

## Corporate Governance

OCBC Bank is fully committed to integrity and fair dealing in all its activities, and upholds the highest standards of corporate governance. It adopts corporate governance practices in conformity with the Banking (Corporate Governance) Regulations 2005 and corporate governance guidelines issued by the Monetary Authority of Singapore ("MAS"), as well as with the Code of Corporate Governance 2005 (the "Code") adopted by the Singapore Exchange Securities Trading Ltd ("SGX-ST").

### BOARD OF DIRECTORS

#### Board Composition and Independence

OCBC Bank defines the independence of its Directors in accordance with the Banking (Corporate Governance) Regulations 2005 and with the Code. An independent Director is one who is independent from any management and business relationship with the Bank, and independent from any substantial shareholder of the Bank. The Board comprises 14 Directors, of whom, a majority or nine are independent Directors. They are Mr Bobby Chin, Mrs Fang Ai Lian, Mr Giam Chin Toon, Mr Colm McCarthy, Professor Neo Boon Siong, Dr Tsao Yuan, Mr David Wong, Mr Wong Nang Jang and Mr Patrick Yeoh. In addition, another two Directors are independent from management and business relationships. They are Mr Lee Seng Wee and Dr Lee Tih Shih. Altogether, a significant 11 out of the 14 Directors are either independent Directors or independent from management and business relationships. The Chairman, Dr Cheong Choong Kong, although a non-executive Director, is deemed not independent from business relationship because of an agreement made between Dr Cheong and OCBC Management Services Private Limited, a wholly-owned subsidiary of the Bank, under which Dr Cheong is appointed as a consultant and entitled to certain payments and benefits (details of which are provided in the Directors' Report). Mr David Conner and Mr Pramukti Surjaudaja are not independent from management: the former is executive Director and Chief Executive Officer ("CEO") of the Bank while the latter has recently been President Director of PT Bank OCBC NISP Tbk, a subsidiary of the Bank. Mr Pramukti Surjaudaja is now President Commissioner of PT Bank OCBC NISP Tbk.

The roles of the Chairman and the CEO are separated, which is consistent with the principle of instituting an appropriate balance of power and authority. The Chairman's responsibilities, to name a few, include leading the Board to ensure its effectiveness on all aspects of its role; setting its meeting agenda; ensuring that Directors receive accurate, timely and clear information; ensuring effective communication with shareholders; encouraging constructive relations between the Board and Management; facilitating the effective contribution of non-executive Directors; ensuring constructive relations between the executive Director and non-executive Directors; and, promoting high standards of corporate governance.

The members of the Board as a group provide core competencies to ensure the effectiveness of the Board. The competencies include banking, insurance, accounting, finance, law, strategy formulation, business acumen, management experience, understanding of industry and customer, familiarity with regulatory requirements and knowledge of risk management. Details of the Directors' professional qualifications and background can be found on pages 156 to 160.

As a principle of good corporate governance, all Directors are subject to re-nomination and re-election at regular intervals and at least every three years. The Bank's Articles of Association provide for

the retirement of Directors by rotation and all appointments and re-appointments of Directors have to be approved by the MAS. The Directors have multiple board representations, but the Nominating Committee is satisfied that the Directors have been able to devote adequate time and attention to fulfill their duties as Directors of the Bank. Given the size of the Bank, its business complexity and the number of board committees, the Board considered that an appropriate Board size is between 12 and 14 members. The actual Board size currently is 14.

#### Board Conduct and Responsibilities

The Board is elected by the shareholders to supervise the management of the business and affairs of the Bank. The prime stewardship responsibility of the Board is to ensure the viability of the Bank and to ensure that it is managed in the best interest of the shareholders as a whole while taking into account the interests of other stakeholders. Broadly, the responsibilities of the Board include the following:

- reviewing and approving overall business strategy, as well as organisation structure, developed and recommended by management;
- ensuring that decisions and investments are consistent with long-term strategic goals;
- ensuring that the Bank is operated to preserve its financial integrity and in accordance with policies approved by the Board;
- providing oversight in ensuring that the Bank's risk appetite and activities are consistent with the strategic intent, operating environment, effective internal controls, capital sufficiency and regulatory standards;
- overseeing, through the Audit Committee, the quality and integrity of the accounting and financial reporting systems, disclosure controls and procedures and internal controls; and through the Risk Committee, the quality of the risk management processes and systems;
- reviewing any transaction for the acquisition or disposal of assets that is material to the Bank;
- ensuring that the necessary human resources are in place for the Bank to meet its objectives, as well as appointing and removing management;
- reviewing management performance and ensuring that management formulates policies and processes to promote fair practices and high standards of business conduct by staff;
- setting corporate values and standards, which emphasise integrity, honesty and proper conduct at all times, with respect to internal dealings and external transactions, including situations where there are potential conflicts of interest;
- providing a balanced and understandable assessment of the Bank's performance, position and prospects, and this extends to interim and other price-sensitive public reports, and reports to regulators;
- ensuring that obligations to shareholders and others are understood and met; and
- maintaining records of all meetings of the Board and Board Committees, in particular records of discussion on key deliberations and decisions taken.

