Corporate Governance Report

INTRODUCTION

DBS Group Holdings Ltd (the "Group" or "DBSH") considers good corporate governance to be the cornerstone of a well-managed organisation. Good corporate governance goes beyond the output of transparent, timely and full financial disclosures and includes matters such as board composition, decision-making powers, internal governance and corporate culture.

The Group aspires to the highest standards of corporate governance. The promotion of corporate transparency, fairness and accountability is led by a qualified and independent Board aided by a seasoned and experienced management team. The Group considers corporate governance to be essential in strengthening the foundation of its long-term economic performance and ensuring that the interests of all stakeholders are looked after.

As a financial institution, the Group is guided in its corporate governance practices by the Code of Corporate Governance 2005 issued by the Singapore Exchange Limited (the "SGX Code"); the Guidelines on Corporate Governance for Banks, Financial Holding Companies and Direct Insurers which are incorporated in Singapore 2010 (the "Guidelines"); and the Governance and the Banking (Corporate Governance) (Amendment) Regulations 2010 (the "MAS Regulations") issued by the Monetary Authority of Singapore. Each of the principles in this report conforms to the Guidelines. For the financial year 2010, the Group complies in all material aspects with the principles laid down by the SGX Code, the Guidelines and the MAS Regulations. Where there is any deviation, appropriate explanation has been provided.

BEING AT THE FOREFRONT

The Group has taken the initiative to conduct its own review to benchmark its corporate governance standards across several areas including board evaluation processes, internal controls, risk management and areas of compensation practices.

The new MAS Regulations and the Guidelines issued on 9 Dec 2010 have further entrenched good corporate governance standards for financial institutions in Singapore and formalised the following key responsibilities to the Board's mandate:

(i) Setting new responsibilities for the Nominating Committee and the Board, in terms of assessing the suitability of a candidate's qualifications to serve on the Board, reviewing the suitability of each director on an annual basis, reviewing the adequacy of the overall skills profile of the Board and its committees, and formulating plans to improve the Board's effectiveness.

(ii) Adding qualitative criteria to the evaluation of Board effectiveness and recommending that boards consider obtaining external independent evaluation of their effectiveness.

(iii) Developing and disclosing a continuous development program for all directors to ensure they are equipped with the appropriate skills and knowledge to perform their roles on the Board and committees effectively.

(iv) Ensuring remuneration is aligned with the strategy and values of the institution, and adhering to the Financial Stability Board's principles for sound compensation practices.

In anticipation of the implementation of the new MAS Regulations and the Guidelines, the Group has taken proactive steps to review the composition of the Board and its committees and is satisfied that the independence of the Board and committee members complies with the Guidelines. With the goal of improving governance standards, the Group has commissioned an independent review of the Board's effectiveness. This includes an external review of the evaluation process of the performance of the Board and committees. The objective of the evaluation is to assess whether the Board and committees, and their members, have performed their roles effectively and to identify any areas for improvement. The exercise will ensure that the Board stays at the forefront of global practices in terms of corporate governance and maintains its leadership position in Asia. The Board is confident that the results of the review will enable it to enhance its overall effectiveness.

In the area of compensation and remuneration practices, the Group has taken into account the principles and standards contained in the Guidelines of Sound Compensation Practices by the Financial Stability Board ("FSB") on alignment of remuneration with prudent risk taking, effective oversight and stakeholder engagement, and introduced steps to further enhance this alignment.

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The Compensation and Management Development Committee engaged an external consultant to provide an independent review of the Bank's compensation system and processes to gauge if they are in compliance with the principles of Sound Compensation Practices by the FSB. The review objective is also to gain external market information on the industry best practices for reference.

The results of this external review showed that the Bank is broadly compliant with the guidelines provided by the FSB. In many areas of its practices, the Bank is aligned with the industry best practices. In the area of risk, the Bank will continue to fine-tune its risk adjustment methodologies, for example through using Economic Profit ("EP") as an additional modulator (in addition to using a balanced scorecard which is already in place for 2010). In addition, starting from 2011 payouts, the Group will also subject the unvested, deferred remuneration to claw back as part of prudent compensation practice.

In furtherance of the Group's aspiration to be the Asian Bank of Choice for the New Asia, the Group firmly believes in the paramount importance of customer relationships and developing a corporate culture in which customers have implicit trust in the way the Group operates. This trust forms the essence of the principles of fair dealing, which are the very principles laid down by the MAS in April 2009 in the MAS Fair Dealing Guidelines. The Board and senior management have adopted the principles and are committed to embedding the principles in the Group's customer relationships.

BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS

PRINCIPLE 1

Board Responsibility
The Board directs the Group in the conduct of its affairs, undertaking a fiduciary role to ensure that corporate responsibility and ethical standards are met. The Board is responsible for:

(i) Setting the strategic direction and long-term goals of the Group and ensuring that adequate resources are available to meet strategic objectives.

(ii) Approving and monitoring capital and financial plans to ensure that they are in line with the Group's strategic directions; the annual budget; the annual and interim financial statements; and capital expenditures and divestments.

(iii) Establishing a risk strategy and a framework for risks to be assessed and managed.

(iv) Monitoring and reviewing management performance.

(v) Using its wide-ranging expertise to vet corporate plans and policies as well as major decisions.

(vi) Setting values and standards for the Group.

(vii) Making succession plans for itself and for the CEO to ensure continuity of leadership.

The Board also delegates authority and powers to Board committees to oversee specific responsibilities, such as executive leadership and strategy, financial reporting audit, risk management, credit controls and approvals, compensation and leadership development. These committees enable the Board to better carry out its stewardship and fiduciary responsibilities. The Board has established an internal framework called the Group Approving Authority ("GAA") to ensure that the delegation of authority at various levels is consistently applied throughout the Group.

Board Committees
The Board committees are as follows:

– Executive Committee ("Exco"), which reviews strategic matters such as country and business strategies, and strategic mergers and acquisitions. The Board has delegated to Exco the authority to approve credit lines, decide on non-strategic investments and divestments, and to review budget and financial plans. Exco's authority is defined in its terms of reference and is aligned to the GAA.

