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.

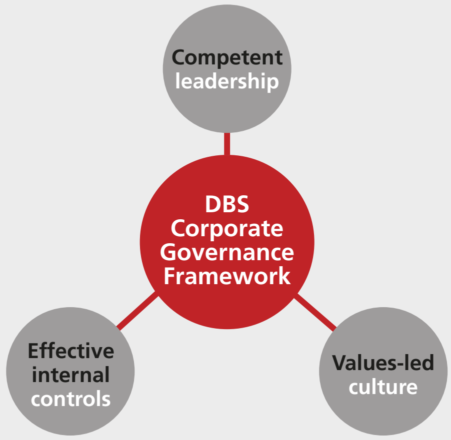
Governance highlights

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).



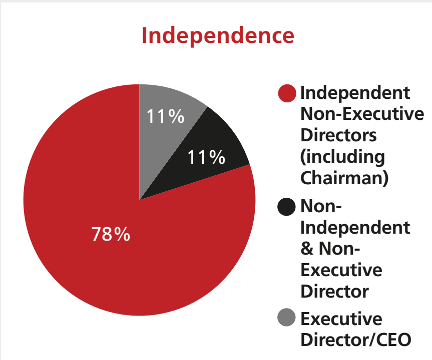
Where to find key information on each Director?

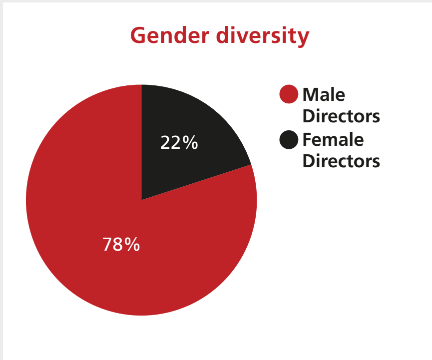
In this Annual Report:
- Pages 61 to 62 – Directors' independence status, appointment dates, meeting attendance and remuneration details
- Pages 180 to 184 – Director's length of directorship, academic and professional qualifications and present and past directorships

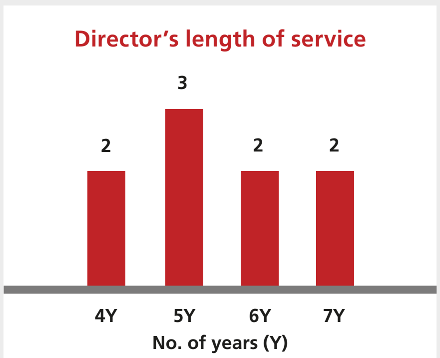
At our website (www.dbs.com):
- Director's biodata

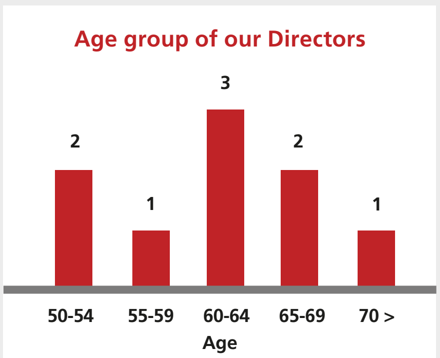
Key features of our Board

- 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









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

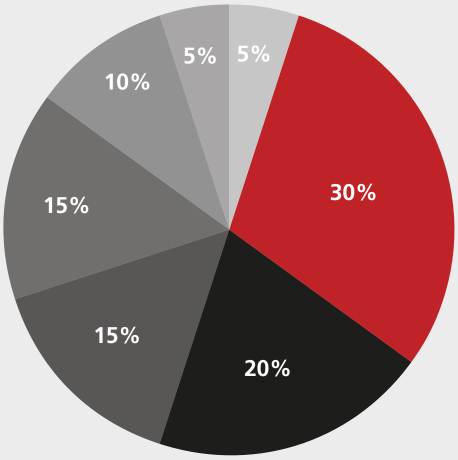
The role of the Chairman of DBSH requires significant time commitment. Mr Peter Seah performs a key role as an ambassador for the Group in our dealings with various stakeholders as well as ensuring effective communication with our shareholders. Mr Peter Seah regularly represents DBS in official external 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 • 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.



How the Board spent its time in 2015

- Strategy
- Feedback from the Board committees
- Governance
- Business and operations updates, market and competitive landscape review
- Financial performance and significant financial updates
- Directors' training
- Board networking and engagement

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) • Four out of five members including NC Chairperson are Non-Executive and Independent Directors (INED)	• Mr Peter Seah (Chairperson) • Ms Euleen Goh • Mr Ho Tian Yee • Mrs Ow Foong Pheng • Mr Danny Teoh
Board Executive Committee (EXCO)	• Three members • Two out of three members including EXCO Chairperson are INEDs	• Mr Peter Seah (Chairperson) • Mr Piyush Gupta • Ms Euleen Goh
Audit Committee (AC)	• Five members: All NEDs • Four out of five members including AC Chairperson are INEDs	• Mr Danny Teoh (Chairperson) • Mr Peter Seah • Mr Nihal Kaviratne • Mrs Ow Foong Pheng • Mr Andre Sekulic
Board Risk Management Committee (BRMC)	• Six members: All INEDs including BRMC Chairperson	• Ms Euleen Goh (Chairperson) • Mr Peter Seah • Dr Bart Broadman • Mr Ho Tian Yee • Mr Nihal Kaviratne • Mr Danny Teoh
Compensation & Management Development Committee (CMDC)	• Four members: All INEDs including CMDC Chairperson	• Mr Peter Seah (Chairperson) • Dr Bart Broadman • Ms Euleen Goh • 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 *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**	**Total**	**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 *Non-Executive and Independent Chairman* • Chairman since 1 May 10 • Board member since 16 Nov 09 • 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 *Non-Executive and Independent Director* • Board member since 17 Dec 08 • Last re-elected on 28 Apr 14	5	–	–	–	3	3	1	1	**Total: 219,000**	153,300	65,700	–
Ms Euleen Goh, 60 *Non-Executive and Independent Director* • Board member since 01 Dec 08 • 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 *Non-Executive and Independent Director* • Board member since 29 Apr 11 • Last re-elected on 28 Apr 14	5	4	–	–	4	–	1	1	**Total: 208,500**	145,950	62,550	–
Mr Nihal Kaviratne, 71 *Non-Executive and Independent Director* • Board member since 29 Apr 11 • Last re-appointment on 23 Apr 15	5	–	–	5	4	–	1	1	**Total: 250,500**	175,350	75,150	–
Mr Andre Sekulic, 65 *Non-Executive and Independent Director* • Board member since 26 Apr 12 • Last re-elected on 23 Apr 15	5	–	–	5	–	3	1	1	**Total: 265,000**	185,500	79,500	–
Mr Danny Teoh, 60 *Non-Executive and Independent Director* • Board member since 1 Oct 10 • 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 *Non-Executive and Non-Independent Director* • Board member since 26 Apr 12 • Last re-elected on 23 Apr 15	5	4	–	5	–	–	1	1	**Total: 213,500[d]** 213,500[d]	–	–
Mr Piyush Gupta, 56 *Executive Director/CEO* • Board member since 9 Nov 09 • 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.

