

Remuneration Report

This report describes DBS' remuneration practices and policies with reference to the following 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.

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.

The Group's remuneration philosophy and policies are an integral part of its corporate strategy. We pay special attention to developing employees as the Group's most important resource and as an important stakeholder, and recognise that a transparent reward system is an important key driver of performance (although not the only one). We focus on driving desired employee behaviour and performance, supported by our transparent remuneration policy and incentive system as well as an open performance appraisal system.

Policy on Employee Remuneration

DBS' remuneration policy seeks to:

- (a) Attract and retain talented and skilled employees who are critical to the long-term success of DBS;
- (b) motivate employees to perform at the highest levels to achieve individual, business and group objectives;
- (c) support a strong performance-oriented culture at all employee levels by linking pay and reward directly to individual, unit and group performance; and
- (d) foster an ownership culture which aligns the interests of employees with the interests of shareholders.

The total compensation of each employee, which is benchmarked to market total compensation for similar job functions, consists of the following components:

- (a) base pay;
- (b) cash bonuses; and
- (c) long-term share incentives comprising DBSH performance shares and share option awards.

In determining the total compensation, individual, unit and DBS Group performance as well as market remuneration

competitiveness are taken into consideration. Market competitiveness data are obtained from external benchmarks, including market surveys.

Long-term Share Incentives – Performance Share Plan, Share Option Plan, Employee Share Plan and Share Ownership Scheme

DBSH Group has in place share-based remuneration programmes that allow its employees to share in the growth and success of DBSH Group. These plans include a DBSH Performance Share Plan ("PSP"), a DBSH Share Option Plan ("SOP"), an Employee Share Plan ("ESP") and a DBSH Share Ownership Scheme ("SOS").

Managing Directors, Senior Vice Presidents and Vice Presidents are eligible to participate in the PSP and SOP. Select high-performing Assistant Vice Presidents are eligible to participate in the SOP. The awards made under the PSP and SOP are part of the annual incentive remuneration, which comprises cash bonuses and share-based awards. The share portion (i.e., PSP and SOP) of an employee's annual incentive remuneration increases correspondingly with the amount of the employee's total annual incentive remuneration, such that employees with higher annual incentive remuneration receive a larger portion of their compensation in share-based awards.

For the PSP and SOP, vesting periods are imposed. The number of shares eventually awarded upon vesting under the PSP is based on DBS Group's performance for a three-year performance period as measured by the Group's return on equity (ROE). The aggregate total number of new DBSH ordinary shares that may be issued under the SOP and the PSP at any time may not exceed 7.5% of the issued ordinary shares of DBSH.

Employees of DBSH Group who are not eligible for the SOP or PSP are eligible to participate in the ESP and SOS. Under the ESP, employees are awarded DBSH ordinary shares when DBS Group meets certain performance targets. These awards vest after a period of three years. The SOS is a market purchase plan administered by DBS Trustee Ltd, a wholly-owned subsidiary company of DBS Bank. Under the SOS, all confirmed employees with at least one year of service can subscribe up to 10% of their monthly base pay to buy units of DBSH ordinary shares, with DBS contributing an additional 50% of what the employee contributes.

Within certain business units or countries, it is not possible to operate all or part of the above share-based remuneration programmes, typically because of securities laws and regulatory issues or market driven practices.

Policy on Directors' Fees

DBS Group's policy on Directors' fees is that it should be competitive with regional competitors and should align directors' interests with the interests of the shareholders. Directors receive basic directors' fees, and fees for being the Chairmen or members of the Executive Committee, Audit Committee and 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 annual general meeting (AGM) of DBSH.

Remuneration of Executive Directors

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

- the remuneration should motivate the executive directors to achieve DBS Group's performance targets, both annual and long-term;
- the performance-related elements of remuneration should form a significant part of their total remuneration package;
- the interest of the executive directors should be aligned with shareholders; and
- the remuneration is directly linked to the performance of DBS Group and individual performance.

The Compensation Committee recommends specific remuneration packages for each executive director for endorsement by the full Board.