– Audit Committee ("AC"), which supervises the Group's internal controls and interacts with the external auditor to ensure compliance with regulations governing accounting standards and financial reporting.

– Nominating Committee ("NC"), which searches for Board nominees and assesses their suitability and independence. It also ensures that Board members commit appropriate amounts of their time to discharge their duties and performs an annual evaluation of directors.

– Compensation and Management Development Committee ("CMDC"), which oversees compensation policies and management development to ensure that the remuneration policies are in line with strategic objectives.

– Board Risk Management Committee ("BRMC"), which reviews issues such as capital adequacy and the effectiveness of risk management practices and policies.

The terms of reference for each Board committee are clearly defined. They stipulate the responsibilities of the committee, quorum and voting requirements, as well as qualifications for committee membership. Each committee has direct access to management and the power to hire independent advisers as it deems necessary.

Board meetings and attendance

During the financial year, there were seven Board meetings, including five scheduled ones. At these meetings, the Board reviewed the Group's financial performance, corporate strategy, business plans, potential acquisitions and significant operational matters. Prior to the commencement of a scheduled Board meeting, all non-executive directors will meet to discuss issues of general importance without the presence of management.

When exigencies prevent a member from attending Board meetings in person, he can participate by telephone or video-conference. Board approvals for less urgent matters are obtained through written resolutions approved by circulation. The Articles of Association allows resolutions in writing that are signed by a quorum of members to be as effectual as if they were passed at physical meetings.

During committee and Board meetings, members are updated on impending changes in market conditions as well as corporate governance, capital, tax, accounting, listing and other regulations, which would have an impact on the Group's affairs.

The table below sets out the number of meetings held and attended by Board members during the financial year.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

Name of Director	**Board Meetings (Board)**		**Executive Committee Meetings (Exco) ***		**Audit Committee Meetings (AC)**		**Board Risk Management Committee Meetings (BRMC)**		**Nominating Committee Meetings (NC) #**		**Compensation and Management Development Committee Meetings (CMDC)**	
	No. of Meetings Held@	Attendance	No. of Meetings Held@	Attendance	No. of Meetings Held@	Attendance	No. of Meetings Held@	Attendance	No. of Meetings Held@	Attendance	No. of Meetings Held@	Attendance
Peter Seah [1]	7	6^	6	6	5	5	5	5	2	2	2	2
Piyush Gupta [2]	7	7	6	5	–	–	–	–	–	–	–	–
Andrew Buxton [3]	7	5	–	–	–	–	5	5	–	–	–	–
Ang Kong Hua [4]	7	7	–	–	5	5	–	–	2	2	–	–
Bart Broadman	7	6	–	–	–	–	5	4	–	–	3	2
Christopher Cheng	7	6	–	–	5	3	–	–	–	–	3	3
Euleen Goh [5]	7	7	6	5	5	5	1	1	2	1	3	3
Kwa Chong Seng [6]	7	6	–	–	–	–	–	–	–	–	3	3
John Ross	7	7	–	–	–	–	5	5	2	2	–	–
Ravi Menon	7	7	–	–	5	4	–	–	2	2	–	–
Danny Teoh [7]	2	2	–	–	1	1	1	1	–	–	–	–
Koh Boon Hwee [8]	2	1^	–	–	–	–	1	1	–	–	–	–

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

* *The existing Board Credit Committee (BCC) has been subsumed within Exco, thereby disbanding BCC on 29 July 2010. New Exco members were identified. There were 6 physical Exco meetings and no physical BCC meetings. There were 18 and 4 other matters deliberated and approved via circular resolutions at BCC and Exco respectively*

\# *There were 2 physical meetings and 8 other matters deliberated and approved via circular resolutions*

^ *An adhoc meeting was held on 17 March 2010, concerning the Board Chairman succession. As Mr Seah and Mr Koh were both interested in the subject matter, they recused themselves from the attendance at the said meeting*

1 *Assumed Chairmanship of DBSH and DBS Bank on 1 May 2010. Appointed as Chairman of BCC on 11 May 2010 and as Member of NC and CMDC on 1 May 2010 and 21 June 2010 respectively. Stepped down as Member of BCC and appointed as Chairman of Exco on 29 July 2010*

2 *Appointed as Member of BCC on 11 May 2010 and as Member of Exco on 29 July 2010*

3 *Stepped down as Chairman on 1 Dec 2010 but remains as Member of BRMC*

4 *Stepped down as Member of BCC on 29 July 2010*

5 *Appointed as Member of BRMC on 3 August 2010 and assumed Chairmanship of BRMC on 1 Dec 2010. Stepped down as Member of BCC and appointed as Member of Exco on 29 July 2010*

6 *Stepped down as Member of BCC on 29 July 2010*

7 *Appointed as Director and as Member of AC and BRMC on 1 October 2010*

8 *Stepped down as Chairman and Director of DBSH and DBS Bank and Member of NC, CMDC, BRMC & BCC on 30 April 2010*

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Terms of Appointment
Board members usually serve three three-year terms, which the Group considers an appropriate length of time for members to gain an understanding of the Group and make an effective contribution. In appointing new directors, NC considers the proposed candidate's expertise and background, and assesses if they possess the skills required by the Board. A candidate's skills are mapped against a matrix that is reviewed regularly to ensure that the Board has the requisite diversity of skills and backgrounds to perform effectively.

A new appointee is given a Directors' Handbook and briefed on his duties and statutory obligations. He is also given a series of induction briefings, usually undertaken over at least two sessions, by senior management on the Group's various businesses and support functions. During the financial year, this induction was provided to Mr Danny Teoh.

BOARD COMPOSITION AND INDEPENDENCE

PRINCIPLE 2

The present Board comprises eleven members. The Group is of the view that this number is appropriate for its current scope of operations.

Independence of Directors
Of the eleven Board members, ten are non-executive, of which eight are independent. The number of non-executive and independent directors exceeds the requirements set out in the Code, Guidelines and MAS Regulations.

