

Remuneration report

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 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 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.

When formulating our remuneration strategy, consideration was given to aligning 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	<ul style="list-style-type: none"> • 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 key performance indicators (KPIs)
Provide market competitive pay	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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 • Design sales incentives plans to encourage the right sales behaviour

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	+	Deferred shares/ cash

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	<ul style="list-style-type: none"> Attract and retain talent by ensuring our fixed pay is competitive vis-a-vis comparable institutions 	<ul style="list-style-type: none"> 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 and deferred shares/ cash	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Based on DBS, 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% with a minimum deferred quantum. Country variations may apply to the threshold based on statutory requirements Deferred remuneration is paid in restricted shares and/ or deferred cash and comprises two elements: the main award and the retention award (constituting 20% of the shares and/ or deferred cash 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, and will lapse immediately upon termination of employment (including resignation) except in the event of ill health, injury, disability, redundancy, retirement or death Paid cash bonus, unvested and vested deferred shares/ cash awards are subject to clawback from employees whose bonus exceeds a certain threshold

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	<p>A function of net profit before tax benchmarked against market and calibrated against the following prisms:</p> <ul style="list-style-type: none"> Risk adjustment through review of Returns on Risk-Adjusted Capital (RoRAC) Distribution of earnings between employees and shareholders 	<ul style="list-style-type: none"> Our business model seeks to create value for stakeholders in a sustainable way (Read more about how we create value for our stakeholders on page 62) To this end, performance is measured using a balanced scorecard approach which assesses how successfully we are serving multiple stakeholders and executing on our long-term strategy The balanced scorecard comprises financial and non-financial metrics encompassing employees, customers, shareholders, risks and compliance objectives (Read more about our assessment of our balanced scorecard on page 26) Taking into account the above, our performance in 2018 was better than in the previous year. This resulted in an increase in the total variable pool The Compensation and Management Development Committee (CMDC) evaluated and approved the pool which was subsequently endorsed by the Board of Directors (Board)
Allocating pool to business units	<p>Pool allocation takes into account the relative performance of each unit</p> <ul style="list-style-type: none"> Measured through each unit's balanced scorecard and evaluated by the CEO 	<p>Inputs from control functions such as Audit, Compliance and Risk are sought. Country heads are also consulted in the allocation process</p>
Determining individual award	<p>Unit heads cascade their allocated pool to their teams and individuals</p> <ul style="list-style-type: none"> Performance measurement through the balanced scorecard 	<p>Individual variable pay determined based on individual performance</p> <ul style="list-style-type: none"> Linked to achievement of quantitative as well as qualitative objectives as set out in individual's KPIs

The performance of 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 Board Risk Management Committee and Audit Committee respectively and subsequently approved by the Board.

Sales employees are incentivised to promote the development of mutually beneficial long-term relationships with their customers, rather than solely focus on short-term gains. Non-financial metrics such as customer satisfaction and compliance with fair dealing principles are incorporated into their KPIs. In 2018, we conducted a review of our Sales Incentives Framework where the target mix of fixed and variable pay was reviewed to encourage the right sales behaviour.

4. Deferred share incentives

Plan objectives	Award types
<ul style="list-style-type: none"> Foster a culture that aligns employees' interests with shareholders Enable employees to share in DBS' performance Talent retention 	<ul style="list-style-type: none"> Annual Deferred Remuneration <ul style="list-style-type: none"> DBSH Share Plan (Share Plan) for Vice President and above DBSH Employee Share Plan (ESP) for Assistant Vice President and below Awards as part of talent retention (Special Award)

Award elements

- Deferred share incentives are delivered in the form of restricted share awards (Share Awards) which comprise two elements:

Deferred incentive	Main award	+	Retention award*
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* Constitutes 20% of Main Award under the Annual Deferred Remuneration

Vesting schedule	Malus of unvested awards and clawback of vested awards
<p>Main Award</p> <ul style="list-style-type: none"> 33% vest two years after grant date Another 33% vest three years after grant date Remaining 34% vest four years after grant date <p>Retention Award</p> <ul style="list-style-type: none"> 100% vest four years after grant date 	<p>Malus and/ or clawback will be triggered by</p> <ul style="list-style-type: none"> 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 <p>Awards may be clawed back within seven years from the date of grant.</p>

Read more about the Share Plan on page 184.

