

BANKOFSINGAPORE

Asia's global private bank

A subsidiary of OCBC Bank

CORPORATE GOVERNANCE REPORT

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Bank of Singapore Limited (the "Bank"), is incorporated in Singapore and is a wholly-owned private banking subsidiary of Oversea-Chinese Banking Corporation Limited ("OCBC Bank").

The Bank operates under a full bank license granted by the Monetary Authority of Singapore ("MAS").

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
- Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are Incorporated in Singapore (the "Guidelines").

These instruments provide rules and guidance on best practices that a locally-incorporated bank should strive to achieve in relation to its corporate governance. The Bank has complied with all the Regulations and has taken measures to observe the Guidelines, where applicable.

BOARD OF DIRECTORS

Board Composition and Independence

The Board currently comprises 4 independent Directors, 1 non-independent Director and 1 Executive Director.

Mr Ching Wei Hong, the Bank's Chairman (and also OCBC Bank's Chief Operating Officer) had served as a director of the Bank since January 2010. In accordance with the Regulations, he is now considered non-independent having served on the Board for more than 9 years. While the Guidelines note that a Lead Independent Director (LID) should be appointed when its Chairman is non-independent, the Bank will not appoint a LID because OCBC Bank is the Bank's sole shareholder and the Board comprises a majority of directors who are independent from the Bank.

The 4 independent Directors, namely Mr Quah Wee Ghee, Mr Samuel Tsien, Mr Vincent Choo and Mr Lam Kun Kin meet the criteria for independence as prescribed under the Regulations. Mr Quah Wee Ghee is also an independent director on the board of OCBC Bank. Mr Samuel Tsien is the Chief Executive Officer (CEO) of OCBC Bank and Mr Vincent Choo and Mr Lam Kun Kin are members of OCBC Bank's senior management.

Executives of OCBC Bank 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.

The Bank's sole Executive Director is Mr Bahren Bin Haji Sha'ari, who was appointed as the Bank's Chief Executive Officer and Executive Director with effect from 1 February 2015.

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.

The Board reviews the nomination and reasons for resignations of key appointment holders, including Directors, CEO, Deputy CEO, Chief Financial Officer (CFO) and Chief Risk Officer (CRO). It will consider the candidate's profile and qualities for appointment. All such appointments are subject to MAS approval. In accordance with the Bank's Constitution, a new Director will hold office until the next AGM, and if eligible, the Director can stand for re-election.

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 Constitution, 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;
- review any transaction for the acquisition or disposal of assets that is material to the Bank; 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 fulfil their responsibilities. Information provided include background information on matters to be addressed by the Board or Audit Committee, such as corporate governance updates, financial statements and operating plans, risk management reports and reports from the external and internal auditors.

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 at 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

On a continuing basis, 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 and the impact on business, 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. The Directors participate in external courses as and when needed.

For new Directors, introductory information, briefings by senior executives on their respective areas and participation in external courses will be provided, where relevant. This enables new Directors to be familiar with the Bank's business, governance practices and be acquainted with management. The Bank funds the training and development for existing and new Directors that it arranged.

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. Generally a Director who has full time employment in any organisation, shall have appointment in no more than 3 other listed company, while a Director who has no full time employment, shall have appointments in no more than 6 other listed companies.

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 Vincent Choo (Chairman), Mr Ching Wei Hong, Mr Lam Kun Kin, Mr Quah Wee Ghee and Mr Samuel Tsien, all of whom are independent Directors.

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

The Board approves the terms of reference of the Audit Committee. The Committee may meet at any time but no less than 2 times a year with the internal 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 and internal auditors, the adequacy and effectiveness of the system of internal controls including financial, operational, compliance and information technology 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 aggregate amount of fees paid to the external auditor for FY2018 and breakdown of total fees paid for audit and non-audit services, respectively, are shown in the Financial Statements. 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 the policy as well as the arrangements by which staff or any other persons 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 2018 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 auditor 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 auditor.

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 and effectiveness 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.

Risk Management and Internal Controls

The Board approves the appointment, resignation or dismissal of the Chief Risk Officer or its equivalent.

The Board has received assurance from the CEO and CFO on the effectiveness of the Bank's risk management and internal control system, and that the financial records have been properly maintained and the financial statements give a true and fair view of the Bank's operations and finances.

Based on the internal controls established and maintained by the Bank, work performed by the internal and external auditors, and reviews performed by management and Audit Committee, the Board, with the concurrence of the Audit Committee, is of the opinion that the system of internal controls, including financial, operational, compliance and information technology controls and risk management systems, were adequate as at 31 December 2018, to address the risks which the Bank considers relevant and material to its operations.

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 held 4 meetings in 2018. The attendance rate was high.

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 Bank adopts a total compensation philosophy in rewarding employees. The level of total compensation is designed to be appropriate to attract, retain and motivate employees to contribute their best. In determining the total compensation of employees, the Bank takes into account the role and its responsibilities, the individuals' and teams' performance, and the Bank's performance, as well as market factors.