The non-executive Directors on the Board constructively challenge and help develop proposals on strategy, and review the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. They meet during the year, without the presence of management, to discuss the effectiveness of management.

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In 2008, the Board and its committees held a total of 34 meetings. Prior to each meeting, members are provided with timely and complete information to enable them to fulfill their responsibilities. Information provided includes background information on matters to be addressed by the Board, copies of disclosure documents, monthly internal financial statements, risk management reports, budgets, forecasts, and reports of variances from budgets and forecasts.

The Board and its committees have separate and independent access to the Bank's senior management and to the company secretary. The Directors, in addition, could take independent professional advice from legal firms at the Bank's expense. The role of the company secretary is defined. He attends all board meetings and ensures that board procedures and applicable regulations are complied with. Under the direction of the Chairman, he ensures good information flows within the Board and its committees and between senior management and non-executive Directors, as well as facilitates orientation of new Directors and professional development of Directors, as required. The appointment and removal of the company secretary is considered to be a matter for the Board as a whole.

The Directors receive appropriate structured training. This includes introductory information, briefings by senior executives on their respective areas and attendance at relevant external courses. The Board as a whole also receives briefings on relevant new laws, risk management updates and changes in accounting standards.

### Board Performance

The Board has implemented an annual performance evaluation process, carried out by the Nominating Committee, to assess the effectiveness of the Board, Board Committees and each Director's contribution. The purpose of the valuation process is to increase the overall effectiveness of the Board. An independent consultant facilitates this process.

The Directors participate in the evaluation. Each Director evaluates the performance of the Board and Board Committees and conducts a self-assessment and a peer assessment of the other Directors. The assessments are made against pre-established criteria which are derived from the Board's charter and responsibilities. The results of the evaluation are used constructively by the Nominating Committee to discuss improvements with the Board and to provide developmental feedback to individual Directors. The Chairman acts on the results of the evaluation, and if appropriate, proposes new Directors or seeks the resignation of Directors, in consultation with the Nominating Committee.

### BOARD COMMITTEES

The composition of the Bank's Board Committees satisfies the independence requirements of the Banking (Corporate Governance) Regulations 2005, as well as the Code.

#### Executive Committee

The Executive Committee comprises Dr Cheong Choong Kong (Chairman), Mr David Conner, Mr Lee Seng Wee, Mr Wong Nang Jang and Mr Patrick Yeoh.

The Committee has written terms of reference that describe the responsibilities of its members.

The Executive Committee oversees the management of the business and affairs of the Bank and the Group, within the parameters delegated by the Board. It reviews the Bank's policies, principles,

strategies, values, objectives and performance targets. These include investment and divestment policies. It also endorses such other matters and initiates any special reviews and actions as appropriate for the prudent management of the Bank.

#### Nominating Committee

The Nominating Committee comprises Mr Wong Nang Jang (Chairman), Dr Cheong Choong Kong, Mrs Fang Ai Lian, Mr Giam Chin Toon, Mr Lee Seng Wee and Mr David Wong. The Committee has written terms of reference that describe the responsibilities of its members.

The Nominating Committee plays a vital role in reinforcing the principles of transparency and meritocracy at the Bank. It ensures that only the most competent individuals capable of contributing to the success of the organisation are appointed. This includes review of all nominations for the appointment, re-appointment, election or re-election of Directors of the Bank and members of the Executive Committee, Remuneration Committee, Audit Committee and Risk Committee of the Bank. The Nominating Committee is also charged with determining annually whether or not a Director is independent, or whether the Director is capable of carrying out the relevant duties when the Director has multiple board representations. It also reviews nominations for senior management positions in the Bank, including the CEO, Deputy CEO and Chief Financial Officer. The Nominating Committee makes recommendations to the Board on all such appointments.

