

CORPORATE GOVERNANCE REPORT

BANK OF SINGAPORE

Corporate Governance Report

Bank of Singapore Limited (the "Bank"), formerly known as ING Asia Private Bank Limited, was acquired by Oversea-Chinese Banking Corporation Limited ("OCBC Bank") on 29 January 2010. The Bank is incorporated in Singapore and is a wholly-owned private banking subsidiary of OCBC Bank.

The Bank operates under a wholesale bank license granted by the Monetary Authority of Singapore ("MAS") and has permission from the Authority to operate an Asian Currency Unit. MAS has recently given approval for the Bank to upgrade its wholesale bank license to a full bank license. The Bank has taken measures to effect the change.

As a Singapore incorporated entity, the Bank has complied with the following instruments related to corporate governance issued by the MAS, in addition to the requirements in the Companies Act (Cap 50).

- Banking (Corporate Governance) Regulations 2005 (the "Regulations"); and
- Banking (Corporate Governance) (Amendment) Regulations 2010; and
- Guidelines on Corporate Governance for Banks, Financial Holding Companies and Direct Insurers which are Incorporated in Singapore (the "Guidelines").

These instruments provide guidance on best practices that a locally-incorporated bank should strive to achieve in relation to its corporate governance. The MAS expects banks to observe the Guidelines to the fullest extent possible. Banks that are not listed on the Singapore Exchange should disclose their corporate governance practices and explain deviations from the Guidelines in their websites.

The Banking (Corporate Governance) (Amendment) Regulations 2010 and revisions to MAS' corporate governance guidelines were issued in December 2010. The Bank has taken measures to observe the requirements, where applicable.

BOARD OF DIRECTORS

Board Composition and Independence

The Board comprises 4 independent Directors and 1 Executive Director.

The 4 independent Directors as at April 2012, namely Mr Ching Wei Hong, Mr Colm McCarthy, Mr Gilbert Kohnke and Mr Lam Kun Kin meet the criteria for independence as prescribed under the Regulations. Mr Ching Wei Hong was appointed as Chairman of the Bank on 15 April 2012 and is also the Chief Operating Officer of OCBC Bank. Mr Colm McCarthy is an independent director of OCBC Bank. Mr Gilbert Kohnke and Mr Lam Kun Kin are also members of OCBC Bank's senior management.

The members of OCBC Bank's senior management are assessed to be independent from management and business relationships with the Bank but prima facie not independent from the sole (and thus substantial) shareholder as they are under the employment of OCBC Bank. Nevertheless where the substantial shareholder is a bank incorporated in Singapore, the Regulations allow Directors of the Bank who are concurrently employees of the substantial shareholder to be treated as if they were independent from the substantial shareholder for the purpose of compliance with the Board composition provisions under the Regulations.

Mr Renato De Guzman, the Executive Director and Chief Executive Officer of the Bank is not independent from management and business relationship with the Bank.

The roles of the Chairman and the CEO are separated, which is consistent with the principle of instituting an appropriate balance of power and authority. The Chairman is required to lead and ensure that the Board conducts its roles and responsibilities effectively, through for example, setting the Board meeting agenda, ensuring that Directors receive accurate, timely and clear information, encouraging constructive relations between the Board and Management and facilitating effective contribution from all directors whilst ensuring that high standards of corporate governance are maintained.

Each member of the Board has extensive finance industry experience and thus, collectively, provides the required skills and competencies needed to effectively guide and direct the affairs of the Bank. Details of the Directors' professional qualifications and background are described on Annex 1.

As set out in the Bank's Memorandum and Articles of Association, all Directors are subject to re-nomination and re-election at least every three years. In addition, all appointments and re-appointments of Directors have to be approved by the MAS.

Board Conduct and Responsibilities

As allowed under the Regulations, the Board will, in addition to its board responsibilities, also undertake the responsibilities normally carried out by the Nominating, Remuneration and Risk Management Committees. Broadly, the responsibilities of the Board include the following:

- review and approve the Bank's overall business strategy;
- review and approve the organisation structure, developed and recommended by management;
- review and approve the Bank's remuneration framework;
- deliberate and approve the annual and interim operating plans;

- approve the annual audited accounts;
- review the adequacy of the internal financial, operational and compliance controls and risk management policies and systems established within the Bank, in line with regulatory/supervisory guidelines;
- review and approve matters that may impact on the Bank's capital adequacy; and
- review and approve matters that impact on the responsibilities of the Board towards the local regulatory/supervisory bodies and other relevant local authorities.

The Board and Audit Committee will hold a minimum of 2 meetings per year. Prior to each meeting, members will be provided with timely and complete information to enable them to fulfill their responsibilities. Information provided include background information on matters to be addressed by the Board or Audit Committee such as, copies of disclosure documents, internal financial statements, risk management reports, budgets, forecasts, and reports of variances from budgets and forecasts.

The Board will be updated on business strategy & performance, capital adequacy, internal procedures, compliance & operational matters by the Executive Director or a Management Committee member in Board meetings.