As at the date of this report, eight members, namely Mr Peter Seah, Mr Ang Kong Hua, Mr Andrew Buxton, Dr Bart Broadman, Mr Christopher Cheng, Mr Danny Teoh, Ms Euleen Goh and Mr John Ross, are considered independent by the NC.

The independent non-executive directors provide the Board with the knowledge, objectivity and balance that may not be available if the Board were to consist only of full-time executives. They also ensure that the performance of executive directors and management is objectively measured against the key performance indicators which were previously formulated.

The attributes that an independent director is required to have include not being a former DBS executive, not being a significant customer or supplier, not being recommended or appointed on the basis of personal relationships, not being a close relative of an executive director, and not being related to any of the Group's external auditors, lawyers, consultants or service providers.

Dr Broadman, Mr Buxton, Ms Goh, Mr Ross and Mr Teoh are directors who are non-executive and fully independent.

Mr Ang, Mr Buxton, Mr Cheng, Ms Goh and Mr Seah are on the boards of companies that have a banking relationship with DBS but the revenues arising from such relationships are not material.

Ms Goh and Mr Seah are also directors of companies linked to Temasek Holdings, DBS' substantial shareholder. As their appointments are non-executive in nature and they are not involved in the day-to-day conduct of these companies' businesses, NC has determined that they are independent.

Mr Kwa currently sits on the board of Temasek as a non-executive director and Deputy Chairman and is accordingly considered not independent of the substantial shareholder of DBS. Mr Kwa is considered independent of management and business relationships.

Mr Menon is currently a senior civil servant and NC has considered him not independent as the Singapore Government is the ultimate shareholder of Temasek. Mr Menon is considered independent of management and business relationships.

Procedures have been instituted to manage potential conflicts of interest between a director and the Group. Such conflicts could arise, for instance when the Group extends credit facilities to a director's company, or when the Group provides products and services to it. An appropriate account tagging mechanism has been put in place to monitor and control the occurrences of conflicts, any of which are then escalated for aggregation purposes.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

PRINCIPLE 3

A clear division of responsibilities between Chairman and CEO allows the Chairman to formally assume the role of an independent leader who chairs Board meetings and leads in its oversight of management. The Chairman manages the Board's business, including its work in the various committees, and ensures that its agenda furthers the strategic priorities of the Group. He also provides guidance to and encourages constructive relations among the Board, CEO and senior management.

On the basis that the present Chairman is independent and has no significant relationship with any other financial institution, the Board does not see it necessary at this point of time to appoint a lead independent director. The Chairman provides a clear and distinct leadership to the Board on the Group's strategic growth.

The CEO heads the Group Management Committee and the Group Executive Committee, which are the highest management bodies. He oversees the execution of the Group's strategy and is responsible for managing its day-to-day operations. The Chairman also participates in the Group Executive Committee to assist the CEO to drive the Group's strategic initiatives. In this role he also acts as a sounding board to the management on strategic and operational matters.

BOARD COMMITTEES

PRINCIPLE 4

The Executive Committee ("Exco")
Exco comprises Mr Seah (Chairman), Ms Goh and Mr Gupta.

Exco's responsibilities include:

(i) Reviewing the delegation of authority pursuant to the GAA.

(ii) Reviewing strategic and non-strategic investments or divestments.

(iii) Reviewing the Group's strategy, business plans, annual budget and capital structure.

(iv) Approving credit transactions and investments that exceed the limits that can be authorised by the CEO.

(v) Approving items such as operating lease commitments, expenses and write-offs within designated limits.

Arising from recent regulatory amendments, Exco reviewed and enhanced the GAA and terms of reference for the Board and the Board committees to ensure that the Group's practices are aligned with the current Code, Guidelines and MAS Regulations. The GAA was simplified for capital expenditures and divestments, operating expenses and write-offs, enabling the approval process to be applied effectively and efficiently across each functional area.

In the course of the financial year, Exco also reviewed the Group's management bench strength across the region. It also reviewed several corporate actions and divestments and investments, providing an initial review prior to discussion and approval by the Board.

The Nominating Committee ("NC")
NC comprises Mr Ross (Chairman), Mr Ang, Ms Goh, Mr Menon and Mr Seah.

NC's responsibilities include:

(i) Reviewing and recommending Board appointments for approval by the Board, taking into account the expertise, skills and knowledge offered by the candidate and the needs of the Board.

(ii) Determining annually whether each director is independent in accordance with regulatory guidelines.

(iii) Recommending the membership of various Board committees, the appointments of key business and support unit heads, and senior positions in major subsidiaries.

(iv) Providing guidance on directors' appropriate time commitments and assessing whether each director can make such a commitment after considering his other obligations.

A new director, Mr Danny Teoh, was appointed during the financial year. NC carried out a formal fit-and- proper assessment prior to recommending a director's nomination to the Board. The NC also examined the skill sets of existing Board members and reviewed their suitability to contribute to specific committees.

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Re-nomination and rotation of directors
The Articles of Association require the one-third of Board members who are longest-serving to retire from office every year at the Annual General Meeting (the "AGM"). Based on such a rotation process, each director is required to submit himself for re-election by shareholders at least once every three years. A director who reaches the age of 70 is required by law to retire and stand for re-election every year.

In addition, NC members are subject to an annual assessment of their independence as prescribed by the Code, Guidelines and MAS Regulations. This independence assessment takes into account the NC members' business relationships with the Group, relationship with members of management and the substantial shareholder of DBS.

Continuous Development Programme ("CDP")
Sustainable high quality performance is an important factor to the proper discharge of the duties of directors. During the course of 2010, NC introduced the CDP for directors to ensure that they are continually equipped with the appropriate skills and knowledge to perform their roles on the Board and the committees. The CDP is based on the Guidelines.

The CDP has the following key objectives:

(i) Assessing the knowledge required by Board members in order to contribute effectively.

(ii) Providing ongoing training sessions with external advisors and trainers to ensure all directors receive the knowledge they need to effectively carry out their duties.

(ii) Ensuring that the Board is kept abreast of regulatory and legislative developments and changes across key markets.

