacy** | | |
| G4-DMA | Generic disclosures on management approach | Refer to page 78 "CRO statement"and page 100 "Technology risk". |
| G4-PR8 | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data | |
| **GRI aspect: Compliance** | | |
| G4-DMA | Generic disclosures on management approach | Refer to page 78 "CRO statement"and page 100 "Compliance risk". |
| G4-PR9 | Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services | |
| **GRI aspect: Product portfolio** | | |
| G4-DMA | Generic disclosures on management approach | Refer to page 45 "Responsible financing". |
| FS6 | % of the portfolio for business lines by specific region, size and by sector | |

## Workforce Mix

### Table 1 Total number of employees by contract type and gender

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Female | Male | Total | Female | Male | Total |
| **Type of contract** | | | | | | |
| Permanent | 12,179 | 9,323 | **21,502** | 11,602 | 8,731 | **20,333** |
| Of which: | | | | | | |
| *Full time* | *12,098* | *9,320* | ***21,418*** | *11,523* | *8,729* | ***20,252*** |
| *Part time* | *81* | *3* | ***84*** | *79* | *2* | ***81*** |
| Contract/Temporary[1] | 245 | 270 | **515** | 369 | 394 | **763** |
| **Total** | 12,424 | 9,593 | **22,017** | 11,971 | 9,125 | **21,096** |

*(1) Headcount on DBS' payroll*

### Table 2 Total number of employees by region and gender

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Female | Male | Total | Female | Male | Total |
| **Country** | | | | | | |
| Singapore | 6,227 | 4,072 | **10,299** | 5,904 | 3,797 | **9,701** |
| Hong Kong | 2,322 | 2,205 | **4,527** | 2,313 | 2,201 | **4,514** |
| Rest of Greater China[1] | 2,492 | 1,378 | **3,870** | 2,483 | 1,366 | **3,849** |
| South and Southeast Asia[2] | 1,277 | 1,790 | **3,067** | 1,169 | 1,641 | **2,810** |
| Rest of the World[3] | 106 | 148 | **254** | 102 | 120 | **222** |
| **Total** | 12,424 | 9,593 | **22,017** | 11,971 | 9,125 | **21,096** |

*(1) Rest of Greater China includes branch and subsidiary operations in Mainland China and Taiwan*
*(2) South and Southeast Asia includes branch and subsidiary operations in India, Indonesia, Malaysia, Vietnam and Philippines*
*(3) Rest of the World includes branch operations in South Korea, Japan, Dubai, United States of America, United Kingdom and Australia*

We grew our workforce by approximately 1,000, primarily in Institutional Banking and Consumer Banking, to support strategic initiatives and meet business needs. We also grew our headcount to support our digital initiatives. We hired a more diverse group of people including user experience designers and data analysts. Our talent pool in compliance, governance and risk management has also grown to meet the requirements of the evolving regulatory landscape.

We saw headcount growth in Singapore and India while other regions remained stable. As we increase our efforts to drive digital banking, we have been growing our workforce in India to build out the digital bank. To strengthen our in-house capabilities, we have also increased our permanent staff strength.

### Table 3 Breakdown of permanent employees by corporate rank[1] according to gender and age group

| | 2015 | | | | 2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | SVPs to MDs | Analysts to VPs | BEs & below | Total | SVPs to MDs | Analysts to VPs | BEs & below | Total |
| **Headcount** | **1,415** | **14,289** | **5,798** | **21,502** | **1,204** | **12,989** | **6,140** | **20,333** |
| **Breakdown by gender** | | | | | | | | |
| Female | 37% | 53% | 70% | **57%** | 36% | 52% | 71% | **57%** |
| Male | 63% | 47% | 30% | **43%** | 64% | 48% | 29% | **43%** |
| **Breakdown by age group** | | | | | | | | |
| <=30 | 0% | 24% | 47% | **29%** | 0% | 25% | 47% | **30%** |
| >30 & <=50 | 73% | 68% | 46% | **62%** | 74% | 68% | 46% | **62%** |
| >50 | 27% | 8% | 7% | **9%** | 26% | 7% | 7% | **8%** |

*(1) Breakdown of corporate rank category: Senior Vice President (SVP) to Managing Director (MD), Analyst to Vice President (VP), and Bank Executive (BE) and below*

We are committed to providing an inclusive work environment where every employee can develop professionally and personally. When it comes to gender diversity, we are ahead of peer commercial banks. 57% of our workforce are women. One-third of management positions are held by women.

The proportion of age groups in our workforce remains fairly stable with a trend towards an aging population.