Factors such as profitability, compliance and risk, and achievement of key performance indicators are taken into consideration in determining the bonus pool for the Bank and its business units. Individual bonus allocation takes performance ratings and performance against various set of objectives into consideration.

The total compensation package for employees comprises a fixed and variable component. Fixed pay comprises base salary and any recurring, regular allowances payable in the specific location. Variable pay comprises cash performance bonuses and deferred share awards for eligible employees. All deferred awards are subject to a 3 year vesting schedule and predefined vesting conditions according to the OCBC Deferred Share Plan rules. OCBC Bank, at its absolute discretion, may cancel all or part of the unvested variable remuneration as well as clawback all or part of vested variable remuneration, that has been granted to the employee if the employee is found to have any misconduct and/or violation of any internal control policy.

The performance of risk and other control functions are measured independently of the businesses they oversee to avoid conflict of interest. Employees in these functions are assessed based on the achievement related to their respective performance measures. Annual reviews of their compensation are compared with market levels to ensure that their compensation is competitive.

In ensuring that pay levels are market-competitive, the Bank conducts annual pay benchmarking exercises against comparable financial institutions through the use of external surveys conducted by independent consultants.

As a consequence of the financial crisis, financial institutions globally have been reviewing compensation practices to reduce incentives that encourage excessive risk taking. Material risk takers are identified by the Bank and approved by the OCBC Remuneration Committee (RC). These include senior management employees and other employees whose roles have significant impact on the long term performance of the Bank. The OCBC RC approves the compensation for material risk takers and all direct reports of the Bank's CEO. The Bank's CEO approves the compensation for all other employees.

Compensation information on the remuneration and pay mix for material risk takers will be included as part of the corporate governance disclosures in the OCBC Annual Report.

Whilst 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 on an ongoing basis to comply with the required standards, where applicable.

Remuneration of Directors, CEO and Top 5 Key Management Personnel in 2018

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, CEO and key management personnel other than what has already been disclosed in the financial statements.

Remuneration of Directors' or CEO's Immediate Family

None of the Directors and CEO have immediate family members who are employees of the Bank and whose personal annual remuneration exceeded S$50,000.

The Bank does not provide any termination, retirement and post-employment benefits to its top five key management personnel.

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.

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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 22 May 2018. He was appointed Chairman of the Board on 15 April 2012. He is currently the Chief Operating Officer (COO) of OCBC Bank, the Chairman of OCBC Securities Pte Ltd, Network for Electronic Transfers Pte Ltd as well as Deputy Chairman of Lion Global Investors Ltd. In his capacity as COO of OCBC Bank, he is responsible for the Global Wealth Management and Consumer division, focusing on building the OCBC Group's consumer banking franchise and wealth management business in its key markets in Asia. He also oversees Group Customer Experience and OCBC Bank's fintech and innovation unit, *The Open Vault at OCBC*. In his tenure with OCBC Bank, he has held senior management responsibilities across various roles including Chief Financial Officer, Head of Group Operations and Technology and Head of Transaction Banking. Mr Ching has more than 35 years of experience in regional finance, corporate banking and cash management. Before joining OCBC, 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. Age 59.

MR BAHREN BIN HAJI SHA'ARI, DIRECTOR

Mr Sha'ari was appointed to the Board on 1 February 2015 and last re-elected as a Director on 30 May 2017. He was appointed Chief Executive Officer of Bank of Singapore on 1 February 2015. From 2010 to 2015, he was the Senior Managing Director and Global Market Head of South East Asia, helping the Bank establish a market-leading position in Indonesia and Malaysia. Prior to joining Bank of Singapore, he served as the Managing Director at UBS Wealth Management, responsible for the South East Asian and Australian markets. In 2009, he joined ING Asia Private Bank as part of the management team that continued to lead the institution after it was acquired by OCBC Bank and renamed Bank of Singapore in 2010. Mr Sha'ari is a well-respected banker with more than 30 years of industry experience, and is an executive committee member of Singapore's Private Banking Industry Group which shapes the private banking competency standards of the wealth management sector. In 2016, he was conferred the Singapore Institute of Banking and Finance Distinguished Fellow award, in recognition of his significant contribution to the financial industry and outstanding leadership capabilities. He is also an alternate member of the Council of Presidential Advisers. He has been a non-executive and independent director of Singapore Press Holdings since April 2012. From 2000 to 2012, he served on the board of the Maritime and Port Authority of Singapore. Mr Sha'ari was conferred the Public Service Medal in 2008, and received the Public Service Star Medal in 2018. He holds an accountancy degree from the National University of Singapore. Age 56.