With an increasing emphasis on the quality of financial institution boards, NC continually assesses the current skills of the Board members. NC also believes that with the formulation of the CDP framework, the current requirements under the Code, Guidelines and MAS Regulations would be met. The Group's CDP framework is in addition to mandatory training programmes that MAS requires for directors of financial institutions.

During the financial year, the Group organised training sessions for certain directors including Risk Management Essentials for Listed Company Directors, Module 3, organised by SGX in conjunction with Singapore Institute of Directors. In November 2010, the Group also arranged for an external advisor to provide an update on the principles of Basel II/III. This presentation was made to all directors of the Group as well as non-executive directors of the subsidiary boards.

The session on Risk Management Essentials focused on the roles and responsibilities of directors in relation to risk management. Topics such as risk in strategy setting and business continuity management were covered. The directors who attended the training were members of the BRMC and the session provided members the benefit of sharing best practices with directors of other listed companies. The update on Basel II/III gave an opportunity to Board members to clarify complex issues arising from the introduction of the new regulations. In 2011, the CDP framework will be enhanced to include areas relating to capital and risk management, banking trends, regulatory developments and updates on corporate governance.

In February 2011, a training session was provided by external auditor, PwC to the Board members on future changes in accounting standards in the areas of classification and measurement of financial assets and liabilities, impairment of financial instruments, hedge accounting and leases. The session provided invaluable insights on the various discussion papers at global levels, and gave a detailed background on the proposed changes to certain accounting standards. This enabled the Board to increase its awareness of the potential impact in the future reporting of these financial instruments. The training session was also attended by senior management.

Audit Committee ("AC")
AC comprises Mr Teoh (Chairman) (with effect from 2 February 2011), Mr Ang (stepped down as Chairman on 2 February 2011), Mr Cheng, Mr Menon and Mr Seah.

AC's responsibilities include:

(i) Reviewing the adequacy of financial, operational and compliance controls, as well as accounting policies and systems, which are collectively known as internal controls.

(ii) Reinforcing the effectiveness of internal and external audit processes.

(iii) Monitoring the financial reporting process and ensuring the integrity of the Group's financial statements.

(iv) Maintaining effective communications between the Board, management and external auditors. AC reviews internal and external auditors' plans, the effectiveness of their audits, and the independence of the external auditors.

All AC meetings are also attended by the heads of Audit, Finance, and Legal, Compliance and Secretariat. AC also has the discretion to invite any director and executive to attend its meetings. Separate sessions with the external auditor are held without the presence of management after each AC meeting to discuss matters that might have to be raised privately. In addition, AC Chairman meets the internal auditors regularly to discuss the internal audit plan, current work, key findings and other significant matters.

Board Risk Management Committee ("BRMC")
BRMC comprises Ms Goh (Chairman) (with effect from 1 December), Mr Buxton (stepped down as Chairman on 1 December 2010), Mr Ross, Dr Broadman, Mr Seah and Mr Teoh.

BRMC's responsibilities include:

(i) Exercising oversight of the capital adequacy of the Group.

(ii) Approving the Group's overall and specific risk governance frameworks, including risk authority limits.

(iii) Overseeing an independent Group-wide risk management system and ensuring there are sufficient resources to monitor risks.

(iv) Monitoring risk exposures and risk strategy in accordance with approved guidelines.

During 2010, the BRMC continued to monitor the overall progress of the Group's implementation of Basel II requirements. It received updates on Basel II models and approved enhancements to the models.

It also approved the baseline and stress scenarios for use in the three-year plan for the Internal Capital Adequacy Assessment Process. The committee was updated on the progress on the economic capital plan for credit risk and the Internal Models approach for market risk. In addition to the review of the various risk profiles and topical issues, the committee approved changes to key risk management frameworks covering market, liquidity, credit and reputational risk as well as revisions in stress testing frameworks for market, liquidity and credit risk.

Compensation and Management Development Committee ("CMDC")
CMDC comprises Mr Kwa (Chairman), Dr Broadman, Mr Cheng, Ms Goh and Mr Seah.

CMDC's responsibilities include:

(i) Overseeing the principles and framework of compensation to ensure their alignment with prudent risk-taking to build a sustainable business in the long term.

(ii) Ensuring that the remuneration policy is consistent with employment laws and regulations.

(iii) Approving employee incentive schemes and reviewing their effectiveness in employee retention and the creation of long-term value for the Group.

(iv) Overseeing management development and succession planning to ensure that the Group strengthens its core competencies, bench strength and leadership pipeline.

In 2010, the Group continued to review and enhance the alignment of the Bank's compensation policies and practices with the FSB principles for Sound Compensation Practices.

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For example, the Group adopted an economic profit model as a bonus modulator to guide the capture of other key risks in bonus sizing. The Group has extended the vesting period of the deferred bonus (in the form of DBSH shares) to be paid out from 2010 onwards from three years to four years. The Group also introduced a claw back structure from 2011 payouts onwards.

Efforts on talent management and development intensified as the Group put in place a talent management framework to identify talent across Asia, train them and help them map out and develop their careers with the Group. Last year, the Group launched the DBS Academy to drive product and service excellence as well as leadership and talent management. It offers a comprehensive and holistic suite of training and development programmes, including functional training and leadership forums. Our Learning Centres occupy a total of 35,000 sq ft in Singapore, Hong Kong and Shanghai. Last year, more than 100,000 training hours for staff were conducted, which is an increase of 42% from 2009.

BOARD PERFORMANCE

PRINCIPLE 5

NC makes an assessment at least once a year as to whether the full Board and the various committees are performing effectively and it identifies steps for improvement. The evaluation covers a range of issues including Board composition, the timeliness and quality of information provided to the Board and its process, accountability and standards of conduct. The Board believes that having a robust evaluation process is critical to its performance.

Currently, each director completes a Board evaluation questionnaire and returns the completed questionnaire to the Chairman. The collective performance evaluation is then consolidated and presented to the Board for discussion. The Board considers the current arrangement useful in evaluating its own effectiveness as directors are given the opportunity to debate the Board's workings and processes collectively.