## Talent Flow

**Table 4 Rates of new employee hires and voluntary attrition**

| | 2015 | 2014 |
|---|---|---|
| New hire rate | 23.0% | 28.7% |
| Voluntary attrition rate | 13.2% | 13.6% |

Our retention rates are better than the industry average, with more people choosing to grow their careers with DBS. Our efforts to build a great workplace have paid off and we continue to be an employer of choice.

## Training

**Table 5 Average days of training per year per permanent employee by gender and by employee category**

| | 2015 | 2014 |
|---|---|---|
| **Total days of training (in thousands)** | **129** | **123** |
| **Average days of training** | | |
| **Per permanent employee** | **6.4** | **6.6** |
| **By gender** | | |
| Female | 6.2 | 6.3 |
| Male | 6.7 | 6.9 |
| **By employee category** | | |
| SVPs to MDs | 5.2 | 4.8 |
| Analysts to VPs | 6.8 | 7.0 |
| BEs & below | 5.9 | 6.0 |

In 2015, employees underwent an average of 6.4 days of training.

We create an impactful learning environment for our people with our Triple E (Education, Experience, Exposure) approach to people development. Besides training courses, e-learning and new ways of learning, employees have access to internal mobility, job rotations, cross-functional projects and other experiential learning opportunities across the bank. They are also given exposure to learn from peers and seniors at work through coaching, mentoring and networking. For SVPs to MDs, Experience and Exposure feature strongly in their development.

# Share price


| | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|
| **Share Price (SGD)** | | | | | |
| High | 15.58 | 14.99 | 17.90 | 20.60 | 21.43 |
| Low | 10.87 | 11.70 | 14.35 | 15.66 | 16.13 |
| Close | 11.52 | 14.84 | 17.10 | 20.60 | 16.69 |
| Average | 13.77 | 13.98 | 16.19 | 17.62 | 19.14 |
| **Per Ordinary Share** | | | | | |
| Gross dividend yield (%) | 4.1 | 4.0 | 3.6 | 3.3 | 3.1 |
| Price-to-earning ratio (number of times)[1] | 10.6 | 10.1 | 11.3 | 11.4 | 11.2 |
| Price-to-book ratio (number of times) | 1.1 | 1.1 | 1.2 | 1.2 | 1.2 |

*(1) Earnings exclude one-time items and goodwill charges*

# Financial calendar

## 2015

**27 April**
Announcement of first quarter results 2015

**12 June**
Payment date of Final Dividends on Ordinary Shares for the financial year ended 31 December 2014

**27 July**
Announcement of second quarter results 2015

**18 September**
Payment date of Interim Dividends on Ordinary Shares for the six months ended 30 June 2015

**2 November**
Announcement of third quarter results 2015

**31 December**
Financial Year End

## 2016

**22 February**
Announcement of full year results 2015

**28 April**
Annual General Meeting

**May**
Announcement of first quarter results 2016

**June**
Proposed payment of Final Dividends on Ordinary Shares for the financial year ended 31 December 2015

**August**
Announcement of second quarter results 2016

**October**
Announcement of third quarter results 2016

## 2017

**February**
Announcement of full year results 2016

# Shareholding statistics

*As at 1 March 2016*

1. Class of Shares – Ordinary shares
   Voting Rights – One vote per share
   Total number of issued ordinary shares – 2,505,162,749 (excluding treasury shares)
   Treasury Shares – 9,618,000 (representing 0.384% of the total number of issued ordinary shares, excluding treasury shares)

| Size of Shareholdings | No. of Shareholders | % | No. of Shares | %* |
|---|---|---|---|---|
| 1 - 99 | 3,029 | 4.59 | 129,114 | 0.00 |
| 100 - 1,000 | 23,571 | 35.71 | 16,237,662 | 0.65 |
| 1,001 - 10,000 | 33,963 | 51.45 | 114,138,719 | 4.56 |
| 10,001 - 1,000,000 | 5,415 | 8.20 | 176,784,207 | 7.06 |
| 1,000,001 and above | 33 | 0.05 | 2,197,873,047 | 87.73 |
| Total | 66,011 | 100.00 | 2,505,162,749 | 100.00 |
| **Location of Shareholders** | | | | |
| Singapore | 62,714 | 95.01 | 2,483,646,929 | 99.14 |
| Malaysia | 2,049 | 3.10 | 15,275,236 | 0.61 |
| Overseas | 1,248 | 1.89 | 6,240,584 | 0.25 |
| Total | 66,011 | 100.00 | 2,505,162,749 | 100.00 |