		Responsibility	Function	Key activities
Board **CEO** **Senior Management** **Provides oversight of the 3 lines of defence**	**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 • Ensure close linkage between total compensation and our annual and long-term business objectives as measured through the balanced scorecard • 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 • 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 • 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 • Paid in cash monthly • Typically reviewed annually
Variable pay	**Cash bonus & long-term incentive**	• Provide a portion of total compensation that is performance-linked • Focus employees on the achievement of objectives which are aligned to value creation for our shareholders and multiple stakeholders • Align to time horizon of risk	• Based on overall Group, business or support unit and individual performance • Measured against a balanced scorecard which is agreed to at the start of the year • Awards in excess of a certain threshold are subject to a tiered deferral rate that ranges from 20% to 60% • 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) • Deferred awards vest over four years • 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: • Risk adjustment through review of Returns on Risk-Adjusted Capital (RoRAC) • Distribution of earnings between employees and shareholders	Modulated by our performance against balanced scorecard • Comprises financial and non-financial metrics encompassing employees, customers, shareholders, risks and compliance objectives • 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 • 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 • Performance measurement through balanced scorecard	Individual variable pay determined based on individual performance • 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

- Foster a culture that aligns employees' interests with shareholders
- Enable employees to share in the bank's performance
- Talent retention

Award types

- Annual Deferred Remuneration
  - DBSH Share Plan ("Share Plan") for Vice President & above
  - DBSH Employee Share Plan ("ESP") for Assistant Vice President & below
- 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

Main Award
- 33% vest two years after grant date
- Another 33% vest three years after grant date
- Remaining 34% vest four years after grant date

Retention Award
- 100% vest four years after grant date

Clawback of unvested awards

Clawback will be triggered by
- Material violation of risk limits
- Material losses due to negligent risk-taking or inappropriate individual behaviour
- Material restatement of DBS' financials due to inaccurate performance measures
- 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.

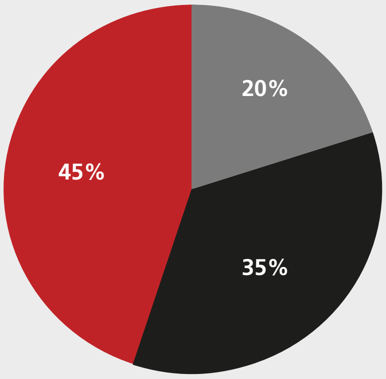
It is aimed at incentivising employees whose decisions can have a material impact on DBS to adopt appropriate risk behaviours. These employees include senior management, key personnel at business units and senior control staff. We define this group of staff based on their roles, quantum of their variable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

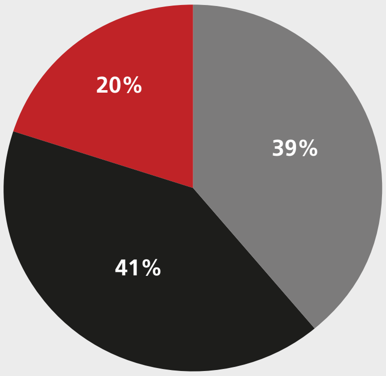
During the year, we recorded strong performance against the balanced scorecard. Against a backdrop of slow global growth and significant market volatility, we managed to grow the DBS franchise. Net interest margin was at a multi-year high, while fee income grew 6% from a year ago. The bank's solid performance 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



Material risk takers



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

- **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 Delegation of authority, by the Board to any Board committee, to make decisions on certain Board matters	Pages 53 to 59
Guideline 1.4 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 The type of material transactions that require Board approval under guidelines	Page 60
Guideline 1.6 The induction, orientation and training provided to new and existing Directors	Page 55
Guideline 1.16 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 Compliance with the guideline on proportion of independent Directors on the Board	Pages 54 to 55
Guideline 2.3 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 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 (a) The Board's policy with regard to diversity in identifying Director nominees (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 (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 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 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 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 (a) The maximum number of listed company Board representations which Directors may hold should be disclosed (b) Reasons for not determining maximum number of listed company Board representations (c) Specific considerations in deciding on the capacity of Directors	Page 55
Guideline 4.6 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 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 Resignation or dismissal of key appointment holders	Not applicable
Guideline 4.14 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 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 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 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 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 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 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: Page 72 For the Company's other Directors: Pages 61 to 62
Guideline 9.2 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: Page 73 For the Company's other Directors: Pages 61 to 62
Guideline 9.3 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 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 Details and important terms of employee share schemes	Pages 70, 174 and 175
Guideline 9.6 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 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 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 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 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 The existence of a whistle-blowing policy should be disclosed in the Company's Annual Report	Page 66
Guideline 12.8 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 Whether the Company has an internal audit function	Pages 57 and 64
Guideline 15.4 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 Where dividends are not paid, companies should disclose their reasons	Not applicable
Guideline 17.4 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 **2** Risk-taking and our business segments	82 82	Capital management and planning	109	**1** Introduction **2** Capital adequacy **3** Exposures and risk-weighted assets (RWA)
Risk governance	**3** Risk governance	83 84	Corporate governance report	48	
Risk Appetite	**4.1** Risk constraining thresholds and use of economic capital **4.2** Stress testing	85 86	Remuneration report	68	
Credit risk	**5.1** Credit risk management at DBS **5.2** Credit risk mitigants **5.3** Internal credit risk models **5.4** Credit risk in 2015	86 89 89 91	**Note 14** Financial assets and liabilities subject to netting agreement **Note 40.1** Maximum exposure to credit risk **Note 40.2** Loans and advances to customers **Note 40.3** Credit quality of government securities and treasury bills and bank and corporate debt securities **Note 40.4** Credit risk by geography and industry	131 156 157 161 161	**4.1** Credit risk assessed using internal ratings-based approach **4.2** Credit risk assessed using standardised approach **4.3** Credit risk mitigation **4.4** Counterparty credit risk-related exposures **5** Equity exposures under IRBA **6** Securitisation exposures **7.1** Credit exposures **7.2** Major credit exposures by geography and industry **7.3** Loans and advances to customers (by performing/non-performing) **7.4** Movements in specific and general allowances
Market risk	**6.1** Market risk management at DBS **6.2** Market risk in 2015	94 95			**7.6** Interest rate risk in the banking book **7.7** Equity exposures in the banking book
Liquidity risk	**7.1** Liquidity risk management at DBS **7.2** Liquidity risk in 2015 **7.3** Liquid assets **7.4** Regulatory requirements	96 98 99 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 **8.2** Operational risk in 2015	100 101			
Reputational risk	**9.1** Reputational risk management at DBS **9.2** Reputational risk in 2015	102 102			

