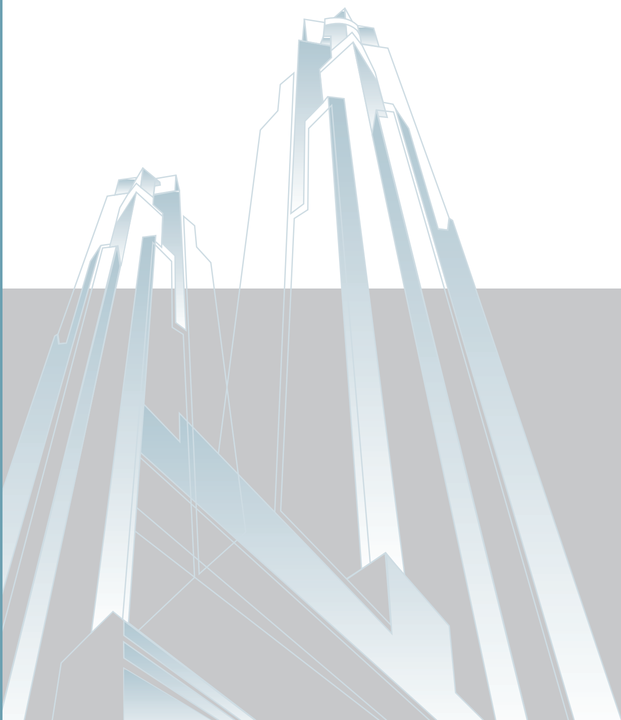
FAR EASTERN BANK LIMITED
(A SUBSIDIARY OF UNITED OVERSEAS BANK LIMITED)



ANNUAL REPORT 2004

FAR EASTERN BANK LIMITED

(INCORPORATED IN SINGAPORE)

AND ITS SUBSIDIARIES

CONTENTS

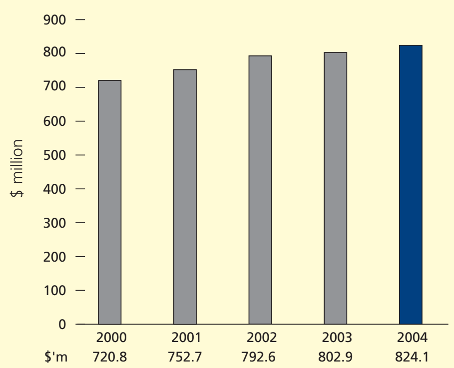
All figures in this Annual Report are in Singapore dollars unless otherwise specified.

Financial Highlights (Consolidated)