MR VINCENT CHOO, DIRECTOR

Mr Choo was appointed to the Board on 5 November 2014 and last re-elected as a Director on 30 May 2017. Mr Choo joined OCBC Bank as Chief Risk Officer and he is currently Head of Group Risk Management in OCBC Bank. As the Chief Risk Officer, he covers the full spectrum of risk, including Credit, Technology and Information Security, Liquidity, Market and Operational risk management. He reports jointly to both Group CEO and the Board Risk Management Committee of OCBC Bank. Mr Choo joined OCBC Bank from Deutsche Bank AG where his last appointment was Managing Director and Chief Risk Officer for Asia Pacific. In his 20 years at Deutsche Bank AG, he served in a number of senior roles including Head of Market Risk Management for Asia Pacific, with additional responsibilities for Traded Credit Products and Head of New Product Approval for Asia. He is a member of the board in Bank of Ningbo and a member of Management Board of NUS Risk Management Institute. He holds a Master of Arts in Economics from University of Akron, United States. Age 56.

MR LAM KUN KIN, DIRECTOR

Mr Lam was first appointed to the Board on 9 February 2012 and last re-elected as a Director on 18 May 2016. He is currently Head, Global Treasury and Investment Banking of OCBC Bank and has global responsibility for OCBC Bank's financial market businesses, asset liability management and investment banking businesses in Singapore, Malaysia, Indonesia and nine other overseas centres. He is also a Director of OCBC Securities Pte Ltd, AVIC Trust and a Member of Great Eastern Group Asset Liability cum Investment Committee. He has more than 32 years of business experience covering global fund management, global markets sales and trading, global investment banking and Asian financial market management. Prior to joining OCBC Bank, Mr Lam held various senior positions in the Government of Singapore Investment Corporation, Citibank and Temasek Holdings. Since September 2014, he has been appointed by Monetary Authority of Singapore as Co-Chairman of Singapore Foreign Exchange Market Committee, a member of Thomson Reuters Customer Advisory Board since January 2015, an Honorary Advisor in ACI Singapore since 24 June 2016 and a member of GIC Risk Committee effective 1 September 2016. He holds a Bachelor of Accountancy with honours from the National University of Singapore, is a Chartered Financial Analyst, Fellow Chartered Accountant of Singapore, IBF Distinguished Fellow and a member of Singapore Institute of Directors. Age 55.

MR QUAH WEE GHEE, DIRECTOR

Mr Quah was appointed to the Board on 1 January 2014 and last re-elected as a Director on 18 May 2016. He began his career at IBM and in 1987, joined the Government of Singapore Investment Corporation (GIC), where he last held the position of President of Public Markets. He is presently a Director of several companies, including OCBC Bank, Great Eastern Life Assurance Co Ltd and Great Eastern General Insurance Ltd. He is a member of the board of Cypress Holdings Pte, Grand Alpine Enterprise Ltd and an advisor to Wah Hin & Company Ltd, Investment Committee. He is a Founding Partner and the Chief Investment Officer of Avanda Investment Management Pte Ltd. He holds a Bachelor of Engineering (Civil Engineering) from the National University of Singapore, is a Chartered Financial Analyst, and Alumni Member of the Stanford Graduate Business School. Age 58.

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MR SAMUEL TSIEN, DIRECTOR

Mr Tsien was appointed to the Board on 1 July 2012 and last re-elected as a Director on 22 May 2018. He is currently a Director and Chief Executive Officer (CEO) of OCBC Bank. He joined OCBC Bank in July 2007 as Senior Executive Vice President, managing the Group's corporate and commercial banking business. In 2008, he assumed the position as Global Head of Global Corporate Bank with added responsibilities of overseeing the financial institution and transaction banking businesses. He has 41 years of banking experience. Prior to joining OCBC Bank, he was the President and Chief Executive Officer of China Construction Bank (Asia) when China Construction Bank acquired Bank of America (Asia). From 1995 to 2006, he was President and Chief Executive Officer of Bank of America (Asia), and Asia Consumer and Commercial Banking Group Executive of Bank of America Corporation. Mr Tsien is presently Chairman of OCBC Wing Hang Bank (China) Ltd and a Commissioner of PT Bank OCBC NISP Tbk. He also serves on the boards of major OCBC Group companies, including Great Eastern Holdings Ltd, OCBC Wing Hang Bank Limited, OCBC Bank (Malaysia) Berhad, and OCBC Overseas Investments Pte Ltd. He is also a Vice Chairman of Association of Banks in Singapore, Vice Chairman of The Institute of Banking & Finance (IBF) and Chairman of the IBF Standards Committee, member of Advisory Board of the Asian Financial Leaders Programme, member of Financial Sector Tripartite Committee, member of MAS Payments Council, MAS Financial Centre Advisory Panel, a Director of Mapletree Investments Pte Ltd and a Director of Dr Goh Keng Swee Scholarship Fund. Mr Tsien holds a Bachelor of Arts with Honours in Economics from the University of California, Los Angeles (UCLA). Age 64.