The Nominating Committee establishes the profile required of Board members, having regard to the competencies and skills required at the Board, and makes recommendations to the Board on appointment of new Directors. When the need for a new Director is identified, the Nominating Committee will prepare a shortlist of candidates with the appropriate profile and qualities for nomination. The Nominating Committee may engage external search consultants to search for the Director. The Board reviews the recommendation of the Nominating Committee and appoints the new Director, subject to the approval of MAS. In accordance with the Bank's Articles of Association, the new Director will hold office until the next AGM, and if eligible, the Director can stand for re-election.

#### Audit Committee

The Audit Committee comprises Mr Bobby Chin (Chairman), Mr Colm McCarthy, Professor Neo Boon Siong, Dr Tsao Yuan and Mr David Wong, all of whom are independent Directors. A majority of the members have accounting or financial management expertise and experience. The Committee has written terms of reference that describe the responsibilities of its members.

The Audit Committee performs the functions specified in the Companies Act, the Code, the SGX-ST Listing Manual, and the MAS' corporate governance guidelines. Details of the duties and responsibilities of the Audit Committee are found in the Directors' Report on page 69 and in the "Audit Function" section of this chapter on pages 34 to 35.

#### Remuneration Committee

The Remuneration Committee comprises Dr Tsao Yuan (Chairman), Dr Cheong Choong Kong, Mrs Fang Ai Lian, Dr Lee Tih Shih and Mr Wong Nang Jang. All the Committee members are well versed with executive compensation matters, given their extensive

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experience in senior corporate positions and major appointments. The Committee has written terms of reference that describe the responsibilities of its members.

The Remuneration Committee determines and recommends to the Board the remuneration and fees of non-executive Directors as well as the compensation of executive Directors. It is also empowered to review the human resources management policies and the policies governing the compensation of executive officers of the Bank and its subsidiaries, as well as the remuneration of senior executives. In addition, it administers the various employee share ownership schemes. The Remuneration Committee, if necessary, will seek expert advice from outside the Bank on the remuneration of Directors.

### Risk Committee

The Risk Committee, which supports the Board in performing its risk oversight responsibilities, comprises Mr Patrick Yeoh (Chairman), Dr Cheong Choong Kong, Mr David Conner, Mr Colm McCarthy, Professor Neo Boon Siong and Mr Pramukti Surjaudaja. The Committee has written terms of reference that describe the responsibilities of its members.

The Risk Committee reviews the overall risk management philosophy, guidelines and major policies for effective risk management, risk disclosure policy, risk management systems and risk capital allocation methodology. The Committee also reviews the scope, effectiveness and objectivity of Group Risk Management and the risk reports that monitor and control risk exposures.

### DIRECTORS' ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS IN 2008

Name of Director	Board		Executive Committee			Audit Committee		
	Scheduled Meeting		Scheduled Meeting		Ad Hoc Meeting	Scheduled Meeting		Ad Hoc Meeting
	Held <sup>1</sup>	Attended	Held <sup>1</sup>	Attended	Attended	Held <sup>1</sup>	Attended	Attended
Cheong Choong Kong	8	8	7	7	1	–	–	–
Bobby Chin	8	7	–	–	–	6	6	2
David Conner	8	8	7	7	1	–	–	–
Fang Ai Lian <sup>2</sup>	1	1	–	–	–	–	–	–
Giam Chin Toon <sup>3</sup>	8	8	–	–	–	–	–	–
Lee Seng Wee	8	8	7	7	–	–	–	–
Lee Tih Shih	8	8	–	–	–	–	–	–
Colm McCarthy <sup>4</sup>	1	1	–	–	–	–	–	–
Neo Boon Siong	8	8	–	–	–	6	6	2
Pramukti Surjaudaja	8	7	–	–	–	–	–	–
Tsao Yuan	8	8	–	–	–	6	5	2
David Wong	8	8	–	–	–	6	6	2
Wong Nang Jang <sup>5</sup>	8	8	7	7	1	–	–	–
Patrick Yeoh	8	7	7	7	1	–	–	–
Michael Wong Pakshong <sup>6</sup>	3	3	–	–	–	–	–	–
Nasruddin Bin Bahari <sup>7</sup>	3	3	–	–	–	2	2	1

  