As time commitment is a key factor in measuring a director's performance, NC has formulated guidelines to measure each director's commitment, taking into account the number of other board and committee memberships he holds, the size and complexity of the companies of which he is a board member, and the frequency of meetings of those boards. All directors have met the requirements for time commitment under the Guidelines. NC has commenced a review of time commitment guidelines and will continue to enhance them in 2011.

ACCESS TO INFORMATION

PRINCIPLE 6

Board meeting agenda are set in advance with items proposed by the CEO and senior management. Documents related to the agenda are distributed in advance. Directors also have full access to employees and they have the discretion to engage external advisers on any issue at the expense of the Group.

Group Secretary

The Group Secretary provides a link between the Group and the Board on the one hand, and shareholders, government and regulatory authorities on the other. She attends all Board meetings and is responsible for the proper maintenance of the records of all Board and committee meetings and records of discussions on key deliberations and decisions taken.

All directors have access to the Group Secretary. She ensures that Board procedures are followed and that applicable rules and regulations are complied with. Under the direction of the Chairman, the Group Secretary's responsibilities include ensuring good information flows within the Board and its Committees and between senior management and non-executive directors, as well as facilitating orientation and assisting with professional development as required.

Under the Articles of Association, the appointment and removal of the Group Secretary require the approval of Board.

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

PRINCIPLE 7

Remuneration Matters

The objective of the Group's remuneration policy is to define a rewards framework that can attract, retain, and motivate employees, and create incentives for delivering long-term performance within the risk parameters of the Group. This policy is built on a system of meritocracy and follows a Total Reward framework that supports a 'one-bank' performance and rewards culture across the Group.

The Group's remuneration policy aims to be consistent with the principles/standards set out by the FSB and the relevant local regulators.

Remuneration structures

In line with the above-mentioned objectives, the Group deploys remuneration structures that have four key features.

(i) ***Focus on total compensation:*** The employees' total compensation consists of fixed pay (salary and allowances) and discretionary variable remuneration. It is determined on the basis of their role and responsibilities, performance and contributions, and market dynamics. The Group benchmarks total remuneration against other organizations of similar size, type and standing, which it competes with in the principal markets. This set of organisations can differ across the Group's business units ("BUs") and markets.

(ii) ***Differentiation of variable/fixed remuneration across employee groups:*** the Group aims to differentiate the ratio of variable/fixed remuneration ratios across employees based on performance, seniority, and their functions (e.g. the front office vs. control staff). This is done to ensure that employee incentives remain focused on prudent risk taking and/or effective control, depending on the employee's role. The ratio of annualised variable/fixed remuneration of key management personnel is 73%/27% for performance year 2010.

(iii) ***Payout structures focused on incentive alignment:*** The payout structures are designed to incentivise appropriate risk taking among employees who can have a material impact on the Group's risk profile. This includes the senior management, key risk takers at the BU level, and senior control staff. The Group defines this group of staff based on their role, the quantum of variable remuneration, and its ratio to fixed pay.

The Group defers the variable remuneration of employees in this group based on a tiered deferral rate that ranges from 20%-60% of incremental variable remuneration. All deferred remuneration is paid in the form of restricted shares under the Group's Long Term Share Incentive Scheme. The restricted shares have a vesting period of four years, and comprise two elements, namely, the main award (the part of variable remuneration paid in shares) and a 'kicker' award. The 'kicker' acts as a retention tool and is also designed to compensate the staff for the time value of deferral. It vests at the end of four years from the grant date. For 2010 performance year, 52% of the annualised variable remuneration is in the form of deferred shares for key management personnel.

Starting with 2011 payouts (for the 2010 performance year), the Group will also subject the unvested, deferred remuneration to claw backs. The claw backs will be triggered by events like the material violation of risk limits, material Group losses due to negligent risk taking or inappropriate individual behaviour, a material restatement of Group's financials due to inaccurate performance measures, and misconduct/fraud.

(iv) ***No special payouts:*** the Group does not practise accelerated payment of deferred remuneration for departing employees other than in exceptional cases, such as death in service. There is also no provision for special executive retirement plans, golden parachutes or special severance packages for executives. Finally, the Group does not provide any guaranteed bonuses with duration longer than one year.

Governance

The governance of remuneration policies involves the design, implementation, and the ongoing review of remuneration practices. The main bodies involved in these roles are outlined below.

CMDC reviews and approves the Group's remuneration policy and the annual variable remuneration pool. It also provides oversight on the remuneration of senior executives, executive directors and control functions, and reviews cases where total remuneration exceeds a pre-defined threshold, or where a claw back is being implemented. Non-executive directors comprise the majority of the CMDC membership. This provides the platform for the committee to make decisions in an independent manner.

CMDC has direct access to senior management, and works closely with the BRMC and AC when performing its role. BRMC and AC work with Human Resources, Finance, and Risk functions to validate the financial results used in the sizing and allocation of the variable remuneration pool. For instance, they review the revenue amortisation and cost allocation policies used, and also determine the extent to which key risk exposures (credit, market, liquidity, operational, reputational) are reflected in the variable remuneration sizing process.

Variable remuneration pool sizing and allocation

The Group's variable remuneration pool is expressed as a percentage of net profit before tax ("NPBT"), adjusted for any Group-level cost allocations. The percentage is determined based on Group performance, the quantum and nature of the risk exposures and the market conditions. The results are modulated by the Group's performance measurement against a balanced scorecard, which comprises metrics related to shareholder, client and employee performance, and the realisation of medium to long term strategic objectives.

The Group recognises the limitations associated with the use of management judgement to adjust for risks in the NPBT

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approach, particularly the opaque 'tail risks'. To address this limitation, the Group has started triangulating the NPBT calculations with an EP based approach starting 2010. Given the medium term challenges around the calibration of EP model and the build out of supporting infrastructure, the Group plans to continue using the EP approach as a checkpoint for NPBT approach in the near term.

After the variable remuneration pool has been endorsed by CMDC, management works with Finance, Human Resources and Risk to allocate it across BUs based on their financial and non-financial performance. The BU heads follow a similar approach when allocating the bonus to teams/individuals. Where relevant, they also liaise with the country heads to ensure that business needs are adequately reflected in the allocations.

The final bonus pool is approved at the Board level.

