

Corporate Governance

The Bank is committed to maintaining the highest standards in corporate governance. The Bank's approach to corporate governance is based on the Banking (Corporate Governance) Regulations ("Banking Regulations 2005") and the Guidelines On Corporate Governance For Banks, Financial Holding Companies and Direct Insurers issued by the Monetary Authority of Singapore ("MAS Guidelines on Corporate Governance").

This statement describes the Company's corporate governance policies and practices.

Board's Conduct of its Affairs

The Board provides entrepreneurial leadership and strategic direction for the Company. The Board also:-

- reviews and approves business plans and budgets;
- monitors financial performance;
- determines capital structure;
- sets dividend policy/declares dividends;
- approves major acquisitions and divestments;
- reviews the risk management framework;
- sets company values and standards; and
- performs succession planning for itself and the CEO

The Board has formed three board committees to assist in the effective discharge of specific responsibilities. They are the Executive Committee, the Nominating Committee and the Remuneration Committee. The membership and duties and responsibilities of these committees are set out in the subsequent pages of this report.

Board Composition & Independence

The Board consists of eight members, two of whom are executive and non-independent directors and six are non-executive and independent directors. The names of the Board members are:-

Wee Cho Yaw (<i>Chairman</i>)	Executive & non-independent
Wee Ee Cheong (<i>Deputy Chairman</i>)	Executive & non-independent
Lee Chin Chuan	Independent
Ong Chu Meng	Independent
Wong Meng Meng	Independent
Philip Yeo Liat Kok	Independent
Prof Cham Tao Soon	Independent
Ngiam Tong Dow	Independent

Mr Wong Meng Meng is a partner of a law firm and a director of a law joint venture that provided legal services to the United Overseas Bank ("UOB") Group in 2006. The Nominating Committee is of the view that Mr Wong Meng Meng could be considered as an independent director as he is able to maintain his objectivity and independence at all times in the discharge of his duties.

The Board considers that the current board size of eight members is adequate for effective management and decision-making.

Corporate Governance

Board Competency

The Nominating Committee has assessed the specific qualities and skills of the directors and is of the view that they possess the necessary skills for the Bank's business. Detailed information on the directors' experience and qualifications can be found on pages 6 to 8.

Directors have the opportunity to attend training courses and seminars. A budget is set aside yearly for directors' training needs. New directors are given guidance on the duties and responsibilities of directors and relevant regulatory requirements.

The directors may also request for independent professional advice to be obtained in the discharge of their duties.

Board Meetings

The Board holds four scheduled meetings a year. Additional meetings may be held to deal with specific matters in between scheduled meetings where necessary. The directors' attendance record is set out on page 13.

Prior to Board and Board Committee meetings, the directors are provided with financial and operational reports to enable them to discharge their board duties. The financial reports provide detailed information on the Bank's performance against budgeted and actual results and explanations of any material variance. Directors may request additional information or seek clarification on any matter concerning the Bank from management to whom they have direct access.

All directors have access to advice from the Company Secretary. The Secretary keeps the Board informed of relevant laws and regulations and updated on corporate governance matters.

Chairman and Chief Executive Officer ("CEO")

The Chairman provides leadership to the Board and ensures that board meetings are conducted regularly. The CEO is responsible for the day-to-day running of the Bank and ensures that the Board's decisions and strategies are carried out effectively. Mr Wee Cho Yaw is both the Chairman and CEO of the Bank since 1984. He has been able to execute the responsibilities of both these roles effectively. The Banking Regulations 2005 makes an exception for an incumbent to hold the position of chairman and CEO concurrently.

Board Committees

The three board committees which assist the Board in the discharge of specific functions are:-

The Executive Committee ("Exco") is delegated certain discretionary limits and authority for granting loans and other credit facilities, capital expenditure and budgeting. The Exco assists the Board in reviewing the Bank's annual budget and business plans drawn up by senior management. The Exco also oversees the risk profile of the Bank. The Exco meets monthly to receive management reports on these matters.

The members of the Exco are:

Wee Cho Yaw (<i>Chairman</i>)	Executive & Non-independent
Wee Ee Cheong	Executive & Non-independent
Ngiam Tong Dow	Independent
Prof Cham Tao Soon	Independent
Philip Yeo Liat Kok	Independent

The Nominating Committee ("NC") reviews nominations of directors for appointment to the Board and Board Committees and also to the key positions of CEO, President and Chief Financial Officer. Each year, the NC assesses the independence and performance of the directors and the Board. The assessment of directors' performance are based on a set of criteria, including the directors' attendance record, overall preparedness, participation, candour, and clarity in communication, maintenance of expertise relevant to the Group, strategic insight, financial literacy, business judgement and sense of accountability. The NC meets at least once a year and the membership of the NC is reviewed each year.

The NC reviews nominations for appointment of directors based on a set of eligibility criteria. Nominated candidates are assessed by the Board against a range of criteria including background, experience, professional skills, personal qualities and their availability to commit themselves to the Board's activities.