## Twenty largest shareholders (as shown in the register of members and depository register)

| | Name of Shareholders | No. of Shareholdings | %* |
|---|---|---|---|
| 1 | MAJU HOLDINGS PTE. LTD. | 458,899,869 | 18.32 |
| 2 | CITIBANK NOMINEES SINGAPORE PTE LTD | 442,975,652 | 17.68 |
| 3 | DBS NOMINEES PTE LTD | 374,158,578 | 14.94 |
| 4 | TEMASEK HOLDINGS (PRIVATE) LIMITED | 284,145,301 | 11.34 |
| 5 | DBSN SERVICES PTE LTD | 190,247,155 | 7.59 |
| 6 | HSBC (SINGAPORE) NOMINEES PTE LTD | 164,095,073 | 6.55 |
| 7 | UNITED OVERSEAS BANK NOMINEES PTE LTD | 78,049,123 | 3.12 |
| 8 | RAFFLES NOMINEES (PTE) LTD | 59,863,644 | 2.39 |
| 9 | BNP PARIBAS SECURITIES SERVICES SINGAPORE BRANCH | 31,311,919 | 1.25 |
| 10 | LEE PINEAPPLE COMPANY PTE LTD | 19,450,000 | 0.78 |
| 11 | BANK OF SINGAPORE NOMINEES PTE LTD | 15,550,735 | 0.62 |
| 12 | DB NOMINEES (S) PTE LTD | 11,081,129 | 0.44 |
| 13 | LEE FOUNDATION | 10,715,569 | 0.43 |
| 14 | DBS VICKERS SECURITIES (S) PTE LTD | 7,541,739 | 0.30 |
| 15 | BNP PARIBAS NOMINEES SINGAPORE PTE LTD | 6,792,603 | 0.27 |
| 16 | UOB KAY HIAN PTE LTD | 4,864,455 | 0.19 |
| 17 | OCBC SECURITIES PRIVATE LTD | 4,577,004 | 0.18 |
| 18 | OCBC NOMINEES SINGAPORE PTE LTD | 4,260,827 | 0.17 |
| 19 | MERRILL LYNCH (SINGAPORE) PTE LTD | 3,519,295 | 0.14 |
| 20 | PHILLIP SECURITIES PTE LTD | 3,010,825 | 0.12 |
| **TOTAL** | | **2,175,110,495** | **86.82** |

** Percentage is calculated based on the total number of issued ordinary shares, excluding treasury shares*

## Substantial ordinary shareholders (as shown in the register of substantial shareholders as at 1 March 2016)

| | Direct Interest No. of Shares | %* | Deemed Interest No. of Shares | %* |
|---|---|---|---|---|
| Maju Holdings Pte. Ltd. | 458,899,869 | 18.32 | 0 | 0.00 |
| Temasek Holdings (Private) Limited | 284,145,301 | 11.34 | 466,423,409 | 18.62 |

** Percentage is calculated based on the total number of issued ordinary shares, excluding treasury shares*

1. Maju Holdings Pte. Ltd. ("Maju") is a wholly-owned subsidiary of Temasek Holdings (Private) Limited ("Temasek").
2. Temasek, a company wholly-owned by the Minister for Finance, is deemed to be interested in all the ordinary shares held by Maju.
3. In addition, Temasek is deemed to be interested in 7,523,540 ordinary shares in which its other subsidiaries and associated companies have or are deemed to have an interest pursuant to Section 4 of the Securities and Futures Act, Chapter 289.

As at 1 March 2016, approximately 69.9% of the issued ordinary shares of DBS Group Holdings Ltd are held by the public and, therefore, Rule 723 of the SGX Listing Manual is complied with.

# Notice of
# Annual General Meeting

**DBS GROUP HOLDINGS LTD** (Incorporated in the Republic of Singapore)
Company Registration No.: 199901152M

To: All shareholders of DBS Group Holdings Ltd

NOTICE IS HEREBY GIVEN that the Seventeenth Annual General Meeting of the shareholders of DBS Group Holdings Ltd (the "Company") will be held at Marina Bay Sands Expo and Convention Centre, Level 3, Heliconia Main ballroom, 10 Bayfront Avenue, Singapore 018956 on Thursday, 28 April 2016 at 10.00 am to transact the following business:

| Ordinary Business | Ordinary Resolution No. |
|---|---|
| To receive and adopt the Directors' Statement and Audited Financial Statements for the year ended 31 December 2015 and the Auditor's Report thereon. | Resolution 1 |
| To declare a one-tier tax exempt Final Dividend of 30 cents per ordinary share, for the year ended 31 December 2015. [2014: Final Dividend of 30 cents per ordinary share, one-tier tax exempt] | Resolution 2 |
| To approve the amount of SGD 3,688,541 proposed as Directors' remuneration for the year ended 31 December 2015. [2014: SGD 3,553,887] | Resolution 3 |
| To re-appoint Messrs PricewaterhouseCoopers LLP as Auditor of the Company and to authorise the Directors to fix their remuneration. | Resolution 4 |
| To re-elect the following Directors, who are retiring under Article 95 of the Company's Constitution and who, being eligible, offer themselves for re-election: | |
| (a) Ms Euleen Goh | Resolution 5 |
| (b) Mr Danny Teoh | Resolution 6 |
| (c) Mr Piyush Gupta | Resolution 7 |
| *Key information on Ms Goh, Mr Teoh and Mr Gupta can be found on pages 182, 184 and 181, respectively of the 2015 Annual Report.* | |
| To re-appoint Mr Nihal Vijaya Devadas Kaviratne CBE who is retiring under the resolution passed at the Annual General Meeting of the Company held on 23 April 2015 pursuant to Section 153(6) of the Companies Act, Chapter 50 (which was then in force).<br><br>*Key information on Mr Kaviratne can be found on page 183 of the 2015 Annual Report.* | Resolution 8 |

| Special Business | Ordinary Resolution No. |
|---|---|
| To consider and, if thought fit, to pass the following Resolutions as ORDINARY RESOLUTIONS: | |
| That authority be and is hereby given to the Directors of the Company to offer and grant awards in accordance with the provisions of the DBSH Share Plan and to allot and issue from time to time such number of ordinary shares of the Company ("DBSH Ordinary Shares") as may be required to be issued pursuant to the vesting of awards under the DBSH Share Plan, PROVIDED ALWAYS THAT:<br><br>(a) the aggregate number of new DBSH Ordinary Shares (i) issued and/or to be issued pursuant to the DBSH Share Plan; and (ii) issued pursuant to the DBSH Share Option Plan shall not exceed 5 per cent of the total number of issued shares (excluding treasury shares) of the Company from time to time; and<br><br>(b) the aggregate number of new DBSH Ordinary Shares under awards to be granted pursuant to the DBSH Share Plan during the period commencing from the date of this Annual General Meeting of the Company and ending on the date of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, shall not exceed 2 per cent of the total number of issued shares (excluding treasury shares) of the Company from time to time. | Resolution 9 |

| Special Business | Ordinary Resolution No. |
|---|---|
| That authority be and is hereby given to the Directors of the Company to:<br><br>(a) (i) issue shares of the Company ("shares") whether by way of rights, bonus or otherwise; and/or<br><br>(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,<br><br>at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and<br><br>(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,<br><br>provided that:<br><br>(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent of the total number of issued shares (excluding treasury shares) of the Company (as calculated in accordance with paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall be less than 10 per cent of the total number of issued shares (excluding treasury shares) of the Company (as calculated in accordance with paragraph (2) below);<br><br>(2) (subject to such manner of calculation and adjustments as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")), for the purpose of determining the aggregate number of shares that may be issued under paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) of the Company at the time this Resolution is passed, after adjusting for:<br><br>(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and<br><br>(ii) any subsequent bonus issue, consolidation or subdivision of shares;<br><br>(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and<br><br>(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier. | Resolution 10 |
| That authority be and is hereby given to the Directors of the Company to allot and issue such number of new ordinary shares of the Company as may be required to be allotted and issued pursuant to the application of the DBSH Scrip Dividend Scheme to the final dividend of 30 cents per ordinary share for the year ended 31 December 2015. | Resolution 11 |
| That authority be and is hereby given to the Directors of the Company to apply the DBSH Scrip Dividend Scheme to any dividend(s) which may be declared for the year ending 31 December 2016 and to allot and issue such number of new ordinary shares of the Company as may be required to be allotted and issued pursuant thereto. | Resolution 12 |
| That:<br>(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 (the "Companies Act"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares of the Company ("Ordinary Shares") not exceeding in aggregate the Maximum Percentage (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:<br><br>(i) market purchase(s) on the Singapore Exchange Securities Trading Limited ("SGX-ST") and/or any other securities exchange on which the Ordinary Shares may for the time being be listed and quoted ("Other Exchange"); and/or<br><br>(ii) off-market purchase(s) (if effected otherwise than on the SGX-ST or, as the case may be, Other Exchange) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act, | Resolution 13 |