Name of Director	Nominating Committee			Remuneration Committee			Risk Committee	
	Scheduled Meeting		Ad Hoc Meeting	Scheduled Meeting		Ad Hoc Meeting	Scheduled Meeting	
	Held <sup>1</sup>	Attended	Attended	Held <sup>1</sup>	Attended	Attended	Held <sup>1</sup>	Attended
Cheong Choong Kong	2	2	1	2	2	1	4	4
Bobby Chin	–	–	–	–	–	–	–	–
David Conner	–	–	–	–	–	–	4	4
Fang Ai Lian <sup>2</sup>	–	–	–	–	–	–	–	–
Giam Chin Toon <sup>3</sup>	2	2	1	1	1	1	1	1
Lee Seng Wee	2	2	1	–	–	–	–	–
Lee Tih Shih	–	–	–	2	2	1	–	–
Colm McCarthy <sup>4</sup>	–	–	–	–	–	–	1	1
Neo Boon Siong	–	–	–	–	–	–	4	4
Pramukti Surjaudaja	–	–	–	–	–	–	4	4
Tsao Yuan	–	–	–	2	2	1	–	–
David Wong	2	2	1	–	–	–	–	–
Wong Nang Jang <sup>5</sup>	1	1	1	1	1	1	–	–
Patrick Yeoh	–	–	–	–	–	–	4	4
Michael Wong Pakshong <sup>6</sup>	1	1	–	1	1	–	–	–
Nasruddin Bin Bahari <sup>7</sup>	–	–	–	1	1	–	–	–

#### Notes:

<sup>1</sup> Reflects the number of meetings held during the time the Director held office.

<sup>2</sup> Appointed to the Board, and Nominating and Remuneration Committees, on 1 November 2008.

<sup>3</sup> Appointed to the Remuneration Committee on 17 April 2008 and stepped down on 1 November 2008. He also stepped down from the Risk Committee on 17 April 2008.

<sup>4</sup> Appointed to the Board, and Audit and Risk Committees, on 1 November 2008.

<sup>5</sup> Appointed to the Nominating and Remuneration Committees on 17 April 2008.

<sup>6</sup> Retired from the Board, and Nominating and Remuneration Committees, on 17 April 2008.

<sup>7</sup> Retired from the Board, and Audit and Remuneration Committees, on 17 April 2008.

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The Bank's Articles of Association provide for Directors to participate in Board and Board Committee meetings by means of conference telephone, video conferencing or audio visual equipment.

### AUDIT FUNCTION

#### Audit Committee

The Board approved the terms of reference of the Audit Committee. The Committee may meet at any time but no less than four times a year with the internal auditors and external auditors. It has full access to, and co-operation from management, and has the discretion to invite any Director and executive officer to attend its meetings. It has explicit authority to investigate any matter within its terms of reference.

In addition to the review of the Group Financial Statements, the Audit Committee reviews and evaluates with the external auditors and internal auditors, the adequacy of the system of internal controls including financial, operational and compliance controls; and risk management policies and systems. It reviews the scope and results of the audits, the cost effectiveness of the audits, and the independence and objectivity of the external auditors. When the external auditors provide non-audit services to the Bank, the Committee keeps the nature, extent and costs of such services under review. This is to balance the objectivity of the external auditors against their ability to provide value-for-money services. The Audit Committee also reviews significant financial reporting issues and judgements to ensure the integrity of the financial statements, announcements relating to financial performance, and arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, and have the concerns independently investigated and followed-up. It meets at least once a year with the external auditors and internal auditors in separate sessions and without the presence of management, to consider any matters which might be raised privately. In addition, the Chairman of the Audit Committee meets the internal auditors on a regular basis to discuss the work undertaken, key findings and any other significant matters arising from the Group's operations. Formal reports are sent to the Audit Committee on a quarterly basis. The Board is updated on these reports. The Audit Committee has received the requisite disclosures from the external auditors evidencing the latter's independence. It is satisfied that the financial, professional and business relationships between the Group and the external auditors are compatible with maintaining the independence of the external auditors.

In respect of the 2008 financial year, the Audit Committee

- (a) has reviewed the audited financial statements with management, including discussions of the quality of the accounting principles applied and significant judgements affecting the financial statements;
- (b) has discussed with the external auditors the quality of the above principles and judgements;
- (c) has discussed among its own members, without the presence of management or the external auditors, the information disclosed in (a) and (b) above; and
- (d) believes that the financial statements are fairly presented in conformity with the relevant Singapore Financial Reporting

Standards in all material aspects, based on its review and discussions with management and the external auditors.

In October 2008, the Audit Committee Guidance Committee issued the Guidebook for Audit Committees in Singapore. The Guidebook has been distributed to all members of the Audit Committee and the Board. Where appropriate, the Audit Committee will adopt relevant best practices set out in the Guidebook, which will be used as references to assist the Committee in performing its functions.