(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.

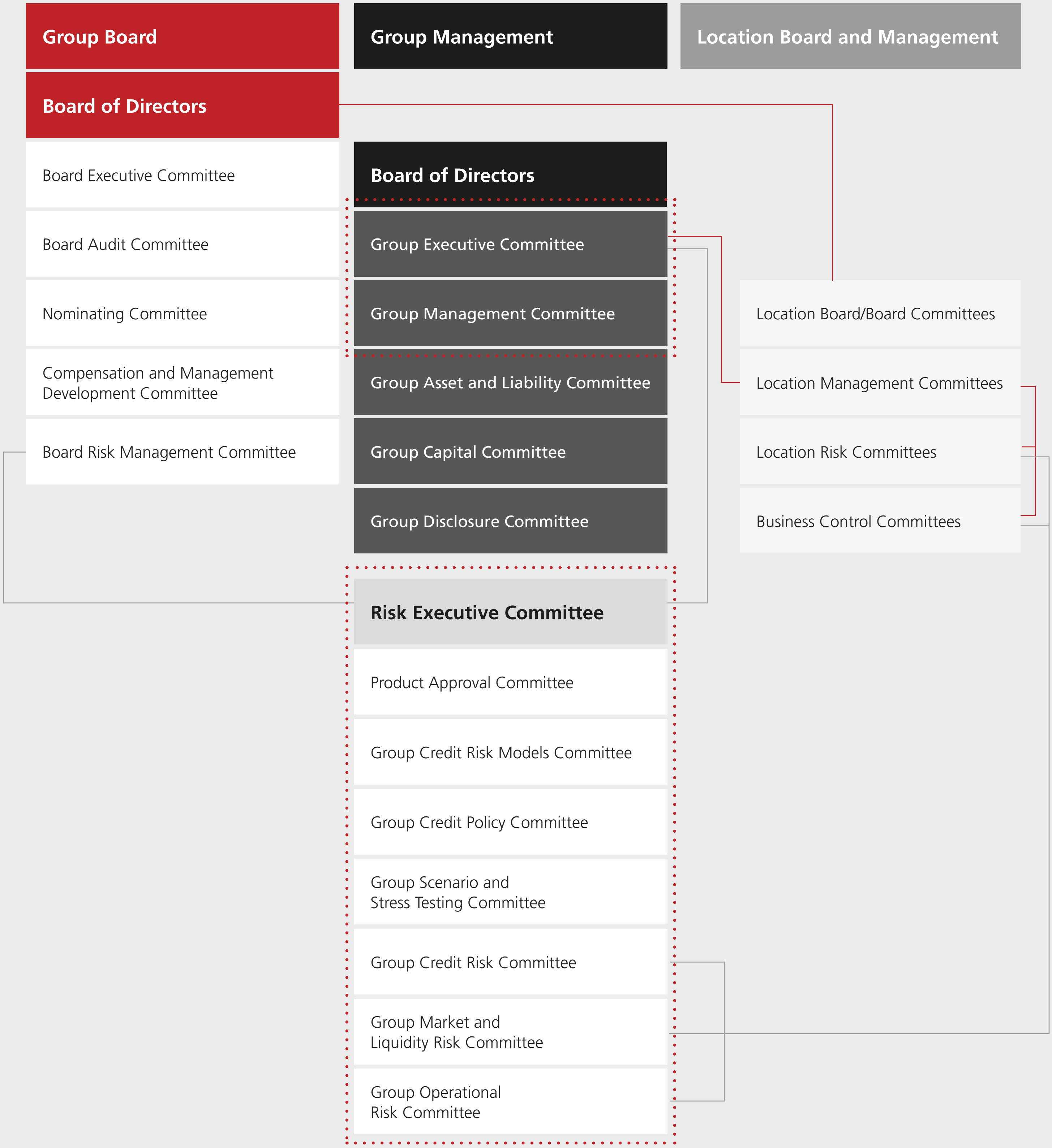
	Consumer Banking/ Wealth Management	Institutional Banking	Treasury	Others[(a)]	Total
SGD million					
Assets[(b)]	90,685	224,196	91,257	46,579	452,717
Risk-weighted assets	32,868	160,278	60,270	20,613	274,029
% of RWA					
Credit risk	86%	94%	37%	72%	79%
Market risk			59%	23%	15%
Operational risk	14%	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)* Group Credit Policy Committee (GCPC)* Group Scenario and Stress Testing Committee (GSSTC)* Group Credit Risk Committee (GCRC) Group Market and Liquidity Risk Committee (GMLRC) 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. Key responsibilities: • Assess and approve risk-taking activities • Maintain oversight of the effectiveness of DBS' risk management infrastructure, including frameworks, decision criteria, authorities, people, policies, standards, processes, information and systems • Approve risk policies including model governance standards, stress testing scenarios, endorse risk models and assess performance of the risk models • Identify specific concentrations of risk • Recommend scenarios and resulting macro-economic variable projections used for enterprise-wide stress tests 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