| Special Business | Ordinary Resolution No. |
|---|---|
| and otherwise in accordance with all other laws and regulations and rules of the SGX-ST or, as the case may be, Other Exchange as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Purchase Mandate");<br><br>(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:<br><br>(i) the date on which the next Annual General Meeting of the Company is held;<br><br>(ii) the date by which the next Annual General Meeting of the Company is required by law to be held; and<br><br>(iii) the date on which purchases and acquisitions of Ordinary Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated;<br><br>(c) in this Resolution:<br><br>"Average Closing Price" means the average of the closing market prices of an Ordinary Share over the last five market days on which transactions in the Ordinary Shares on the SGX-ST or, as the case may be, Other Exchange were recorded, immediately preceding the date of the market purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the off-market purchase, and deemed to be adjusted, in accordance with the listing rules of the SGX-ST, for any corporate action that occurs after the relevant five-day period;<br><br>"date of the making of the offer" means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Ordinary Shares from Shareholders, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the basis set out below) for each Ordinary Share and the relevant terms of the equal access scheme for effecting the off-market purchase;<br><br>"Maximum Percentage" means that number of issued Ordinary Shares representing 1% of the issued Ordinary Shares of the Company as at the date of the passing of this Resolution (excluding any Ordinary Shares which are held as treasury shares as at that date); and<br><br>"Maximum Price" in relation to an Ordinary Share to be purchased or acquired, means the purchase price (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) which shall not exceed:<br><br>(i) in the case of a market purchase of an Ordinary Share, 105% of the Average Closing Price of the Ordinary Shares; and<br><br>(ii) in the case of an off-market purchase of an Ordinary Share, 105% of the Average Closing Price of the Ordinary Shares; and<br><br>(d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution. | |

| Special Business | Special Resolution No. |
|---|---|
| To consider and, if thought fit, to pass the following Resolution which will be proposed as a SPECIAL RESOLUTION: | |
| That the regulations contained in the new Constitution submitted to this meeting and, for the purpose of identification, subscribed to by the Chairman thereof, be approved and adopted as the new Constitution of the Company in substitution for, and to the exclusion of, the existing Constitution. | Resolution 14 |

By Order of the Board

**Goh Peng Fong (Mr)**
Group Secretary
DBS Group Holdings Ltd

30 March 2016
Singapore

***NOTES:***

1. (a) *A member of the Company who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.*

   (b) *A member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.*

   *"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.*

2. *A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf.*

3. *A proxy need not be a member of the Company.*

4. *The instrument appointing a proxy or proxies must be deposited at office of the Company's Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte Ltd) at* ***80 Robinson Road, #11-02, Singapore 068898*** *at least 48 hours before the time for holding the Meeting.*

***PERSONAL DATA PRIVACY:***

*By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees to provide the Company with written evidence of such prior consent upon reasonable request.*

# Explanatory notes

## Ordinary Business

### Ordinary Resolution 2: Declaration of final dividend on ordinary shares

Resolution 2 is to approve the declaration of a final dividend of 30 cents per ordinary share. Please refer to page 109 of the Capital Management and Planning section in the 2015 Annual Report for an explanation of DBSH's dividend policy.

### Ordinary Resolution 3: Directors' remuneration for 2015

Resolution 3 is to approve the payment of an aggregate amount of SGD 3,688,541 as Directors' remuneration for the non-executive Directors of the Company for the year ended 31 December 2015. If approved, each of the non-executive Directors (with the exception of Mrs Ow Foong Pheng) will receive 70% of his or her Directors' fees in cash and 30% of his or her Directors' fees in the form of share awards granted pursuant to the DBSH Share Plan. The share awards will not be subject to a vesting period, but will be subject to a selling moratorium whereby each non-executive director will be required to hold the equivalent of one year's basic retainer for the duration of his or her tenure as a director, and for one year after the date he or she steps down as a director. The actual number of shares to be awarded will be determined by reference to the volume-weighted average price of a share on the SGX-ST over the 10 trading days immediately following the date of the forthcoming 2016 Annual General Meeting, rounded down to the nearest share, and any residual balance will be paid in cash. The Director's fees for Mrs Ow Foong Pheng will be paid in cash to a government agency, the Directorship & Consultancy Appointments Council. Please refer to pages 61 and 62 of the Corporate Governance Report in the 2015 Annual Report for more details on the non-executive Directors' remuneration for 2015.

### Ordinary Resolutions 5, 6 and 7: Re-election of Directors retiring under Article 95

(a) Ms Euleen Goh, upon re-election as a Director of the Company, will remain as the Chairman of the Board Risk Management Committee, and as a member of each of the Nominating Committee, Compensation and Management Development Committee and Executive Committee, and will be considered independent.

(b) Mr Danny Teoh, upon re-election as a Director of the Company, will remain as the Chairman of the Audit Committee, and as a member of each of the Nominating Committee and Board Risk Management Committee, and will be considered independent.