#### Internal Audit Function

The Audit Committee approves the terms of reference of internal audit (Group Audit) and reviews the effectiveness of the internal audit function. In line with leading practice, Group Audit's mission statement and charter requires it to provide independent and reasonable, but not absolute, assurance that the Banking Group's system of risk management, control, and governance processes, as designed and implemented by senior management, are adequate and effective. Group Audit reports on the adequacy of the systems of control to the Audit Committee and management, but does not form any part of those systems of control. Group Audit is also expected to meet or exceed the Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors.

Group Audit has implemented risk-based audit processes. Audit work is prioritised and scoped according to an assessment of potential exposure to risks. This includes not only financial risks, but operational, technology and strategic risks as well. Group Audit works with Group Risk Management to review risk management processes as a whole.

The work undertaken by Group Audit includes the audit of the Group's system of internal control over its key operations (including overseas branches), review of security and access controls for the Group's key computer systems, review of control processes within and around new products and system enhancements, and review of controls over the monitoring of market, liquidity, and credit risks. Group Audit also actively participates in major new systems developments and special projects, to help evaluate risk exposures and to help ensure that proposed compensating internal controls are adequately evaluated on a timely basis. It also ascertains that the internal controls are adequate to ensure prompt and accurate recording of transactions and proper safeguarding of assets, and that the Bank complies with laws and regulations, adheres to established policies and takes appropriate steps to address control deficiencies.

The Audit Committee is responsible for the adequacy of the internal audit function, its resources and its standing, and ensures that processes are in place for recommendations raised in internal audit reports to be dealt with in a timely manner and outstanding exceptions or recommendations are closely monitored. Group Audit reports functionally to the Audit Committee and administratively to the CEO, and has unfettered access to the Audit Committee, Board and senior management, as well as the right to seek information and explanations. Currently, the number of internal audit staff is 112 in the division (and 183 in the Group). The division is organised into departments that are aligned with the structure of the Bank. The Audit Committee approves the appointment and removal of the Head of Group Audit.

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### Internal Controls

The Board believes that the system of internal controls, including financial, operational and compliance controls and risk management systems, maintained by the Bank's management and that was in place throughout the financial year and up to and as of the date of this report, is adequate to meet the needs of the company in its current business environment.

The system of internal control provides reasonable, but not absolute, assurance that the Bank will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal control could provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

### REMUNERATION POLICY

#### Employees' Remuneration

The objective of the Bank's remuneration policy is to attract, motivate, reward and retain quality staff. The Board ensures that the remuneration policies are in line with the strategic objectives and corporate values of the Bank, and do not give rise to conflicts between the objectives of the Bank and the interests of individual Directors and key executives.

The total compensation package for employees comprises basic salary, fixed bonus, variable performance bonus, allowances, deferred share awards and share options for eligible executives, as well as benefits. In determining the composition of the package, the nature of the role performed and market practice are taken into consideration. To ensure that its remuneration package is competitive, the Bank regularly reviews its base salary ranges and benefits package based on market data provided by recognised surveys of comparative groups in the financial sector.

For executives, the Bank adopts a performance-driven approach to compensation, with rewards linked to individual, team and corporate performance. Executives' compensation is reviewed each year based on information from market surveys and advice from reputable management consultants. The compensation for senior executives is reviewed by the Remuneration Committee.

The remuneration practices for staff in bargainable positions are established through negotiation with the banks unions.

#### Directors' Remuneration

The Remuneration Committee recommends the remuneration for executive Directors and non-executive Directors of the Bank. The remuneration for non-executive Directors is subject to shareholders' approval at the AGM.

#### Compensation of Non-Executive Directors

OCBC's remuneration for non-executive Directors will attract capable individuals to its Board, as well as retain and motivate them in their roles as non-executive Directors. It will align their interest to those of shareholders, be competitive in the region and recognise individual contributions.

The Remuneration Committee has considered market practices for non-executive director compensation and on its recommendation, the Board has decided to adopt the following fee structure to compute the fee for each non-executive Director of the Bank:

- Annual board chairman fee of S\$45,000;
- Annual retainer fee of S\$45,000;
- Annual committee chairperson fee of S\$40,000 for Audit Committee, Risk Committee and Executive Committee, and S\$20,000 for Nominating and Remuneration Committees;
- Annual committee member fee of S\$20,000 for Audit Committee, Risk Committee and Executive Committee, and S\$10,000 for Nominating and Remuneration Committees (committee chairpersons are not awarded these fees); and
- Attendance fee of S\$3,000 per Board or Board Committee meeting. These attendance fees are paid to non-executive Directors to recognise their commitment and time spent in attending each meeting.