In addition to meetings, Board members have access to the Bank's Management Committee members and to the Company Secretary to obtain any information that they may require on the Bank.

Board members are free to seek independent professional advice, at the company's expense if necessary.

Board Development

The Directors attend relevant courses to familiarize themselves with the duties and obligations of a director. Where applicable, Directors will also be updated on new developments such as regulatory developments, new products, corporate governance and risk management, among other subjects, which are provided by individuals from either within or outside the Bank who are well-versed on the subject matters.

For new Directors, introductory information, briefings by senior executives on their respective areas and participation in external courses will be provided, where relevant.

Board Assessment

The Board reviews on an annual basis to ensure that its Directors remain qualified for office as prescribed under the Regulations. In addition, Directors are expected to set aside adequate time for their oversight of matters relating to the Bank. Directors, who are executives of OCBC Bank, are required to commit, as part of their duties as executives of OCBC Bank, the time required to perform their duties as directors of OCBC Bank's subsidiary companies once nominated by OCBC Bank to that position. Directors, who are directors of OCBC Bank, are subject to OCBC Bank's internal guidelines on outside commitment of directors, which ensures that directors set aside adequate time to oversee matters relating to the Group.

BOARD COMMITTEES

The Bank is exempted under the Regulations from setting up a separate Nominating, Remuneration and Risk Management Committee. An Audit Committee has been set up, as described below.

Audit Committee

The Audit Committee comprises Mr Ching Wei Hong (Chairman), Mr Colm McCarthy and Mr Lam Kun Kin, all of whom are independent Directors.

The Audit Committee performs the functions specified in the Companies Act and the Regulations.

The Board approved the terms of reference of the Audit Committee. The Committee may meet at any time but no less than two times a year with the internal auditors and external auditors. It has full access to, and co-operation from management, and has the discretion to invite any Director and executive officer to attend its meetings. It has explicit authority to investigate any matter within its terms of reference.

In addition to the review of the audited Financial Statements, the Audit Committee reviews and evaluates with the external auditors and internal auditors, the adequacy of the system of internal controls including financial, operational and compliance controls; and risk management policies and systems. It reviews the scope and results of the audits, the cost effectiveness of the audits, and the independence and objectivity of the external and internal auditors. When the external auditors provide non-audit services to the Bank, the Committee keeps the nature, extent and costs of such services under review. This is to balance the objectivity of the external auditors against their ability to provide value-for-money services. The Audit Committee also reviews significant financial reporting issues and judgments to ensure the integrity of the financial statements, and announcements relating to financial performance. The Bank has in place a whistle-blowing policy and the Audit Committee reviews concerns, including anonymous complaints, which staff may, in confidence, raise about possible improprieties in matters of financial reporting or other matters, and have the concerns independently investigated and followed-up. Formal internal audit reports are sent to the Audit Committee. The Board is also updated on these reports. Relevant matters which might affect the parent Bank and Group will be brought up to the attention of OCBC Bank's Audit Committee.

In respect of the 2011 financial year, the Audit Committee

- (a) has reviewed the audited financial statements with management, including discussions of the quality of the accounting principles applied and significant judgments affecting the financial statements;
- (b) has discussed with the external auditors the quality of the above principles and judgments;
- (c) believes that the financial statements are fairly presented in conformity with the relevant Singapore Financial Reporting Standards in all material aspects, based on its review and discussions with management and the external auditors.

Internal Audit Function

The Bank's internal audit function is carried out by OCBC's Group Audit Division, which reports functionally to OCBC Bank's Audit Committee. OCBC Group Audit Division's mission and charter, approved by OCBC Bank's Audit Committee, is to provide independent and reasonable, but not absolute, assurance that the Bank's system of risk management, control, and governance processes, as designed and implemented by senior management, are adequate and effective. Group Audit reports on the adequacy of the systems of control but does not form any part of those systems of control.

The Bank's internal audit reports are tabled at both the Bank's and OCBC Bank's Audit Committees. The Audit Committees are responsible for ensuring that processes are in place for recommendations raised in internal audit reports to be dealt with in a timely manner and outstanding exceptions or recommendations are closely monitored.

Internal Controls

The Board believes that the system of internal controls, including financial, operational and compliance controls and risk management systems, maintained by the Bank's management and that was in place throughout the financial year and up to and as of the date of this report, is adequate to meet the needs of the Bank in its current business environment.

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

DIRECTORS' ATTENDANCE AT MEETINGS

The Board convened 3 meetings in 2011, and Directors attended all meetings.

REMUNERATION POLICY

Directors' Remuneration

The Board recommends the remuneration for non-executive and independent Directors of the Bank, where applicable. Any such remuneration is subject to shareholders approval at the Annual General Meeting.

Employees' Remuneration

The total compensation package for employees comprises a fixed and variable component. In determining the composition of the package and to ensure that it is competitive, the nature of the role performed, market practice and market data are taken into consideration.