(c) Mr Piyush Gupta, upon re-election as a Director of the Company, will remain as a member of the Executive Committee. Mr Gupta is an executive Director.

### Ordinary Resolution 8: Re-appointment of Director who is over 70 years of age

Resolution 8 is to re-appoint Mr Nihal Vijaya Devadas Kaviratne CBE who is above 70 years old and who is retiring under the resolution passed at the Annual General Meeting held on 23 April 2015 as pursuant to Section 153(6) of the Companies Act, Chapter 50 which was then in force, such resolution could only permit the re-appointment of the Director to hold office until this Annual General Meeting. If passed, Resolution 8 will approve and authorise the continuation of the Director in office from the date of this Annual General Meeting onwards without limitation in tenure, save for prevailing applicable laws, listing rules and/or regulations, including the Company's Constitution.

Upon re-appointment as a Director of the Company, Mr Kaviratne will remain as a member of each of the Audit Committee and Board Risk Management Committee, and will be considered independent.

## Special Business

### Ordinary Resolution 9: DBSH Share Plan

Resolution 9 is to empower the Directors to offer and grant awards and to issue ordinary shares of the Company pursuant to the DBSH Share Plan, provided that: (a) the maximum number of ordinary shares which may be issued under the DBSH Share Plan and the DBSH Share Option Plan is limited to 5 per cent of the total number of issued shares of the Company (excluding treasury shares) from time to time; and (b) the aggregate number of new ordinary shares under awards which may be granted pursuant to the DBSH Share Plan from this Annual General Meeting to the next Annual General Meeting shall not exceed 2 per cent of the total number of issued shares of the Company (excluding treasury shares) from time to time. The DBSH Share Option Plan expired on 19 June 2009 and was not extended or replaced. There are no longer any options outstanding under the DBSH Share Option Plan.

**Ordinary Resolution 10: Share Issue Mandate**
Resolution 10 is to empower the Directors to issue shares of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding in total 50 per cent of the total number of issued shares (excluding treasury shares) of the Company, of which the number of shares that may be issued other than on a pro rata basis to shareholders must be less than 10 per cent of the total number of issued shares (excluding treasury shares). For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) of the Company at the time that Resolution 10 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 10 is passed, and (b) any subsequent bonus issue, consolidation or subdivision of shares.

**Ordinary Resolution 11: DBSH Scrip Dividend Scheme**
Resolution 11 is to empower the Directors to issue such number of new ordinary shares of the Company as may be required to be issued pursuant to the application of the DBSH Scrip Dividend Scheme (the "Scheme") to the final dividend of 30 cents per ordinary share for the year ended 31 December 2015 ("FY2015").

In the announcement dated 22 February 2016, the Company proposed that the Scheme would be applied to the final dividend for FY2015, subject to shareholder approval being obtained for the said final dividend for FY2015.

**Ordinary Resolution 12: DBSH Scrip Dividend Scheme**
Resolution 12 is to authorise the Directors to apply the Scheme to any dividend(s) which may be declared for the year ending 31 December 2016 ("FY2016"), and to empower the Directors to issue such number of new ordinary shares of the Company as may be required to be issued pursuant thereto. The authority conferred by this Resolution will lapse at the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

If Resolution 12 is passed at the Annual General Meeting, and if the Directors should decide to apply the Scheme to a dividend declared in respect of FY2016, the current intention is that no discount will be given for the scrip shares. If the Directors decide not to apply the Scheme to a dividend for FY2016, such dividend will be paid in cash to shareholders in the usual way.

**Ordinary Resolution 13: Proposed renewal of the Share Purchase Mandate**
Resolution 13 is to renew the mandate to allow the Company to purchase or otherwise acquire its issued ordinary shares, on the terms and subject to the conditions set out in the Resolution.

The Company intends to use its internal sources of funds to finance its purchase or acquisition of the ordinary shares of the Company ("Ordinary Shares"). The amount of financing required for the Company to purchase or acquire its Ordinary Shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on whether the Ordinary Shares are purchased or acquired out of capital or profits, the number of Ordinary Shares purchased or acquired and the price at which such Ordinary Shares were purchased or acquired.

Based on the existing issued and paid-up Ordinary Shares as at 1 March 2016 (the "Latest Practicable Date") and excluding any Ordinary Shares held in treasury, the purchase by the Company of 1% of its issued Ordinary Shares will result in the purchase or acquisition of 25,051,627 Ordinary Shares.

Assuming that the Company purchases or acquires 25,051,627 Ordinary Shares at the Maximum Price, in the case of both market and off-market purchases, of SGD 14.20 for one Ordinary Share (being the price equivalent to 5% above the average closing prices of the Ordinary Shares traded on the SGX-ST over the last five market days on which transactions were recorded immediately preceding the Latest Practicable Date), the maximum amount of funds required is approximately SGD 0.4 billion.