The previous year, shareholders approved the grant of 4,800 remuneration shares to each non-executive Director who had served a full annual term with the Board. The remuneration shares align the interest of non-executive Directors with the interest of shareholders. At the Remuneration Committee's recommendation, the Board has decided to continue with the grant of 4,800 new ordinary shares to each non-executive Director who has served a full annual term in 2008 with the Board. The resolution proposing these share grants will be presented to shareholders at the AGM/EGM on 17 April 2009. The CEO is not eligible to receive the Directors' fees and remuneration shares.

Under the OCBC Share Option Scheme 2001, the Remuneration Committee also has the discretion to grant share options to non-executive Directors in recognition of their contributions.

#### Compensation of Executive Directors

The compensation plan for the executive Directors is formulated and reviewed by the Remuneration Committee to ensure that it is market competitive and that the rewards are commensurate with their contributions. The compensation package comprises basic salary, benefits-in-kind, performance bonus, incentive bonus, share options, share awards and compensation in the event of early termination where service contracts are applicable. Performance and incentive bonuses relate directly to the financial performance of the Group and the contributions of the individual executive Director. Under the OCBC Share Option Scheme 2001, the guidelines on granting of share options to executive Directors are similar to those for the executives of the Bank.

#### Remuneration of Directors' Immediate Family

None of the Directors had immediate family members who were employees of the Bank and whose personal annual remuneration exceeded S\$150,000.

#### Remuneration of Top 5 Key Executives in 2008

The Code suggests the disclosure of the remuneration of the Bank's top five key executives. The Board considered this matter carefully and has decided against such disclosure for the time being. Given the wage disparities in the industry and the likely competitive pressures resulting from such disclosures, it was felt that the disadvantages of disclosure will outweigh the benefits.

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### DIRECTORS' REMUNERATION IN 2008

Name	Remuneration Band (\$S)	Salary and Fees <sup>e</sup> (%)	Bonuses (%)	Performance-Based Remuneration				Total Remuneration (%)	Options Granted (No.)	Acquisition Price (\$S)	Exercise Period
				Value of Share Options Granted <sup>a</sup> (%)	Value of Deferred Shares/Share Awards Granted (%)	Other Benefits <sup>b</sup> (%)	Value of Remuneration Shares Awarded <sup>c,e</sup> (%)				
Bobby Chin	below 250,000	87.1	–	–	–	–	12.9	100	–	–	–
Fang Ai Lian <sup>d</sup>	below 250,000	100.0	–	–	–	–	–	100	–	–	–
Giam Chin Toon	below 250,000	85.1	–	–	–	–	14.9	100	–	–	–
Lee Seng Wee	below 250,000	87.0	–	–	–	–	13.0	100	–	–	–
Lee Tih Shih	below 250,000	82.1	–	–	–	–	17.9	100	–	–	–
Colm McCarthy <sup>d</sup>	below 250,000	100.0	–	–	–	–	–	100	–	–	–
Neo Boon Siong	below 250,000	88.2	–	–	–	–	11.8	100	–	–	–
Pramukti Surjandaja <sup>d</sup>	below 250,000	100.0	–	–	–	–	–	100	–	–	–
Tsao Yuan	below 250,000	87.6	–	–	–	–	12.4	100	–	–	–
David Wong	below 250,000	87.2	–	–	–	–	12.8	100	–	–	–
Wong Nang Jang	below 250,000	88.8	–	–	–	–	11.2	100	–	–	–
Patrick Yeoh	below 250,000	89.3	–	–	–	–	10.7	100	–	–	–
Michael Wong Pakshong <sup>d</sup>	below 250,000	100.0	–	–	–	–	–	100	–	–	–
Nasruddin Bin Bahari <sup>d</sup>	below 250,000	100.0	–	–	–	–	–	100	–	–	–
Cheong Choong Kong	2,000,000 to 2,249,999	61.2	22.9	10.5	–	5.4	–	100	162,958	4.138	17/03/2010 to 16/03/2014
David Conner	3,750,000 to 3,999,999	31.1	22.5	–	45.3	1.1	–	100	–	–	–

#### Notes:

<sup>a</sup> Share option was valued using the Binomial valuation model.

<sup>b</sup> Represents non-cash component and comprises club and car benefits and employer's contribution to CPF.

<sup>c</sup> Value of remuneration shares was estimated based on closing price of ordinary shares on 11 March 2009, i.e. S\$4.12.