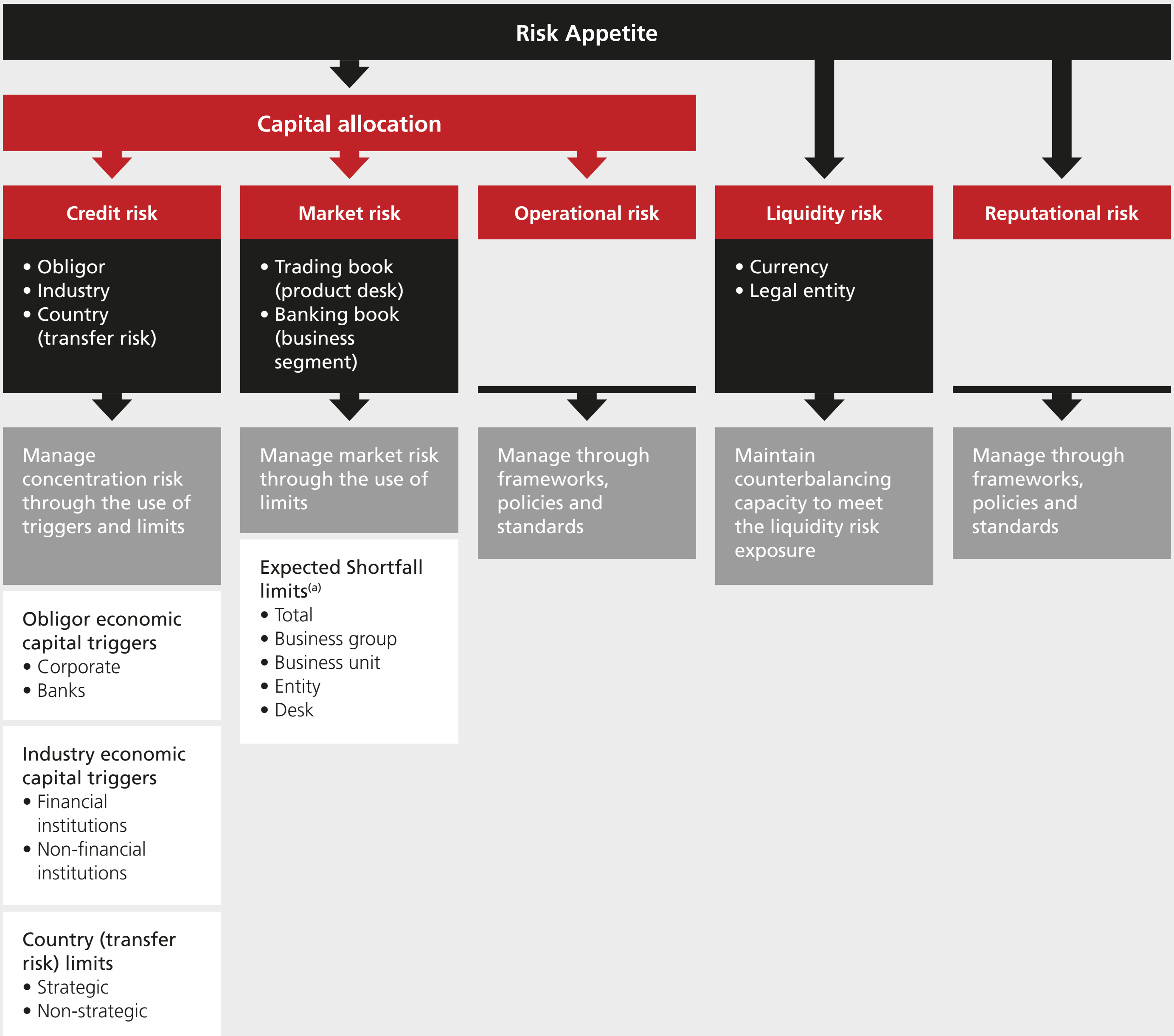
Our Risk Appetite is defined by the Risk Appetite Statement set by the Board and is governed by the Risk Appetite Framework. The framework also serves to reinforce our risk culture through 'tone from the top' articulation of risks that we are willing to accept. A strong organisational risk culture, including 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.

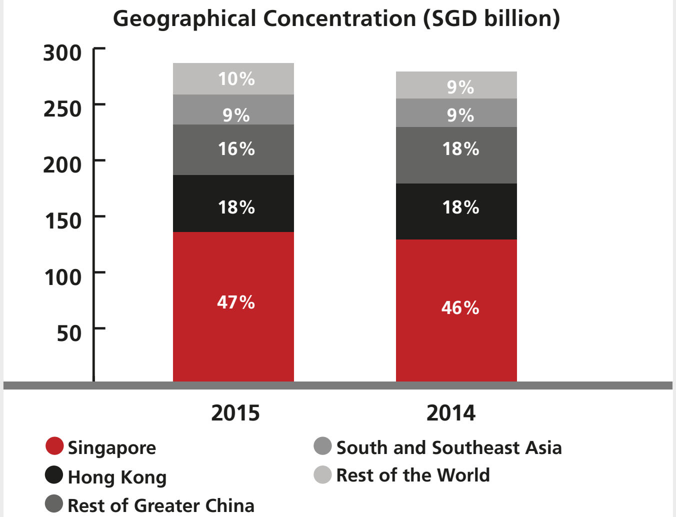
We use external ratings for credit exposures under the SA, where relevant, and we only accept ratings from Standard & Poor's, Moody's and Fitch in such cases. We follow the process prescribed in MAS Notice 637 to map the ratings to the relevant risk weights.

