

This report describes DBS' remuneration practices and policies with reference to the principles set out in the Code of Corporate Governance.

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for fixing the remuneration packages of individual directors. No Director should be involved in deciding his own remuneration.

Level and Mix of Remuneration:

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more for this purpose. A proportion of the remuneration, especially that of executive directors, should be linked to performance.

Policy on Staff Compensation

DBSH adopts a total compensation programme for rewarding its staff of Vice President and above. This comprises base pay, variable cash bonuses, and long-term incentives in the form of stock options and performance shares.

The objectives of the compensation policy are to:

- (a) foster an ownership culture within DBSH which aligns the interests of staff with the interests of shareholders;
- (b) motivate staff to achieve desired performance standards;
- (c) make total compensation sufficiently competitive to recruit, motivate and retain quality staff.

The compensation policy takes into account pay and employment conditions within the financial industry and in comparable financial institutions, as well as DBS Group's performance and performance of individuals.

Remuneration of the Executive Directors

In determining the remuneration for executive directors, the Compensation Committee takes into account the following principles:

- (a) The remuneration should motivate the executive directors to achieve DBS Group's performance targets;
- (b) Performance-related elements of remuneration should form a significant part of their total remuneration package;
- (c) The interest of the executive directors should be aligned with shareholders of DBS; and
- (d) Remuneration is linked to the performance of DBS and individual performance.

The Compensation Committee also recommends specific remuneration packages (which includes base pay, performance-related cash bonuses and long-term share plans as described above) for each executive director for endorsement by the Board.

The employment contracts of all executive directors have clauses providing for early termination.

Policy on Directors' Fees

DBSH's policy on directors' fees is that such fees should be competitive with regional competitors and should align directors' interests with that of shareholders'. Directors receive basic directors' fees and fees for being members of the Audit Committee, the Executive Committee and the Board Risk Management Committee.

Directors are encouraged, but are not obliged, to invest half of their fees in DBSH shares and to hold not less than 50% of these shares for the duration of their respective terms. Directors' fees are approved by shareholders at the AGM.

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report.

Non-executive Directors

Non-executive directors receive a basic annual director's fee of \$40,000 each, while the Chairman receives \$50,000. Audit Committee and Board Risk Management Committee members receive \$6,000 per annum each while the Chairman of each Committee receives \$15,000. DBS Bank Executive Committee members receive \$6,000 per annum each while the Chairman receives \$10,000 (no fees are paid to DBSH Executive Committee members).

Breakdown of Directors' Remuneration

The following table shows the makeup (in percentage terms) of the average remuneration of directors, including those appointed and resigned/retired during the year. They are grouped by bands of \$250,000 for the year ended December 31, 2003.

Remuneration bands	Salary	Bonus	Directors' fees	Share options granted ⁽¹⁾	Others	Total compensation	Share options grants ⁽²⁾	Exercise price	Date of expiry
	%	%	%	%	%	%			
\$5,000,000 – \$5,249,999									
Jackson Tai	49	37	1	6	7	100	61,300	\$10.40	February 23, 2013
\$1,500,000 – \$1,749,999									
Frank Wong Kwong Shing ⁽³⁾	14	75	1	4	6	100	40,900	\$10.40	February 23, 2013
Ng Kee Choe ⁽⁴⁾	20	59	1	12	8	100	40,900	\$10.40	February 23, 2013
Below \$250,000									
S Dhanabalan	—	—	61	—	39	100	—	—	—
Bernard Chen Tien Lap	—	—	100	—	—	—	—	—	—
Fock Siew Wah	—	—	100	—	—	—	—	—	—
Gail D Fosler (Ms)	—	—	100	—	—	—	—	—	—
Tommy Koh Thong-Bee ⁽⁵⁾	—	—	100	—	—	—	—	—	—
Kwa Chong Seng	—	—	100	—	—	—	—	—	—
Moses Lee Kim Poo	—	—	100	—	—	—	—	—	—
Leung Chun Ying	—	—	100	—	—	—	—	—	—
Narayana Murthy	—	—	100	—	—	—	—	—	—
Peter Ong Boon Kwee	—	—	100	—	—	—	—	—	—
John A Ross	—	—	100	—	—	—	—	—	—
Thean Lip Ping	—	—	100	—	—	—	—	—	—
Yeo Ning Hong	—	—	100	—	—	—	—	—	—

(1) Valuation based on Black Scholes model

(2) Refers to the number of unissued DBSH ordinary shares of par value \$1 under the DBSH Share Option Plan

(3) Appointed on September 16, 2003. Remuneration stated above is for the period from September 16, 2003 to December 31, 2003.

(4) Resigned on July 1, 2003

(5) Resigned on April 21, 2003

Key Executives' Remuneration

The Code requires the remuneration of at least the top 5 key executives who are not also directors to be disclosed within bands of \$250,000.

DBS believes that disclosure of the remuneration of individual executives is disadvantageous to its business interests, given the highly competitive industry conditions, where poaching of executives has become commonplace in a liberalised environment.

Immediate Family Member of Director

The following table shows the makeup (in percentage terms) of the annual remuneration of employees who are immediate family members of directors.

Remuneration bands	Salary	Bonus	Share options granted ⁽¹⁾	Others	Total compensation	Share options grants ⁽²⁾	Exercise price	Date of expiry
	%	%	%	%	%			
>\$150,000 but <\$250,000								
Daughter of the Chairman	55	14	26	5	100	11,200	\$10.40	February 23, 2013
Sister of Mr Peter Ong ⁽³⁾	80	—	—	20	100	—	—	—

(1) Valuation based on Black Scholes model

(2) Refers to the number of unissued DBSH ordinary shares of par value \$1 each under the DBSH Share Option Plan

(3) Joined DBS on July 14, 2003

Share Plans

Details of the DBSH Performance Share Plan and the DBSH Share Option Plan (the "Plan") appear in pages 130 to 131 of the Directors' Report. In compliance with Rule 852 of the SGX Listing Manual, the following participants in the Plan received the following numbers of options:

Name of participant*	Options granted# during financial year under review	Aggregate options granted since commencement of Plan to end of financial year under review	Aggregate options exercised since commencement of Plan to end of financial year under review	Aggregate options outstanding as at end of financial year under review
Jackson Tai (Director)	61,300	348,675	0	348,675
Ng Kee Choe (former Director – retired on July 1, 2003)	40,900	405,300	0	405,300
Frank Wong Kwong Shing (Director)	40,900	356,550	0	356,550

* DBSH has no controlling shareholders and no disclosure is made in this respect

The options granted were in accordance with the terms of the Plan

During the financial year:

- (a) no options were issued to any participant totalling 5% or more of the total number of options available under the Plan;
- (b) no options were issued to any director or employee of DBSH or its subsidiaries totalling 5% or more of the total number of options available to all directors and employees of DBSH and its subsidiaries under the Plan; and
- (c) no options were granted at a discount.

The aggregate number of options granted to the directors and employees of the DBS Group for the financial year under review is 14,333,100. The aggregate number of options granted to the directors and employees of the DBS Group since the commencement of the Plan to the end of the financial year under review is 46,155,436.

Approval by Shareholders

Shareholders' approval was previously obtained for the implementation of the DBSH Share Option Plan and the DBSH Performance Share Plan. Directors' fees are also approved by shareholders at the AGM. The remuneration framework for executive directors and executives has also been approved by the Compensation Committee and endorsed by the Board. The Board considers that the remuneration framework does not need to be approved by shareholders.