<sup>d</sup> Directors who did not receive any remuneration shares because they did not serve a full annual term as non-executive Directors.

<sup>e</sup> Fees and remuneration shares for non-executive Directors refer to those for 2008 financial year that are subject to approval by shareholders at the AGM on 17 April 2009.

### SHARE OPTION SCHEMES

#### OCBC Executives' Share Option Scheme 1994

The Bank has a share option plan available for executives of the Bank and OCBC Bank (Malaysia) Berhad, viz. OCBC Executives' Share Option Scheme 1994 (the "1994 Scheme"). The objective is to enable officers of the rank of Manager and above as well as executive Directors of the Bank to participate in the equity of the Bank. This 1994 Scheme, which has been replaced by OCBC Share Option Scheme 2001, was terminated on 3 August 2001. However, this will not affect the rights of the holders of outstanding options granted under the 1994 Scheme to acquire shares.

#### OCBC Share Option Scheme 2001

The OCBC Share Option Scheme 2001 (the "2001 Scheme") was approved in 2001.

The 2001 Scheme seeks to inculcate in all participants a stronger and more lasting sense of identification with the OCBC Group, as well as to incentivise participants to achieve higher standards of performance. Group executives comprising any employee of the OCBC Group holding the rank or equivalent rank of Manager and above and any Group Executive Director selected by the Remuneration Committee, as well as non-executive Directors of the Group, are eligible to participate in the 2001 Scheme.

The cumulative total number of ordinary shares to be issued by the

Bank in respect of options granted under the 2001 Scheme cannot exceed 10% of the Bank's total number of issued ordinary shares.

The number of share options to be offered each year is determined by the Remuneration Committee which comprises Directors of the Bank who are duly authorised and appointed by the Board to administer the 2001 Scheme. The Committee takes into account criteria such as the individual's rank, job performance, years of service, potential for future development and his/her contribution to the success and development of the Group.

The acquisition price for each ordinary share in respect of which the option is exercisable shall be determined by the Remuneration Committee to be a price equal to the average of the last dealt price of the shares for the five consecutive trading days immediately prior to the offering date. No options were granted at a discount since the commencement of the 2001 Scheme.

The validity period of the options is subject to prevailing legislation applicable on the date of grant. Based on current legislation, options granted to Group Executives are exercisable up to 10 years, while options granted to non-executive Directors are exercisable up to five years. The options may be exercised after the first anniversary of the date of the grant, in accordance with a vesting schedule to be determined by the Remuneration Committee on the date of the grant of the respective options.

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The Committee has adopted the following vesting schedule:

Vesting Schedule	Percentage of shares over which an option is exercisable
On or before the first anniversary of the date of grant	Nil
After the first anniversary but on or before the second anniversary of the date of grant	33%
After the second anniversary but on or before the third anniversary of the date of grant	33%
After the third anniversary but before the date of expiry of the exercise period	34%

These options will lapse immediately on the termination of employment and appointment, except in the event of retirement, redundancy, death, or where approved by the Remuneration Committee, in which case the Committee may allow the options to be retained and exercisable within the relevant option periods or such option periods as may be determined by the Remuneration Committee.

Shares granted on exercise of options are allocated from treasury shares or from the issue of new ordinary shares by the Bank.

### OCBC Deferred Share Plan

The OCBC Deferred Share Plan ("Plan") aims to increase the performance-orientation and retention factor in compensation packages of executives, and foster an ownership culture within the organisation. Group executives holding the rank or equivalent rank of Assistant Manager and above, and any Group Executive Director selected by the Remuneration Committee are eligible to participate in the Plan. In 2008, the participants are executives of the Bank, selected overseas locations and subsidiaries.

The share awards are granted annually to eligible executives, the value of which is presently at least 25% of their total variable performance bonus for the year. The share awards will vest with the executives at the end of three years. Prior to the vesting date, the executives will not be accorded voting rights on the shares. Shares granted are allocated from treasury shares or acquired from the market in accordance with guidelines established under the Plan.

The unvested deferred share grants will be adjusted to take into account dividends declared by the Bank. The additional shares granted in respect of this adjustment are acquired from the market in accordance with guidelines established under the Plan.

The awards will lapse immediately on the termination of employment and appointment, except in the event of retirement, redundancy, death, or where approved by the Remuneration Committee, in which case the Committee may allow the awards to be retained and vested within the relevant vesting periods or such periods as may be determined by the Remuneration Committee.