Performance measurement
The Group uses a comprehensive performance measurement framework in the sizing and allocation of variable remuneration. Performance is assessed based on a balanced scorecard, agreed upfront with the Board at the beginning of the year. The balanced scorecard includes both financial and non-financial metrics ranging from people, customer, shareholders and risk and compliance. The financial metrics link the variable remuneration to Group and BU level financial results, while the non-financial metrics capture the performance on qualitative aspects like adherence to risk policies and client satisfaction.

For Group-level management, performance measures are designed to incentivise the ownership of prudent strategy design and execution. This is done by measuring their performance based on a scorecard similar to the one used at the Group level, with appropriate modifications to the metrics and their weightings. For the BU level management (including the heads of BUs and teams), the scorecards also focus on maximising synergies across BUs.

DBS also places due emphasis on the incentives of sales staff to promote the development of long-term client relationships. The majority of the sales staff is located in the Institutional Banking Group ("IBG") and the Consumer Banking Group ("CBG") including Private Banking. The performance of sales staff is assessed based on profitability and risk characteristics of origination, rather than on volume. The non-financial metrics focus on incentivising customer satisfaction, compliance with the Group's legal and risk policies, and contribution to Group objectives.

The performance of control functions (Risk, Finance, Legal, Compliance and Audit) is measured independently from the BUs that they support to avoid any conflicts of interest. Employee performance is assessed based on the achievement of their respective operational KPIs. The measurement of these KPIs is driven by the control function management, and is done independent of the performance or inputs of the BU which they support.

LEVEL AND MIX OF REMUNERATION

PRINCIPLE 8

Non-Executive Director Compensation
The remuneration for the executive director and compensation for non-executive directors, including the Chairman of the Board, reflect the scope and extent of a director's responsibilities and obligations. They are measured against industry benchmarks and are competitive. A thorough review was conducted in November to benchmark non-executive directors' compensation to reflect the market trends in global, regional and local banking sections. The results of the review, which was externally conducted, helped to establish new compensation structures that reflect such trends and in particular highlighted the increasing demands and duty of care expected from bank directors. This exercise included a review of the compensation structures in key overseas subsidiaries. The fee structure for the Board reflected on page 48 reflects the outcomes of the external review and benchmarking exercise. Shareholders will be entitled to vote on the remuneration to directors at the coming AGM.

In the new structure, the non-executive directors, with the exception of Mr Buxton, Mr Ang and Mr Ross (who are retiring at the coming AGM in 2011) will receive their compensation in the form of 70% cash and 30% in the form of time-based restricted share award pursuant to the DBSH Share Plan. Mr Menon, who is from the public service sector, will receive his director's compensation in cash payable to Directorship and Consultancy Appointments Council. Mr Koh, who stepped down from the Board on 30 April 2010, will also receive all of his director's fees in cash. Shareholders will be entitled to vote on the remuneration to directors at the coming AGM.

In terms of review of the compensation of the non-executive Chairman of the Board, not only were the detailed data and industry benchmarks taken into account, the time commitment expected from the non-executive Chairman and the appropriate time devoted to further the Chairman's Board leadership work was also considered.

A new Chairman's retainer fee has been introduced which reflects the additional time commitment required of the Chairman as he spends more time with management as a means of gathering further insight into the Group's businesses and having better oversight of the CEO's operational management. The MAS Regulations and the Guidelines call for a materially greater time commitment than has been normal in the past. This will invariably limit the number of outside board appointments the Chairman can hold. In the course of the financial year, Mr Seah stepped down from certain board and other appointments to devote time to performing his chairmanship role.

Remuneration of executive directors

Certain principles are adopted by CMDC in determining the remuneration for executive directors. Principally, the remuneration should motivate the executive directors to achieve the Group's annual and long-term goals and ensure that they are aligned with shareholders' interests. Performance-related criteria therefore play a significant role in determining executive directors' total remuneration. The criteria focus on using a balanced scorecard covering shareholders, customers, employees and risk and compliance objectives. CDMC's recommendation for each executive director's remuneration has to be endorsed by the Board.

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

As the Group seeks to foster a culture that aligns employees' interests with those of shareholders, it has put in place share-based plans to enable employees to share in the Group's success. There are three plans – the DBSH Share Plan ("Share Plan"), the DBSH Employee Share Plan ("ESP") and the DBSH Share Ownership Scheme ("SOS").

Prior to 2009, DBSH Share Option Plan ("SOP") was also part of the long-term share incentives put in place. The SOP expired on 19 June 2009 and it was not extended or replaced. The termination of SOP will not affect the rights of holders of any outstanding existing options.

Employees holding the corporate rank of Managing Director, Senior Vice President and Vice President are eligible to participate in the Share Plan. Rewards made under the Share Plan form part of an employee's annual performance remuneration, which also includes cash bonuses. The portion of the performance remuneration paid in shares increases with the amount of the performance remuneration. The allocation of such awards will be linked to performance metrics designed to deliver shareholder value.

There are vesting periods for the Share Plan, which operates like restricted shares awards. There are two elements, namely, the main award and the "kicker" award. The shares comprised in the "kicker" award constitute 20% of the shares comprised in the main award. Effective 2010, the deferral period for unvested shares was extended from a three-year period to a four-year period, showing a more prudent risk management arrangement. Henceforth, 33% of the shares comprised in the main award will vest two years after the date of grant. A further 33% will vest three years after the date of grant. The remaining 34% of the shares comprised in the main award, together with the shares comprised in the "kicker" award, will vest four years after the date of grant.

The aggregate total number of new DBS ordinary shares that may be issued under the Share Plan and SOP at any time may not exceed 7.5% of the issued ordinary shares (excluding treasury shares) of the Group.

Details of the Share Plan and SOP appear in pages 164 to 165 of the Directors' Report.

The ESP caters to employees of the Group who are not eligible to participate in the DBSH Share Plan. The allocation of such awards is made selectively linking to the contributions of an individual. There are vesting periods for the ESP. Similar to the Share Plan, the awards made under the ESP are time based. Effective 2010, the shares will vest at 33% two years after the date of grant. A further 33% will vest three years after the date of grant and the remaining 34% four years after the date of grant.