5. 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 and quantum of their variable remuneration.

In 2018, 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.

Summary of 2018 Remuneration Outcomes

Our remuneration is linked to how we perform against our balanced scorecard (see pages 26 to 31).

2018 was a notable year. We were acknowledged as being best bank in the world by not just one but two leading publications, The Banker and Global Finance. A common thread across our wins was the leadership we had in digital transformation. Despite macroeconomic headwinds and financial market volatility in the second half, we achieved record earnings. Return on equity rose to 12.1%, the highest in more than a decade, reflecting the structural improvements we have made to the profitability of our franchise.

Taking these factors into account, the remuneration of senior management and material risk takers was higher in 2018 compared to the previous year. Our senior management (which is defined as the Group Management Committee) increased from 19 to 22 members and their aggregate remuneration amounted to SGD 76.2 million, including the CEO's SGD 11.9 million. Excluding the CEO's remuneration, which has been disclosed separately, the average increase in remuneration of an individual who was a member of senior management in both 2017 and 2018 was 6.5%.

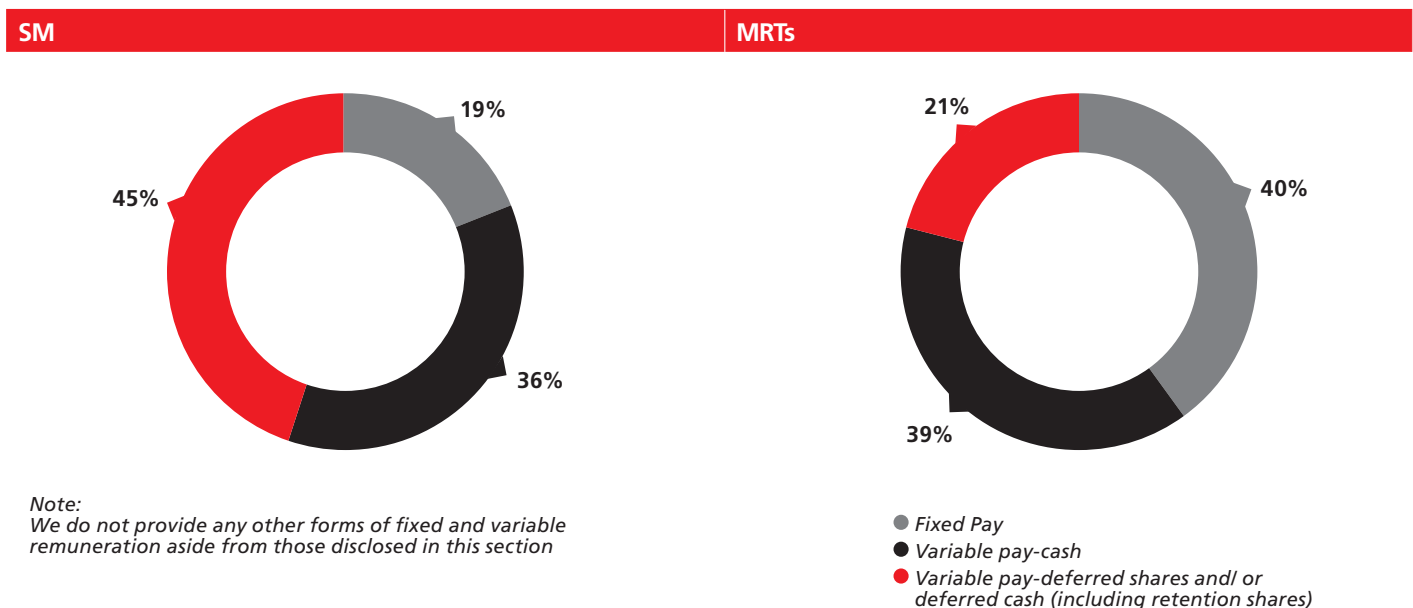
While corporate governance guidelines recommend that at least the top five key executives' remuneration be disclosed, the Board believes that it would be disadvantageous for us to do so because of the constant battle for talent in a highly competitive industry. This is consistent with banking industry practice in the local market. However, we do provide additional information on the average increase in remuneration of our senior management in the year as detailed above.