5.4 Credit risk in 2015

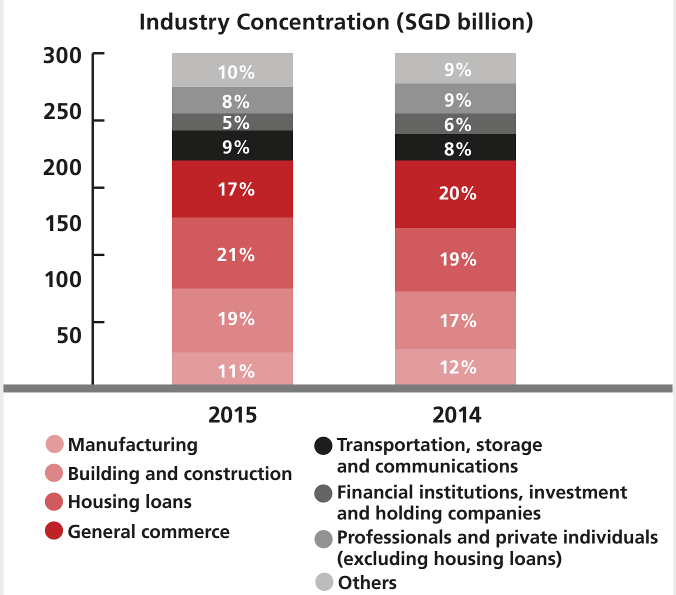
Concentration risk

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



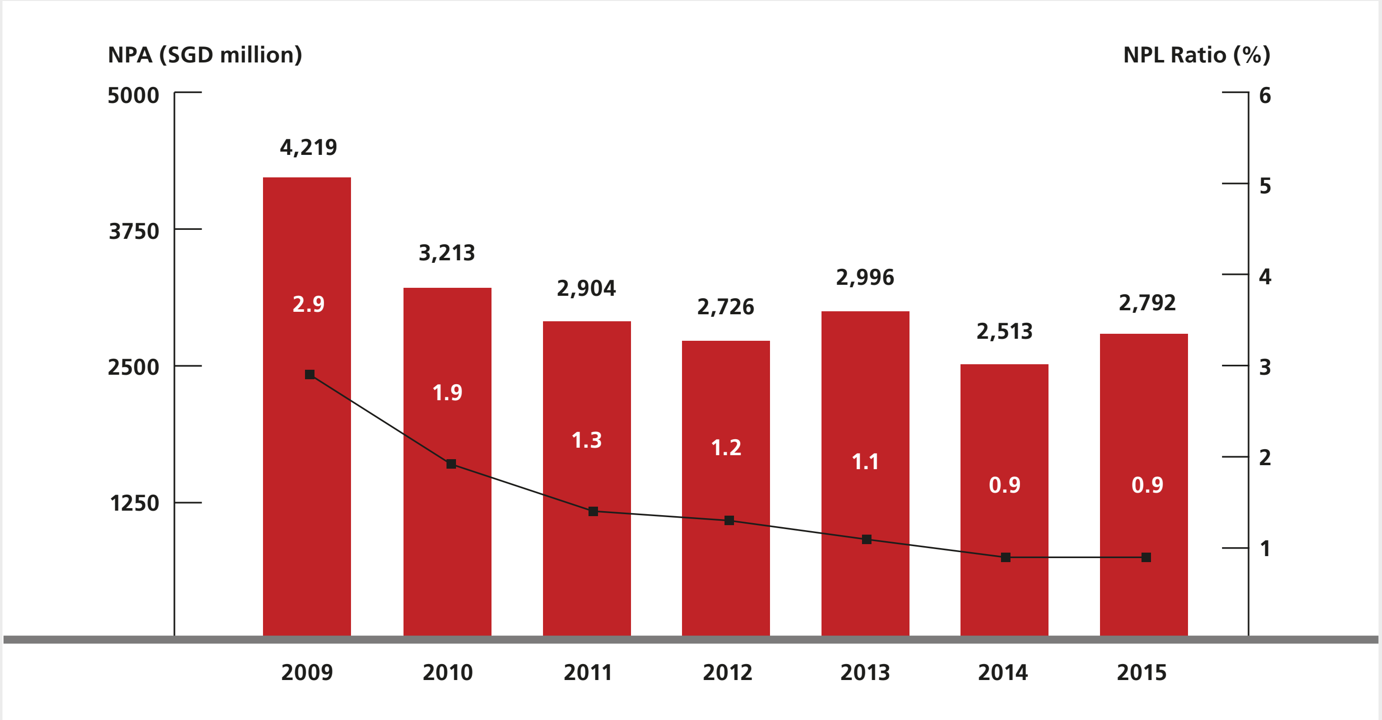
Above refers to gross loans and advances to customers based on MAS Industry Code

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.

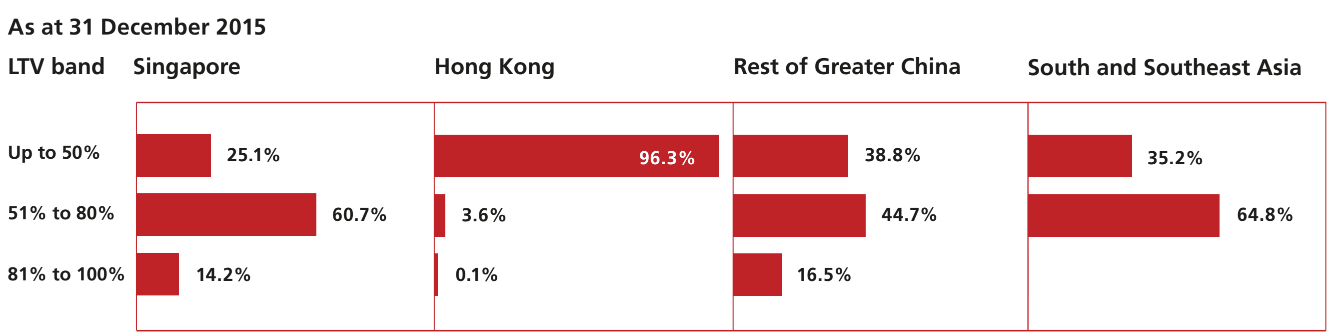


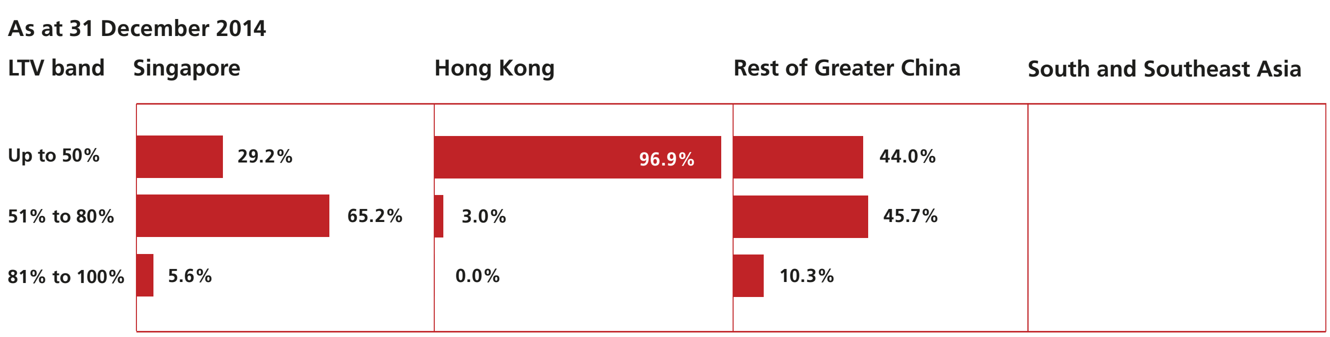
Collateral received
The tables below provide breakdowns by loan-to-value (LTV) bands for the borrowings secured by properties of the various market segments.