Executive directors are recruited by DBS under employment contracts covering their services as employees.

These employment contracts have general clauses for termination of service as employees, rather than a specific provision for early termination. The contracts do not deal with directorship matters, which are approved separately by the Board. An executive director's term on the Board is determined by the Board.

Remuneration of Non-Executive Directors

Following a review of industry benchmarks, with effect from January 1, 2004, the basic annual fee paid to each director of DBSH is proposed to be increased from \$40,000 to \$50,000, while the annual fee paid to the Board Chairman is raised from \$50,000 to \$85,000. Fees paid to Audit, Board Risk Management and Executive Committee members are increased from \$6,000 to \$20,000 each per annum. Fees for the Chairmen of the Audit and Board Risk Management Committees are raised from \$15,000 to \$35,000 each per annum, while the annual fee for the Chairman of the Executive Committee is increased from \$10,000 to \$35,000 per annum.

The revised fee structure will be presented to shareholders for approval at the AGM on April 29, 2005.

Breakdown of Directors' Remuneration

The following table shows the breakdown (in percentage terms) of the 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, 2004.

Remuneration bands	Salary	Bonus	Directors' Fees	Share Options granted ¹	Others	Total Remuneration	Share options grants ²	Exercise Price	Date of Expiry
	%	%	%	%	%	%			
\$5,000,000–\$5,249,999									
Jackson Tai	46	44	1 ³	4	5	100	38,000	\$14.73	March 2, 2014
\$5,750,000–\$5,999,999									
Frank Wong Kwong Shing	13	78	1 ³	3	5	100	38,000	\$14.73	March 2, 2014
Below \$250,000									
S Dhanabalan	0	0	77	0	23	100	–	–	–
Bernard Chen Tien Lap	–	–	100	–	–	–	–	–	–
Fock Siew Wah	–	–	100	–	–	–	–	–	–
Gail D Fosler	–	–	100	–	–	–	–	–	–
Goh Geok Ling ⁴	–	–	100	–	–	–	–	–	–
Kwa Chong Seng	–	–	100	–	–	–	–	–	–
Moses Lee Kim Poo ⁵	–	–	100	–	–	–	–	–	–
Leung Chun Ying	–	–	100	–	–	–	–	–	–
Narayana Murthy	–	–	100	–	–	–	–	–	–
Peter Ong Boon Kwee	–	–	100	–	–	–	–	–	–
John A Ross	–	–	100	–	–	–	–	–	–
Thean Lip Ping	–	–	100	–	–	–	–	–	–
Wong Ngjit Liang ⁴	–	–	100	–	–	–	–	–	–
Yeo Ning Hong ⁵	–	–	100	–	–	–	–	–	–

1) Valuation based on Black Scholes model

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

3) Fees are not retained by directors

4) Appointed on May 3, 2004

5) Resigned on April 30, 2004

Key Executives' Remuneration

The Code requires the remuneration of at least the top five 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 breakdown (in percentage terms) of the annual remuneration of employees who are immediate family members of directors.

Remuneration Bands	Salary	Bonus	Share Options granted ¹		Total Remuneration	Share Options grants ²	Exercise Price	Date of Expiry
	%	%	%	%	%			
\$250,000–\$499,999								
Sister of Mr Peter Ong	61	20	11	8	100	9,500	\$14.73	March 2, 2014
Below \$250,000								
Daughter of the chairman	69	12	12	7	100	3,900	\$14.73	March 2, 2014

1) Valuation based on Black Scholes model

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

Share Plans

Details of the DBSH Performance Share Plan and the DBSH Share Option Plan (the "Plan") appear in pages 150 to 152 of the Directors' Report. In compliance with Rule 852 of the SGX Listing Manual, the following participants in the Plan received the following number 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)	38,000	386,675	0	386,675
Frank Wong Kwong Shing (Director)	38,000	394,550	0	394,550

* 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:

- no options were issued to any participant totalling 5% or more of the total number of options available under the Plan;
- 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
- 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 7,494,000.

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 46,749,383.

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.