As a consequence of the financial crisis, financial institutions globally have been reviewing compensation practices to reduce incentives that encourage excessive risk taking. The Bank has put in place a remuneration framework that is largely aligned with the principles and implementation standards on sound compensation practices developed by the Financial Stability Board. It will continue to review its compensation practices to comply with the required standards, where applicable.

Directors' and Top 5 Key Executives Remuneration in 2011

Since the Bank is a wholly-owned subsidiary of OCBC Bank, and OCBC Bank is the sole shareholder, there is limited added value to provide disclosures on the remuneration of Directors and Senior Management staff other than what has already been disclosed in the financial statements.

Remuneration of Directors' Immediate Family

None of the Directors have immediate family members who are employees of the Bank and whose personal annual remuneration exceeded S\$150,000.

RELATED PARTY TRANSACTIONS

The Bank has established policies and procedures on related party transactions. The Audit Committee reviews material related party transactions and keeps the Board informed of such transactions, if any. Measures are taken to ensure that terms and conditions of related party lendings are not more favourable than those granted to non-related obligors under similar circumstances.

April 2012

ANNEX 1

MR CHING WEI HONG, CHAIRMAN

Mr Ching was first appointed to the Board on 29 January 2010 and last re-elected as a Director on 18 May 2011. He is currently COO of OCBC Bank and Head of its Global Consumer Financial Services and responsible for the OCBC Bank's consumer banking business. In OCBC Bank, Mr Ching has held positions as CFO, Head, Group Operations and Technology, and Head, Group Transaction Banking, oversees the Finance, Operations and Technology functions, including capital management, legal and regulatory compliance, investor relations, development of the cash management & trade finance business in OCBC Bank. Mr Ching has more than 25 years of experience in regional finance, corporate banking and cash management. Before joining the Group, he was Director of Corporate Finance, Philips Electronics Asia Pacific Pte. Ltd. He also held senior regional assignments in Bank of America and was Treasurer of Union Carbide Asia Pacific. Mr Ching holds a Bachelor of Business Administration from the National University of Singapore.

MR COLM MCCARTHY, DIRECTOR

Mr McCarthy was first appointed to the Board on 15 July 2010 and elected as a Director on 18 May 2011. He has extensive banking experience, having served for 29 years with Bank of America where he last held the position of President, Bank of America, Asia, from 2001 to 2008. He held various key positions in Bank of America, including Chief Executive Officer of Singapore, Head of South Asia and Head of Southeast Asia, and was a Board Member of Bank of America's legal entities in Singapore, Malaysia, Hong Kong and Japan. He is presently a Director of OCBC Bank, Wheelock Properties (S) Ltd and The Irish Chamber of Commerce Singapore. He holds a Bachelor of Commerce and a Master of Business Studies from University College Dublin.

MR RENATO DE GUZMAN, DIRECTOR AND CHIEF EXECUTIVE OFFICER

Mr de Guzman was first appointed to the Board on 17 April 2001 when the Bank was part of the ING Group and elected as a Director of BOS on 7 June 2010. He is an accomplished banker with more than 30 years of extensive banking experience. He has been instrumental in growing the private banking business in Asia where he was the Chief Executive Officer of ING Private Banking Asia from 2000. He was also Country Manager for ING Barings in Manila from 1990 to 2000. Mr de Guzman holds a Bachelor of Science in Management Engineering from Ateneo de Manila University, a Masters in Business Administration (with distinction) from Katholieke Universiteit Leuven, Belgium and a Masters in Management from McGill University, Canada.

MR GILBERT KOHNKE, DIRECTOR

Mr Kohnke was first appointed to the Board on 29 January 2010 and elected as a Director on 7 June 2010. He is currently Head of OCBC Bank Group Risk Management. As Chief Risk Officer, he covers full spectrum of risk, including Credit, Information Security, Liquidity, Market and Operational risk management. He has more than 20 years of banking experience. Prior to joining OCBC Bank, he was Head of Risk Management for Asia at Canadian Imperial Bank of Commerce, and subsequently, Head of European Portfolio Management of CIBC

based in London. He holds a BA in Economics from the University of Western Ontario, a Bachelor of Commerce in Accounting from the University of Windsor, Ontario and a Master of Business Administration from the University of Hawaii.

MR LAM KUN KIN, DIRECTOR

Mr Lam was first appointed to the Board on 9 February 2012. He is currently Head, Global Treasury and Investment Banking of OCBC Bank and has global responsibility for OCBC's financial market businesses and asset liability management in Singapore, Malaysia and seven other overseas markets. He is also a director for OCBC Securities Pte Ltd and a member of Great Eastern Group Asset Liability cum Investment Committee. He has more than 24 years of business experience covering global fund management, global markets sales and trading and Asian emerging market management. Prior to joining OCBC, he held various senior positions in the Government of Singapore Investment Corporation, Citibank, N.A. and Temasek Holdings, and was a Managing Director of Asia Financial Holdings, a subsidiary of Temasek Holdings. He holds a Bachelor of Business Administration with honours from the University of Singapore and is a Chartered Financial Analyst.