During the financial year, an aggregate of 4,424,988 ordinary shares were granted to eligible executives of the Group pursuant to the Plan.

### OCBC Employee Share Purchase Plan

The OCBC Employee Share Purchase Plan ("ESPP") was implemented in 2004 for all employees of the Group, including executive Directors. It was implemented to inculcate in all participants a stronger and more lasting sense of identification with the Group.

The ESPP is a saving-based share ownership plan to help employees own ordinary shares in the Bank through their monthly contributions via deductions from payroll and/or CPF funds. The employees have the option to convert the contributions to ordinary shares after one year or withdraw the contributions. As a further incentive to employees to enrol in the ESPP, the Bank pays interest on the amounts saved at a preferential interest rate.

The duration of offering period is 24 months and the share acquisition price is fixed before the offering period based on average of the last traded prices over five consecutive trading days immediately preceding the price fixing date.

Shares granted on conversions in accordance with the rules of the ESPP are allocated from treasury shares or from the issue of new ordinary shares by the Bank.

The aggregate number of new ordinary shares issued by the Bank pursuant to the 2001 Scheme and the ESPP cannot exceed 5 per cent of the Bank's total number of issued ordinary shares.

### COMMUNICATION WITH SHAREHOLDERS

OCBC Bank recognises the importance of communicating regularly and effectively with its shareholders so that they can better understand its operations, strategies and directions. One of the key roles of the Group Corporate Communications and Investor Relations Unit is to keep the market and investors apprised of the Group's corporate developments and financial performance through regular media releases, briefings and meetings with the media, analysts and fund managers. In addition, shareholders and the public can access the Group's media releases, financial results, presentation materials used at briefings and other corporate information on the Bank's website.

Shareholders are given the opportunity to participate actively at OCBC Bank's AGMs and EGMs, where they can ask questions and communicate their views. They are allowed to vote in person or by proxy. The Directors as well as the external auditors are present at these meetings to address any relevant queries raised by shareholders.

### RELATED PARTY TRANSACTIONS

OCBC Bank has established policies and procedures on related party transactions. These include definitions of relatedness, limits applied, terms of transactions, and the authorities and procedures for approving and monitoring the transactions. The Audit Committee reviews material related party transactions and keep the Board informed of such transactions, if any. Measures are taken to ensure that terms and conditions of related party lendings are not more favourable than those granted to non-related obligors under similar circumstances. The Bank also complies with the SGX-ST Listing Manual on interested person transactions.

## Corporate Governance

### ETHICAL STANDARDS

The Bank has adopted the SGX-ST Listing Manual's guidelines on dealings in securities and has a policy against insider trading. Directors and officers are prohibited from dealing in the securities of the Bank during the period commencing two weeks before the announcement of the Bank's financial statements for each of the first three quarters of the financial year, and during the period

commencing one month before the announcement of the financial statements for the financial year, and ending on the date of the announcement of the relevant results. The Bank also has a policy on dealings in the listed securities of customers of the Group. Employees with access to price-sensitive information in the course of their duties are instructed to conduct all their personal securities transactions through the Group's stockbroking subsidiary.

## Additional Information Required under the SGX Listing Manual

### INTERESTED PERSON TRANSACTIONS

Interested person transactions carried out during the financial year under review:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions during the financial year under review conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
	2008 S\$'000	2008 S\$'000
Tenancy agreement with lessee, Lee Rubber Company (Pte) Limited – lease of office premises at OCBC Centre	12,441	–
Tenancy agreement with lessor, Dasar Sentral (M) Sdn Bhd <sup>(1)</sup> – lease of office premises at Wisma Lee Rubber, Kuala Lumpur	3,955	–
Dr Cheong Choong Kong	See below <sup>(2)</sup>	–

<sup>(1)</sup> Wholly-owned subsidiary of Lee Rubber Company (Pte) Limited.

<sup>(2)</sup> In the Bank's Annual Report 2006, the Bank disclosed the consultancy agreement made on 12 June 2006 between Dr Cheong Choong Kong ("Dr Cheong"), non-executive Director and Chairman of the Bank, and OCBC Management Services Private Limited, a wholly-owned subsidiary of the Bank. Please see "Directors' Contractual Benefits" in the Directors' Report for details of payments made to Dr Cheong during the financial year under review.

### MATERIAL CONTRACTS

Since the end of the previous financial year, no material contract involving the interest of any Director or controlling shareholder of the Bank has been entered into by the Bank or any of its subsidiary companies, and no such contract subsisted as at 31 December 2008.