Total assets

2004: $824.1 million + 2.6%

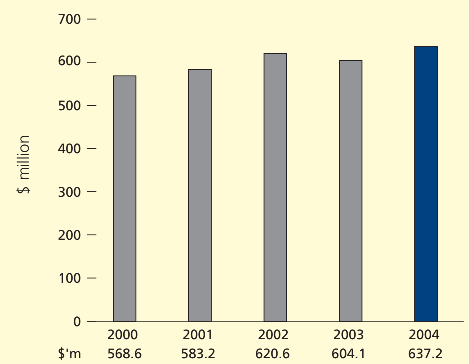
2003: $802.9 million



Customer deposits

2004: $637.2 million +5.5%

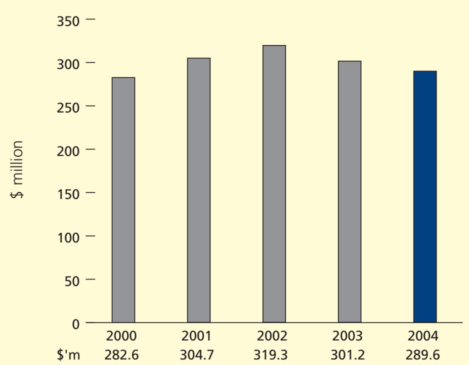
2003: $604.1 million



Customer loans

2004: $289.6 million – 3.9%

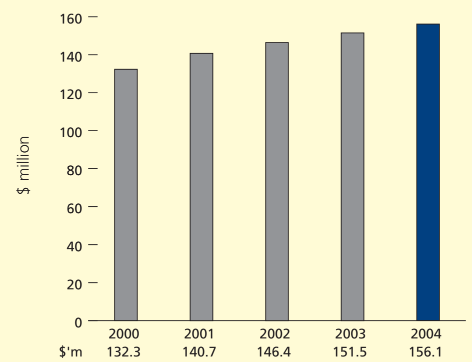
2003: $301.2 million



Shareholders' funds

2004: $156.1 million + 3.0%

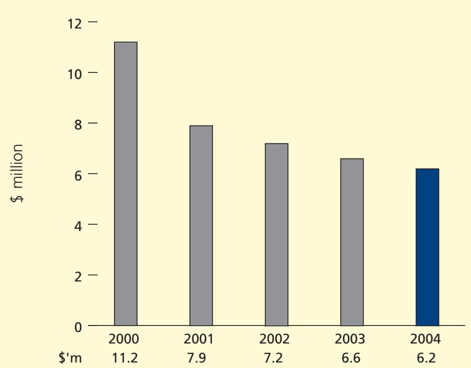
2003: $151.5 million



Net profit after tax

2004: $6.2 million – 6.3%

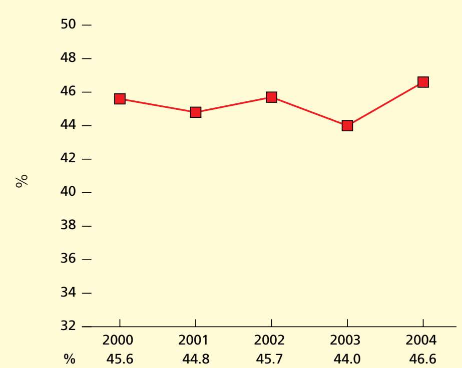
2003: $6.6 million



Capital adequacy ratio^

2004: 46.6% + 2.6% points

2003: 44.0%

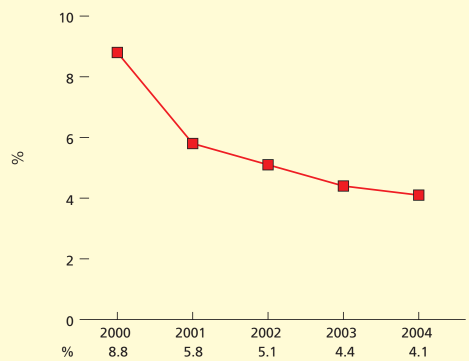


^ *computed based on revised capital framework issued by MAS for 2003 and 2004, and BIS guidelines for 2000 to 2002.*

Return on average shareholders' funds

2004: 4.1% – 0.3% point

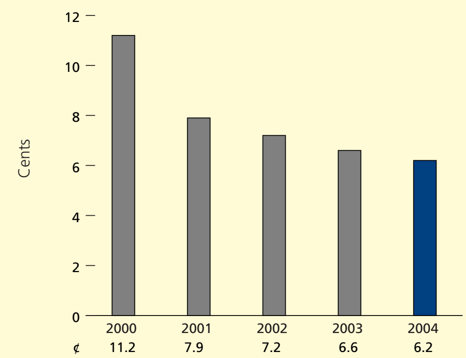
2003: 4.4%



Earnings per share

2004: 6.2 cents – 6.1%

2003: 6.6 cents



Total non-performing loans (NPLs)