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

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DISCLOSURE ON REMUNERATION

PRINCIPLE 9

Arising from an external review of non-executive directors' compensation, a new fee structure applicable for financial year ended 31 December 2010 is proposed as set out below. The new fee structure is subject to shareholders' approval at the forthcoming AGM.

Revised Annual Fees for the Board

Board Chairman:	$500,000
Director:	$80,000

ADDITIONAL FEES FOR MEMBERSHIP IN BOARD COMMITTEES

Type of Committee	Chairman	Member
Executive Committee	$75,000	$45,000
Audit Committee	$75,000	$45,000
Board Risk Management Committee	$75,000	$45,000
Nominating Committee	$35,000	$20,000
Compensation and Management Development Committee	$65,000	$35,000
*Board Credit Committee	$35,000	$20,000

**The Board Credit Committee was disbanded in 29 July 2010 and subsumed into the Executive Committee.*

Breakdown of Directors' remuneration

The following table shows the composition of directors' remuneration for 2010. Directors who were appointed or who resigned or retired during the year are included in the table.

BREAKDOWN OF DBS DIRECTORS' REMUNERATION FOR PERFORMANCE YEAR 2010 (1 JAN 2010 – 31 DEC 2010) [1]

	Salary Remuneration $	Cash Bonus [2] $	Share Plan $	Directors' Fees [3] $	Share-based Remuneration [4] $	Others $	Total $
Piyush Gupta	1,200,000	2,693,000	4,112,400 [5]	–	–	30,701	8,036,101
Peter Seah Lim Huat	–	–	–	460,389	197,310	20,839	678,538
Ang Kong Hua	–	–	–	236,000	–	–	236,000
Andrew Robert Fowell Buxton	–	–	–	245,235	–	–	245,235
Bart Joseph Broadman	–	–	–	153,300	65,700	–	219,000
Christopher Cheng Wai Chee	–	–	–	153,090	65,610	–	218,700
Euleen Goh Yiu Kiang	–	–	–	211,679	90,719	–	302,398
Kwa Chong Seng	–	–	–	138,250	59,250	–	197,500
Ambat Ravi Shankar Menon [6]	–	–	–	210,000	–	–	210,000
John Alan Ross	–	–	–	260,500	–	–	260,500
Danny Teoh Leong Kay [7]	–	–	–	40,494	17,354	–	57,848
Koh Boon Hwee [8]	–	–	–	237,562	–	7,934	245,496

1 Refers to 2010 performance remuneration – includes fixed pay in 2010, cash bonus received in 2011 and shares granted in 2011.

2 Based on amount accrued in 2010 financial statements. Amount finalised, approved and paid in 2011.

3 Fees payable to non-executive directors for 2010, subject to shareholders' approval at the AGM on 28 April 2011. CEO, who is an executive director, will not receive Directors' fees.

4 This is to be granted in the form of DBSH shares over a 4-year vesting period after the AGM if approved by shareholders at the AGM on 28 April 2011.

5 Refers to the estimated value of DBSH shares granted in 2011 – forms part of 2010 variable performance bonus. Such shares will vest over a 4-year period.

6 Ambat Ravi Shankar Menon's Directors' fees will be paid in cash, to a government agency, the Directorship & Consultancy Appointments Council.

7 Danny Teoh was appointed Director on 1 October 2010.

8 Koh Boon Hwee retired as Chairman on 30 April 2010 and his Directors' fees will be paid in cash.

Note: Messrs Ang Kong Hua, John Alan Ross and Andrew Robert Fowell Buxton who are stepping down at the close of the AGM on 28 April 2011, will receive all of their Directors' fees in cash.

Immediate Family Member of Directors
No employee whose remuneration exceeded SGD 150,000 during the year is an immediate family member of a director or the CEO.

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

ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

PRINCIPLE 10

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

Management provides Board members with detailed reports on the Group's financial performance and related matters prior to Board meetings every quarter. The CEO and Chief Financial Officer ("CFO") provide the AC and the external auditors with a letter of representation attesting to the integrity of the financial statements at each quarter. In addition, management provides the AC with detailed financial performance reports each month.

AUDIT COMMITTEE

PRINCIPLE 11

AC had reviewed the Group's audited financial statements with management and the external auditor and is of the view that the Group's financial statements for 2010 are fairly presented in conformity with relevant Singapore Financial Reporting Standards in all material aspects, based on its review and discussions with management and the external auditor.

During the financial year, AC carried out an annual assessment of the effectiveness of the Group's internal audit function and believes that the internal audit function has good standing within the Group and is adequately resourced to fulfil its mandate.

AC makes recommendations to the Board for the appointment, re-appointment and dismissal of the external auditor including the remuneration and terms of engagement. During the course of 2010, AC reviewed and evaluated the effectiveness, independence and objectivity of the external auditor, taking consideration of the nature and extent of the non-audit services the external auditor provide to the Group.

INTERNAL CONTROLS

PRINCIPLE 12

The Group has instituted a framework that clearly defines the roles, responsibilities and reporting lines for various business units. Delegation of authority, control processes and operational procedures are documented and disseminated to staff. The Group Audit, Risk Management and Legal, Compliance and Secretariat functions provide an independent oversight of controls and risk management in the Group.

AC and BRMC have reviewed the adequacy of Group's control mechanisms, including financial, operational and compliance controls and risk management systems. The Board is of the view that the system of internal controls in place up to the date of this report is adequate for the current scope of operations of the Group.

Whistle-blowing policy
The Group has instituted a whistle blowing policy called the Group Escalation and Investigation Procedure. It provides guidelines for employees to report irregularities, impropriety, breaches of laws and regulations, information on the investigation procedure, criteria for disciplinary action including suspension for offending parties and information on the appeals process. Compliance Services and Security, which is part of Group Legal, Compliance and Secretariat, is responsible for managing this process.

In instances where an employee has reason to fear retribution, the Group provides a separate escalation channel for him to make a report to the head of Legal, Compliance, and Secretariat, the head of Group Audit or the head of Human Resources in the first instance. He may also report to the CEO or Chairman as appropriate.