The financial effects of the purchase or acquisition of such Ordinary Shares by the Company pursuant to the proposed Share Purchase Mandate on the financial statements of the Group and the Company for the financial year ended 31 December 2015 based on these and other assumptions are set out in paragraph 2.7 of the Letter to Shareholders dated 30 March 2016 (the "Letter").

Please refer to the Letter for further details.

**Special Resolution 14: Adoption of a new Constitution**
Resolution 14 is to adopt a new Constitution following the wide-ranging changes to the Companies Act, Chapter 50 (the "Companies Act") introduced pursuant to the Companies (Amendment) Act 2014 (the "Amendment Act"). The new Constitution will consist of the memorandum and articles of association of the Company which were in force immediately before 3 January 2016, and incorporate amendments to (inter alia) take into account the changes to the Companies Act introduced pursuant to the Amendment Act.

Please refer to the Letter for further details.

## Statement pursuant to Section 64A of the Companies Act, Chapter 50

The voting rights of the Non-Voting Shares and the Redeemable Shares are set out in the existing Constitution of the Company. No Non-Voting Shares or Redeemable Shares are currently in issue.

The terms of the Non-Voting Shares and the Redeemable Shares as set out in the existing Constitution of the Company are proposed to be deleted in connection with the proposed adoption of a new Constitution. Please refer to the Letter for further details.

# Proxy form

**DBS GROUP HOLDINGS LTD**
(Incorporated in the Republic of Singapore)
Company Registration Number: 199901152M

**IMPORTANT:**
1. Relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50) may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. This Proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by CPF/SRS Investors who hold ordinary shares through their CPF/SRS funds. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 30 March 2016.

## Annual General Meeting

*I / We ______________________________ (NRIC / Passport / Co. Reg No. ______________ )
of ______________________________________________
being an Ordinary Shareholder of DBS Group Holdings Ltd (the "Company") hereby appoint

| Name | Address | NRIC/Passport number | Proportion of shareholdings (%) |
|---|---|---|---|
| | | | |
| *and/or | | | |
| | | | |

as *my/our proxy/proxies, to attend, speak and vote for *me/us and on *my/our behalf, at the Seventeenth Annual General Meeting of the Company, to be held at Marina Bay Sands Expo and Convention Centre, Level 3, Heliconia Main ballroom, 10 Bayfront Avenue, Singapore 018956 on Thursday, 28 April 2016 at 10.00 am and at any adjournment thereof in the following manner:

| No. | Ordinary Resolutions | For | Against |
|---|---|---|---|
| | **Ordinary Business** | | |
| 1 | Adoption of Director's Statement, audited Financial Statements and Auditor's Report | | |
| 2 | Declaration of Final Dividend on Ordinary Shares | | |
| 3 | Approval of proposed Directors' remuneration of SGD 3,688,541 for FY2015 | | |
| 4 | Re-appointment of PricewaterhouseCoopers LLP as Auditor | | |
| 5 | Re-election of Ms Euleen Goh as a Director retiring under Article 95 | | |
| 6 | Re-election of Mr Danny Teoh as a Director retiring under Article 95 | | |
| 7 | Re-election of Mr Piyush Gupta as a Director retiring under Article 95 | | |
| 8 | Re-appointment of Mr Nihal Vijaya Devadas Kaviratne CBE as a Director | | |
| | **Special Business** | | |
| 9 | Authority to grant awards and issue shares under the DBSH Share Plan | | |
| 10 | General authority to issue shares subject to limits | | |
| 11 | Authority to issue shares pursuant to the DBSH Scrip Dividend Scheme for the FY2015 Final Dividend | | |
| 12 | Authority to apply the DBSH Scrip Dividend Scheme to dividends for FY2016, and to issue shares pursuant thereto | | |
| 13 | Approval of the proposed renewal of the Share Purchase Mandate | | |
| **No.** | **Special Resolution** | **For** | **Against** |
| 14 | Approval of the adoption of new Constitution | | |

If you wish to exercise all your votes **For** or **Against**, please tick with "✓". Alternatively, please indicate the number of votes **For** or **Against** each resolution.

The proxy may vote or abstain as the proxy deems fit on any of the above resolutions if no voting instruction is specified, and on any other matter arising at the Annual General Meeting.

Voting will be conducted by poll.