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





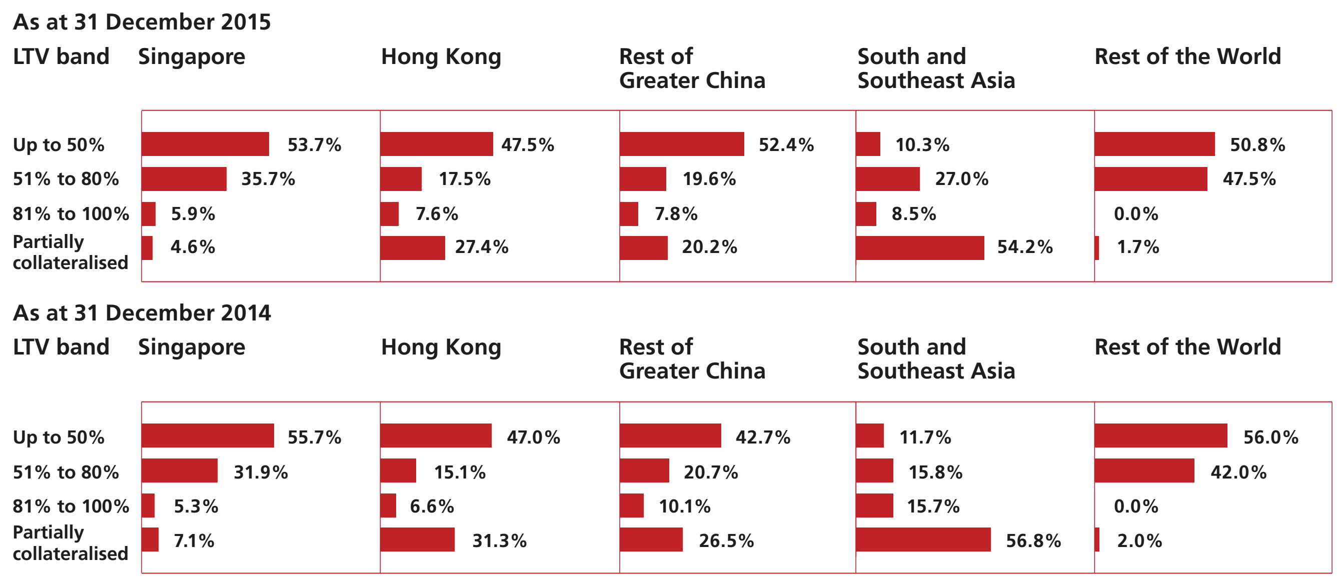
Loans and advances to corporates secured by property

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

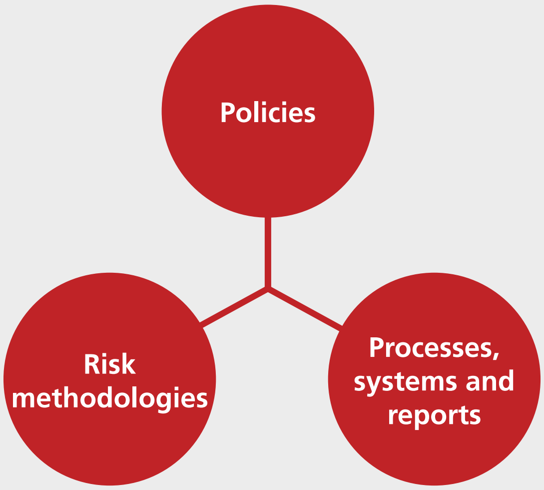
Our exposure to market risk is categorised into:

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	#

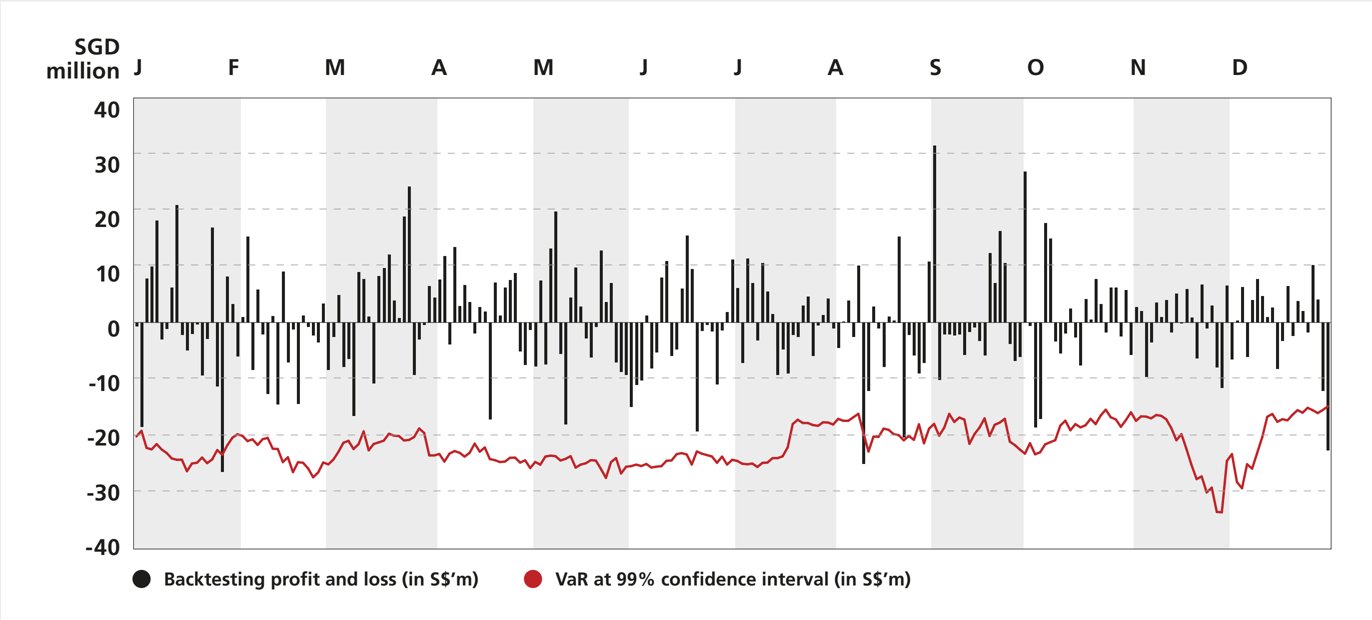
\# *Amount under SGD 500,000*

		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

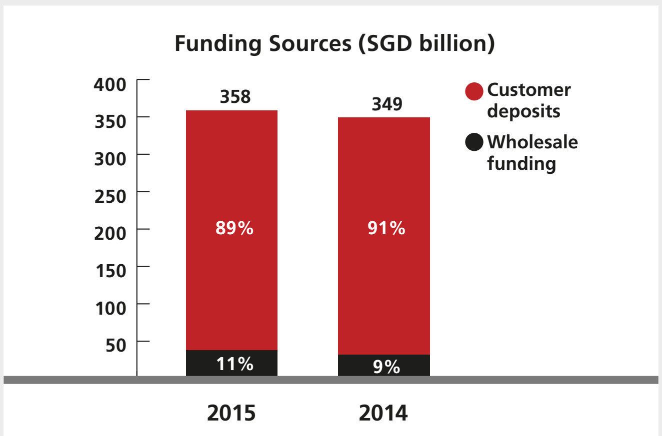
DBS' liquidity risk arises from our obligations to honour withdrawals of deposits, repayments of borrowed funds at maturity, and commitments to its customers to extend loans.

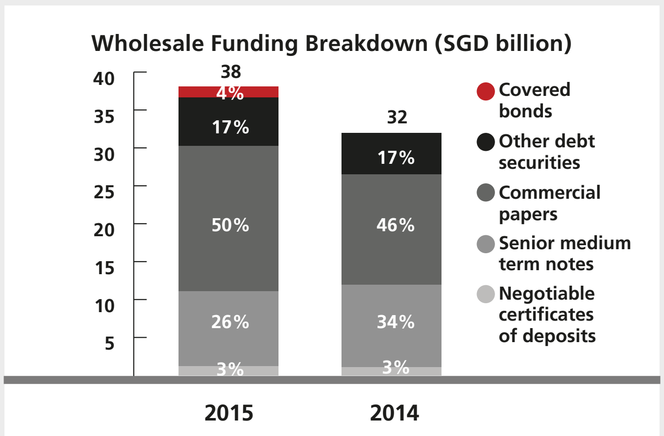
We seek to manage our liquidity in a manner that ensures that our liquidity obligations would continue to be honoured under normal as well as adverse circumstances.

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.

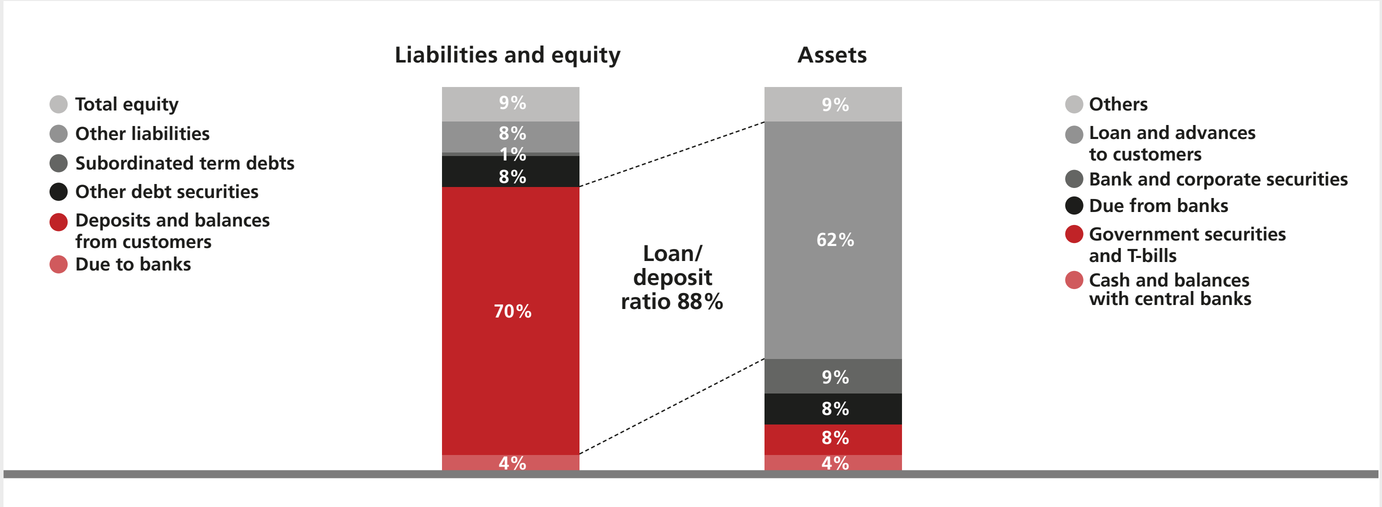




To complement core deposits, we also worked on broadening our access to wholesale funding through issuances of medium term notes, commercial papers, negotiable certificate of deposits, other debt securities and covered bonds. This gives us greater flexibility and efficiency in liquidity management. The 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.

