

## Corporate Governance

The Bank is committed to high standards in corporate governance. The Board is guided by the recommendations and the principles set out in the Banking (Corporate Governance) Regulations 2005 (“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”).

### Board of Directors

**Board role and responsibility:** The role and responsibilities of the Board are set out in the Board Terms of Reference. The main duties of the Board are to provide entrepreneurial leadership and strategic guidance, set long-term objectives, approve business plans and annual budget, monitor the Bank’s financial performance, set dividend policy/declare dividends and review the effectiveness of the risk management framework.

**Board composition, independence and rotation:** The Board comprises 8 Board members. Their names are set out on page 6. The Board considers that the current board size of 8 members is adequate.

Of the eight Board members, two are executive and six are non-executive directors. Each year, the Nominating Committee (“NC”) assesses the independence of directors based on a range of criteria. Mr Wong Meng Meng is 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 2005. The NC is of the view that Mr Wong Meng Meng could be considered an independent director as he is able to maintain his objectivity and independence at all times in the discharge of his duties. More than two-thirds of the Board consists of independent directors. The NC has determined that apart from Mr Wee Cho Yaw and Mr Wee Ee Cheong who are executive directors, the rest of the directors are independent.

**Board nomination and appointment process:** The NC reviews nominations for appointment of directors based on a set of eligibility criteria. Candidates nominated 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.

**Board competency:** The NC 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 7 to 9. New directors are given guidance on the duties and responsibilities of directors and relevant regulatory requirements under Singapore law. All directors have access to advice from the company secretary. The directors may also request independent professional advice to help them carry out their responsibilities. A budget is set aside yearly for directors’ training needs.

**Board meetings:** The Board has four scheduled meetings a year. Additional meetings may be convened to deal with specific matters in between scheduled meetings where necessary. The directors’ attendance record is set out on page 13. Directors are provided meeting materials in advance. Directors who require additional information may approach senior management directly and independently.

**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. 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 which came into force in September 2005 make an exception for an incumbent to hold the position of chairman and CEO concurrently.

## **Board Committees**

The Board has formed the Executive Committee, Nominating Committee and Remuneration Committee to assist the Board in the discharge of certain specific responsibilities. The functions of these committees are described below. The membership of these committees is set out on page 6.

**Executive Committee (“Exco”):** The 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.

**Nominating Committee (“NC”):** The NC reviews nominations of directors for appointment to the Board, board committees and to the key positions of CEO, President, Deputy 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 judgment and sense of accountability. The NC meets at least once a year and the membership of the NC is reviewed each year.

**Remuneration Committee (“RC”):** The RC reviews and recommends the amount of directors’ fees, 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 pages 39 to 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 and the names of any immediate family members of a director in the employ of the Bank whose remuneration is above \$150,000, do not apply to the Bank as it does not have senior executives of its own.

The MAS Guidelines on Corporate Governance recommend that the chairman of the RC should be an independent and non-executive director. Similarly, the Banking Regulations 2005 also require 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 committee. The RC meets at least once a year.

## Corporate Governance

**UOB Audit Committee (“UOB AC”):** The 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 also reviews with the internal and external auditors their evaluation of the Bank’s systems of internal controls 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 satisfactory 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 process of the Bank.

### Mr Victor Ngo

*Chief Internal Auditor*

Mr Victor Ngo joined UOB in March 2004. He holds a Bachelor of Applied Science in Computing Science & Operations Management, a Post Graduate Diploma in Accounting, and a Master of Business Administration from Australian universities. Mr Ngo is a Certified Practising Accountant (Australia) as well as a Certified Information Systems Auditor. In addition, he has 17 years of internal audit, compliance and information technology experience in the banking industry.

### Risk Management

The management of risk is essential to the financial soundness of the Bank. The Bank evaluates risks as an integral part of its business strategy. All risks taken must be identified, measured, monitored and managed within a robust risk management framework and returns must be commensurate with the risks taken.

The Board has the overall responsibility for determining the type and level of business risks that the Bank undertakes. The Bank’s Executive Committee 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. The key risks monitored by the various committees are credit and country risk, balance sheet risk, liquidity risk, market risk and operational risk.

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 has adopted the Association of Banks in Singapore's Code of Conduct which sets out the standards of good banking practice for all staff and has drawn up guidelines for compliance. The Bank has a whistle blowing policy for staff to bring to the attention of Management, Internal Audit or Group Compliance any concern, suspected breach or fraud, activity or behaviour that may not accord with the law, Code of Conduct and the Bank's policies.

### Directors' Attendance 2005

Name of Director	Number of meetings attended in 2005			
	Board of Directors	Executive Committee	Nominating Committee	Remuneration Committee
Wee Cho Yaw	4	11	2	1
Wee Ee Cheong	4	11	–	–
Lee Chin Chuan	4	–	–	–
Ong Chu Meng	3	–	–	–
Wong Meng Meng	4	–	2	–
Philip Yeo Liat Kok	1	–	2	1
Prof Cham Tao Soon	3	–	1	1
Ngiam Tong Dow ( <i>Appointed on 3 February 2005</i> )	3	11	2	–
<b>No. of meetings held in 2005</b>	<b>4</b>	<b>11</b>	<b>2</b>	<b>1</b>