The NC is chaired by Mr Wong Meng Meng, an independent director. The NC comprises three directors, the majority of whom are independent. They are:-

Wong Meng Meng (<i>Chairman</i>)	Independent
Wee Cho Yaw	Non-independent
Philip Yeo Liat Kok	Independent
Prof Cham Tao Soon	Independent
Ngiam Tong Dow	Independent
Wee Ee Cheong	Non-Independent
<i>(Alternate to Wee Cho Yaw)</i>	

The Remuneration Committee ("RC") reviews and recommends the amount of directors' fee, allowances and remuneration of the executive directors. The Board recommends directors' fees as a lump sum for shareholders' approval at every Annual General Meeting. The sum is divided among the directors with those having additional responsibilities as chairman or members of Board Committees receiving a higher portion of the approved fees. Details of the total fees and other remuneration of the directors are set out in the Directors' Report on page 40.

The Bank is a subsidiary of UOB. The network, infrastructure and management expertise of the UOB Group are made available to the Bank whose operations are managed by UOB in return for an annual management fee. The senior management functions of the Bank are performed by the senior management of UOB whose salaries are paid by UOB. Hence, the requirements to disclose the salaries of the Bank's top five executives do not apply to the Bank as it does not have senior executives of its own. There is no immediate family member of a director in the employ of the Bank whose annual remuneration exceeds \$150,000/-.

The MAS Guidelines on Corporate Governance recommend that the chairman of a remuneration committee should be an independent and non-executive director. Similarly, the Banking Regulations 2005 also requires the chairman of the RC to be independent but makes an exception for incumbents. The Board is of the view that Mr Wee Cho Yaw, the incumbent RC Chairman, is the best person to chair the RC.

The members of the RC are:-

Wee Cho Yaw (<i>Chairman</i>)	Non independent
Philip Yeo Liat Kok	Independent
Prof Cham Tao Soon	Independent

The RC meets at least once a year.

Corporate Governance

UOB Audit Committee

The UOB Audit Committee ("UOB AC") performs for the Bank all the functions of an audit committee. The UOB AC reviews the financial statements, the internal and external audit plans and audit reports, the external auditors' evaluation of the system of internal accounting controls, the scope and results of the internal and external audit procedures, the adequacy of internal audit resources and the cost effectiveness, independence and objectivity of the external auditors. Annually, the UOB AC nominates the external auditors. The UOB AC has nominated Messrs Ernst & Young for re-appointment as the Bank's auditors for shareholders' approval at the forthcoming Annual General Meeting.

The UOB AC reviews with the internal and external auditors their evaluation of the Bank's internal control systems and risk management processes, and reports the results of its review to the Board. The Board derived reasonable assurance from reports submitted to it that the internal control systems, including financial, operational and compliance controls and risk management processes, which are designed to enable the Bank to meet its business objectives while managing the risks involved, are adequate for the Bank's business as presently conducted.

Internal Audit

The internal audit function of the Bank is performed by Group Internal Audit of UOB, its parent bank ("Group Audit"). Group Audit reviews all the Bank's units and operations. Group Audit prioritises its audits according to its assessment of risks. Group Audit's responsibilities include, but are not limited to, the audit of operations, lending practices, financial controls, management directives, regulatory compliance, information technologies and the risk management processes of the Bank.

Risk Management

The Board has the overall responsibility for determining the type and level of business risks that the Bank undertakes. Risks are identified, measured, monitored and managed within a robust risk management framework and returns must be commensurate with the risks taken. The key risks which the Bank manages are credit and country risk, balance sheet risk, liquidity risk, market risk and operational risk.

The Bank's Exco oversees the risk profile of the Bank. As part of UOB's management of the Bank, various committees comprising top management and senior executives of UOB such as the Credit Committee, Asset Liability Committee, Investment Committee, Computer Committee, Management Committee and Management Executive Committee have been delegated the authority to formulate, review and approve policies and limits on monitoring and managing risk exposures. The major policy decisions and proposals on risk exposures approved by these committees are reviewed by the Bank's Exco. UOB Group Risk Management and Group Compliance, which are independent of the business units, perform the respective roles of implementing risk management policies and ensuring compliance by the business units with all applicable laws and regulatory standards.

Communication with shareholders

Information and notices, including the Bank's annual report, for shareholders are either published in the press or sent to shareholders. Shareholders are given the opportunity to raise relevant questions and communicate their views at shareholders' meetings.

Ethical Standards

The Bank subscribes to the Code of Conduct issued by the Association of Banks in Singapore which sets out the standards of good banking practice. The Bank has also issued its own Code of Conduct for staff. The Bank has adopted a Code on Dealings in Securities for directors and officers. In addition, the Bank manages its business according to the core values of integrity, performance excellence, teamwork, trust and respect, to which employees subscribe and are assessed on. The Bank has a whistle-blowing policy for employees to bring any concern, suspected breach or fraud, or activity or behaviour that may not accord with the law, Code of Conduct and the Bank's policies, to the attention of Management, Internal Audit or Group Compliance.

Directors' Attendance for 2006

Name of Director	Number of Meetings Attended in 2006			
	Board of Directors	Executive Committee	Nominating Committee	Remuneration Committee
Wee Cho Yaw	4	11	1	1
Wee Ee Cheong	4	11	-	-
Lee Chin Chuan	4	-	-	-
Ong Chu Meng	2	-	-	-
Wong Meng Meng	3	-	1	-
Philip Yeo Liat Kok (appointed as Exco member on 10.2.2006)	4	6	1	1
Prof Cham Tao Soon (appointed as Exco member on 10.2.2006)	4	10	1	1
Ngiam Tong Dow	4	10	1	-
Number of Meetings Held in 2006	4	11	1	1