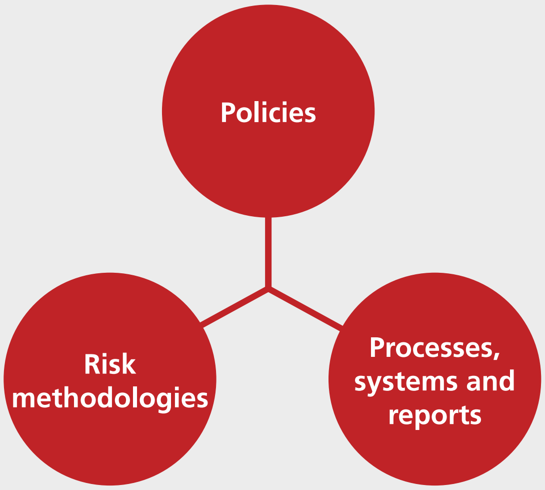
With increasing diversification of funding sources, optimising the mismatch in fund deployment against sources with respect to pricing, size, currency and tenor remains challenging. To this end, where practicable and transferable without loss in value, we make appropriate use of the swap markets for 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 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)] 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 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.

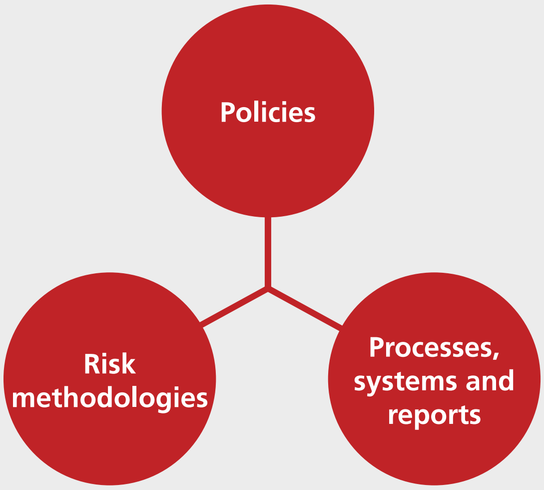
8 Operational risk

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.

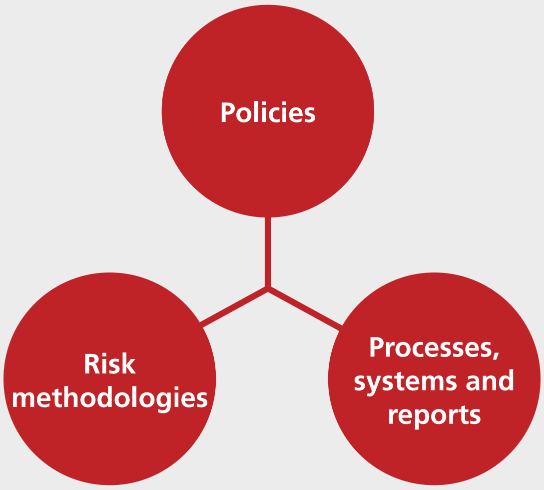
9 Reputational risk

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 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 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 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 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 (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 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

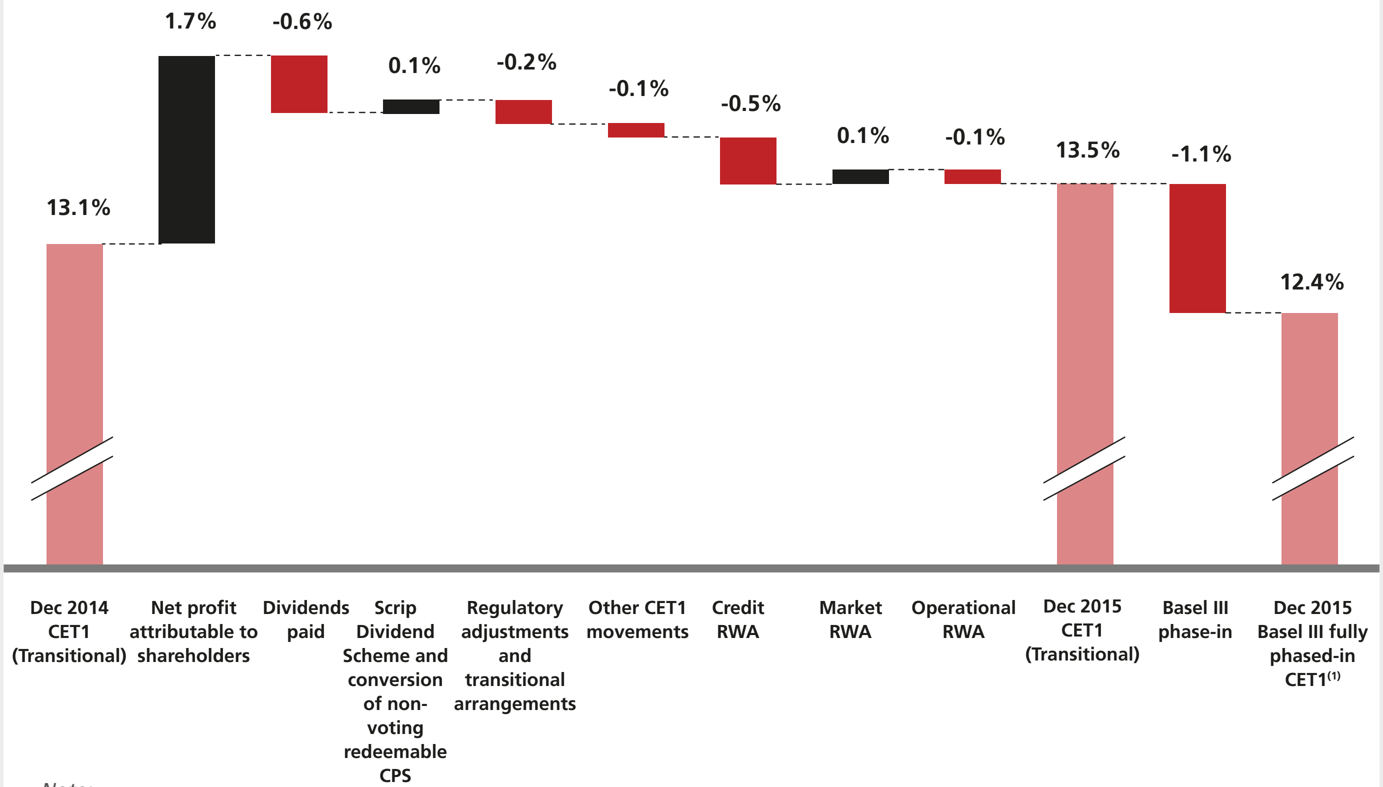
Notes:

(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).