As witness *my/our hand(s) this ______________ day of ______________ 2016.

| **No. of Ordinary Shares held** | |
|---|---|

______________________________
Signature or Common Seal of Shareholder

IMPORTANT PLEASE READ NOTES OVERLEAF.
** delete as appropriate*

***Notes:***

1 *Please insert the total number of ordinary shares ("Ordinary Shares") held by you. If you have Ordinary Shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of Ordinary Shares. If you have Ordinary Shares registered in your name in the Register of Members (maintained by or on behalf of the Company), you should insert that number of Ordinary Shares. If you have Ordinary Shares entered against your name in the Depository Register and Ordinary Shares registered in your name in the Register of Members, you should insert the aggregate number of Ordinary Shares.*

2 *(a) A member of the Company ("Member") who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at a Meeting of the Company. Where such Member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.*

*(b) A Member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at a Meeting of the Company, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such Shareholder. Where such Member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.*

*"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.*

3 *The Instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte Ltd) at* **80 Robinson Road, #11-02, Singapore 068898** *at least 48 hours before the time for holding the Meeting.*

4 *The Instrument appointing the proxy or proxies must be under the hand of the appointer or of his attorney duly authorised in writing. Where the Instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.*

5 *A corporation which is a Member may, in accordance with Section 179 of the Companies Act, Chapter 50, authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting.*

6 *The Company shall be entitled to reject the Instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in the Instrument appointing a proxy or proxies. In addition, in the case of Members whose Ordinary Shares are entered against their names in the Depository Register, the Company may reject any Instrument appointing a proxy or proxies lodged if such Members are not shown to have Ordinary Shares entered against their names in the Depository Register 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.*

# Corporate information

## Board of Directors
**Peter Seah**
*Chairman*
**Piyush Gupta**
*Chief Executive Officer*
**Bart Broadman**
**Euleen Goh**
**Ho Tian Yee**
**Nihal Kaviratne CBE**
**Ow Foong Pheng**
**Andre Sekulic**
**Danny Teoh**

## Audit Committee
**Danny Teoh**
*Chairman*
**Nihal Kaviratne CBE**
**Ow Foong Pheng**
**Peter Seah**
**Andre Sekulic**

## Nominating Committee
**Peter Seah**
*Chairman*
**Euleen Goh**
**Ho Tian Yee**
**Ow Foong Pheng**
**Danny Teoh**

## Board Risk Management Committee
**Euleen Goh**
*Chairman*
**Bart Broadman**
**Ho Tian Yee**
**Nihal Kaviratne CBE**
**Peter Seah**
**Danny Teoh**

## Board Executive Committee
**Peter Seah**
*Chairman*
**Euleen Goh**
**Piyush Gupta**

## Compensation and Management Development Committee
**Peter Seah**
*Chairman*
**Bart Broadman**
**Euleen Goh**
**Andre Sekulic**

## Group Secretary
**Goh Peng Fong**

## Group Executive Committee
**Piyush Gupta**
*Chief Executive Officer*
**Chng Sok Hui**
*Chief Financial Officer*
**David Gledhill**
*Technology & Operations*
**Sim S Lim**
*Singapore*
**Andrew Ng**
*Treasury and Markets*
**Sebastian Paredes**
*Hong Kong*
**Elbert Pattijn**
*Chief Risk Officer*
**Tan Su Shan**
*Consumer Banking/*
*Wealth Management*
**Jeanette Wong**
*Institutional Banking*

## Group Management Committee
**Includes the Group Executive Committee and the following:**

**Jerry Chen**
*Taiwan*
**Eng-Kwok Seat Moey**
*Capital Markets*
**Neil Ge**
*China*
**Lam Chee Kin**
*Legal, Compliance & Secretariat*
**Lee Yan Hong**
*Human Resources*
**Jimmy Ng**
*Audit*
**Karen Ngui**
*Strategic Marketing & Communications*
**Surojit Shome**
*India*
**Paulus Sutisna**
*Indonesia*

## Registrar
**Tricor Barbinder Share Registration Services**
*(a division of Tricor Singapore Pte. Ltd.)*
**80 Robinson Road, #02-00**
**Singapore 068898**
**Tel: (65) 6236 3333**
**Fax: (65) 6236 3405**

## Auditors
**PricewaterhouseCoopers LLP**
**8 Cross Street #17-00**
**PwC Building**
**Singapore 048424**

## Partner in charge of the Audit
**Karen Loon**
*Appointed on 29 April 2013 (DBS Group Holdings Ltd) and 29 April 2013 (DBS Bank Ltd.)*

## Registered Office
**12 Marina Boulevard**
**Marina Bay Financial Centre Tower 3**
**Singapore 018982**
**Tel: (65) 6878 8888**
**Website: www.dbs.com**

## Investor Relations
**Email: investor@dbs.com**

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