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 Listing Rules covers interested party transactions in general.

All new directors are briefed on all relevant provisions that affect them. If necessary, existing credit facilities to related

Corporate Governance Report

parties are adjusted prior to a director's appointment, and all credit facilities to related parties are continually monitored. Checks are conducted before the Group enters into credit or other transactions with related parties to ensure compliance with regulations.

The Group has granted credit facilities to the following related parties in the ordinary course of business on normal terms and conditions. The outstanding amounts of these credit facilities and the estimated value of collateral as at 31 December 2010 are as follows:

Credit facilities (In $ millions)	**credit facilities granted to**	**contingent credit facilities granted to**	**Estimated value of collaterals**	**Deposits received by the Group**
Granted to/received from:				
DBSH Directors and their related entities	6	–	71	–
Companies with DBSH Directors represented on their boards	691	27	–	–
Bank related companies [1]				
engaged in financial activities	3,335	167	–	2,012
engaged in non-financial activities	245	2	515	2,465

Notes:

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

As required under the SGX Listing Rules, the following are details of interested person transactions in 2010:

Name of Interested Person	**Aggregate value of all Interested Person Transactions during 2010 (excluding transactions less than $100,000)**
Transactions for the Purchase of Goods and Services	
Certis CISCO Security Pte Ltd Group	5,603,242
Mapletree Investments Pte Ltd Group	377,395
Starhub Ltd Group	468,768
Singapore Telecommunications Limited Group	33,643,313
SMRT Corporation Ltd Group	6,759,683
Singapore Airlines Limited Group	4,669,000
Total Interested Person Transactions ($)	**51,521,402**

Dealings in securities

The Group has adopted more stringent "black-out" policies than prescribed under Rule 1207(18)(C) issued by the SGX Listing Rules. DBS directors and employees are prohibited from trading in DBS securities one month before the release of the half-year and full-year results and three weeks before the release of the first quarter and third quarter results. In addition, directors and officers are prohibited at all times from trading in DBS securities if they are in possession of material non-public information. Employees with access to price-sensitive information in the course of their duties must obtain prior approval to trade in any securities listed in Singapore and Hong Kong. Such employees are also instructed to trade through the Group's stock broking subsidiaries. In addition, business units and subsidiaries engaging in proprietary trading and discretionary trading of securities on behalf of customers are restricted from trading in DBS securities during the black-out period.

However, the black-out restriction would not apply to situations where business units and subsidiaries are engaged in discretionary trading of securities on behalf and for the benefit of customers, for example, execution of transactions for collective investment schemes and discretionary portfolios managed by DBS Asset Management Ltd, the fund management arm of the Group.

INTERNAL AUDIT

PRINCIPLE 13

Internal Audit is a function that is independent of the activities it audits. The objective, scope of authority and responsibility of Group Audit are defined in the Group Audit charter, which is approved by AC.

In DBS, Group Audit reports functionally to the Chairman of AC and administratively to the CEO. AC approves the appointment and dismissal of head of Group Audit including performance evaluation and compensation.

Group Audit's responsibilities include:

(i) Evaluating the reliability, adequacy and effectiveness of the Group's system of internal controls, risk management processes and governance processes.

(ii) Reviewing the internal controls of the Group to ensure prompt and accurate recording of the transactions and proper safeguarding of assets.

(iii) Providing an independent assessment of the Group's quantitative and judgemental credit management processes, portfolio strategies and portfolio quality.

(iv) Reviewing whether the Group complies with laws and regulations and adheres to established policies, and 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 assessment framework, where Group Audit assesses and determines the level of inherent risk and control effectiveness of each auditable entity in the Group. The assessment covers the risks arising from new lines of business or products. Audit projects are planned based on the results of the assessment, with priority given to auditing the higher risk areas. The appropriate and adequate resources are then deployed to complete the plan and subsequently reviewed and approved by the AC.

Group Audit has unfettered access to AC, the Board and senior management where necessary, as well as the right to seek information and explanation.

To align with the leading practice, Group Audit has established a quality assurance and improvement programme that covers all aspects of its audit activity, which conforms to the *International Standards for the Professional Practice of Internal Auditing.* The programme includes periodic internal quality assurance reviews, self-assessments and stakeholder surveys. External quality assessments are also carried out at least once every five years by qualified professionals from an external organization.

Critical audit reports containing issues identified and corrective action plans are reported to AC and senior management. The progress of the corrective action plans is monitored through a centralised Group-wide issue management system. Information on outstanding issues is included in periodic reports sent to AC, the Chairman of the Board, senior management and all Group heads.

The regulators and the external auditor are also apprised of all relevant audit matters. Group Audit also works closely with the external auditor and meets on a regular basis to discuss matters of mutual interest, to strengthen working relationships and to coordinate audit efforts.

COMMUNICATION WITH SHAREHOLDERS

PRINCIPLE 14

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

During the year, management met more than 500 local and foreign investors at more than 350 meetings. It participated in 12 local and foreign investor conferences and non-deal road shows.

The Group embraces and commits to fair, transparent and timely disclosure policy and practices. All price-sensitive information or data are publicly released, prior to individual sessions held with investors or analysts. The announcements are posted on its website, which also has contact details for investors to address their queries.

SHAREHOLDERS' PARTICIPATION

PRINCIPLE 15

The Group views the AGM as an opportune forum for retail investors to meet the Board, chairpersons of the AC, NC, CMDC and certain members of senior management. Under the Articles and Association, ordinary shareholders are entitled to attend and vote at the annual general meetings by person or proxy. A shareholder may appoint up to two proxies, who need not be shareholders of DBSH. Before the AGM begins its formal proceedings, the CFO presents the Group's financial performance for the preceding year to shareholders. The Group's external auditor is also available to answer shareholders' queries.

In accordance with the recommendations contained in the Code, resolutions requiring shareholder approval are tabled separately for adoption at the AGM unless they are closely related and are more appropriate to be tabled together.

At AGMs, the Chairman plays a pivotal role in fostering constructive dialogue between shareholders and the Board members.