Breakdown of deferred remuneration awards

Category	Senior Management ⁽¹⁾	Material Risk Takers ⁽²⁾
Total outstanding deferred remuneration⁽³⁾:		
Cash	0.2%	
Shares and share-linked instruments	99.8%	
Other forms of remuneration	–	
Total	100.0%	
Outstanding deferred and retained remuneration^{(3) (4)}:		
Of which exposed to ex-post adjustments		
Cash	0.2%	
Shares and share-linked instruments	99.8%	
Other forms of remuneration	–	
Total	100.0%	
Total amendment during the year due to ex-post explicit adjustments⁽⁵⁾:		
Cash	–	–
Shares and share-linked instruments	–	–
Other forms of remuneration	–	–
Total	–	–
Total amendment during the year due to ex-post implicit adjustments⁽⁵⁾:		
Cash	–	–
Shares and share-linked instruments ⁽⁶⁾	(10.8)%	(20.1)%
Other forms of remuneration	–	–
Total	(10.8)%	(20.1)%
Total deferred remuneration paid out in the financial year:	37.4%	31.8%
Headcount	22	226

- (1) Senior Management (SM) is defined as the CEO and members of the Group Management Committee who have the authority and responsibility for DBS' overall direction and executing to strategy.
- (2) 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.
- (3) Due to data confidentiality, the total amount of deferred and retained remuneration for SM and MRTs have been aggregated for reporting.
- (4) Retained remuneration refers to shares or share-linked instruments that are subject to a retention period under a share retention policy.
- (5) 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.
- (6) [No. of unvested DBSH ordinary shares as at 31 Dec 18 x share price as at 31 Dec 18] / [No. of unvested DBSH ordinary shares as at 31 Dec 17 x share price as at 29 Dec 17] -1

The following charts show the mix of fixed and variable pay for both groups for performance year 2018:



Guaranteed bonuses, sign-on bonuses and severance payments

Category	SM	MRTs
Number of guaranteed bonuses	0	0
Number of sign-on bonuses	0	3
Number of severance payments	0	0
Total amounts of above payments made during the Financial Year (SGD '000)	0	337

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

Since becoming CEO in November 2009, Piyush Gupta has built DBS into an Asian banking powerhouse widely recognised for its digital leadership.

We delivered a stellar performance in 2018 when measured against our balanced scorecard, which includes financial performance, customer satisfaction, employee engagement and progress in digital transformation.

Despite headwinds in the second half of the year, we achieved record earnings of SGD 5.63 billion, up 28%. Total income was SGD 13.2 billion, also a new high. Return on equity, at 12.1%, was at its highest since 2007.

Customer satisfaction continued to be strong, with DBS acknowledged as the leader for customer experience in Singapore across all sectors. The bank also remained best-in-class for employee engagement, taking home the Asia Pacific Regional Employer award by Aon Hewitt.

We continued to make progress in being digital to the core, embedding ourselves in the customer journey, and being a 26,000-person startup.

Recognition for our successful transformation culminated in a record number of global awards in 2018. They included accolades for being best bank in the world by two leading publications – The Banker and Global Finance. We were also named World's Best Digital Bank by Euromoney for the second time. In all, from private banking to SME banking to cash management, we were recognised as being the best globally.

Taking these factors into account, Mr Gupta's remuneration was higher in 2018.

Breakdown of remuneration for performance year 2018 (1 January – 31 December)

	Salary remuneration SGD	Cash bonus ⁽¹⁾ SGD	Share Plan ⁽²⁾ SGD	Others ⁽³⁾ SGD	Total ⁽⁴⁾ SGD
Mr Piyush Gupta	1,200,000	4,485,000	6,115,000	62,527	11,862,527

(1) The amount has been accrued in 2018 financial statements

(2) At DBS, ordinary 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 1,223,000, 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

(3) Represents non-cash component and comprises club, car and driver

(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