NPLs

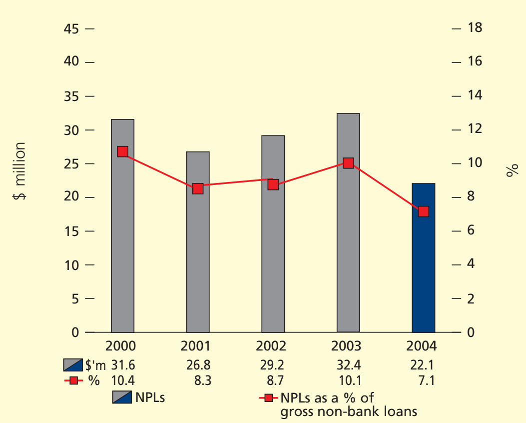
2004: $22.1 million – 31.6%

2003: $32.4 million

NPLs as a % of gross non-bank loans

2004: 7.1% – 3.0% points

2003: 10.1%



Total cumulative provisions

Cumulative specific provisions

2004: $8.4 million + 24.5%

2003: $6.7 million

Cumulative general provisions

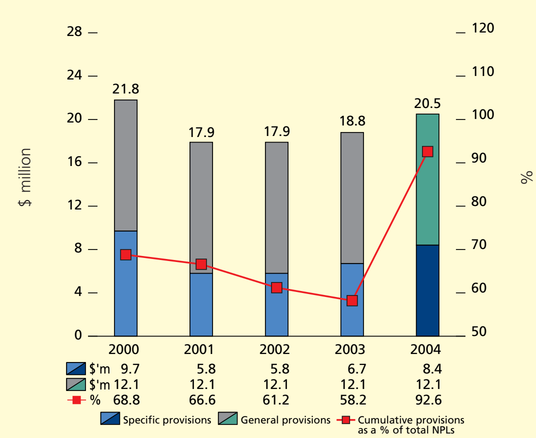
2004: $12.1 million –

2003: $12.1 million

Total cumulative provisions as a % of total NPLs

2004: 92.6% + 34.4% points

2003: 58.2%



Note: Certain figures in this report may not add up to the relevant totals due to rounding.

Wee Cho Yaw
Chairman & Chief Executive Officer

Although the Bank's net interest income and fee income improved because of Singapore's strong economic growth in 2004, the gains were offset by a drop in rental income as a result of the sluggish property market. The Group ended the year with an after-tax profit of $6.2 million, which was $0.4 million lower than 2003's.

Net interest income rose by 2.9% to $13.7 million (2003: $13.3 million), attributed to a slight improvement in margin, offsetting the slight decrease in loans volume (2004: $289.6 million, 2003: $301.2 million). Fee and commission income increased by 6% to $1.4 million (2003: $1.3 million). However, rental income dropped from $3.5 million to $2.3 million during the year under review.

Through stringent controls, total expenses dropped from $10 million in 2003 to $9.6 million in 2004. Non-performing loans also dropped from $32.4 million to $22.1 million, which resulted in a decrease in specific provisions of $0.6 million to $1.1 million (2003: $1.7 million).

Total assets grew by 2.6% to $824.1 million (2003: $802.9 million). Shareholders' funds rose by 3% to $156.1 million (2003: $151.5 million). While return on assets remained unchanged at 0.8%, return on equity fell marginally from 4.4% to 4.1%.

The Board proposes to transfer $6 million to reserves and to recommend a first and final dividend of 2% (2 cents per share) less 20% income tax for the financial year ended 31 December 2004. Total dividend to be paid out would amount to $1.6 million.

Singapore is unlikely to repeat its sterling 2004 GDP growth of 8.1% this year. Nevertheless, the positive outlook for the regional economies indicate that we should still be able to achieve a growth rate of between 3% to 5%.

Management intends to exert every effort to improve the performance of the FEB Group, but it will continue to be constrained by the small capital base of the Bank. As the competition from foreign banks increases, this size limitation will be brought under greater pressure.

I thank Board Directors for their counsel and guidance this past year. Mr Sim Wong Hoo and Mr Koh Beng Seng, who was also Deputy President, have resigned from the Board. I thank them for their past contributions and wish them success in their endeavours.

Finally, I would like to express my appreciation to management and staff members for their hard work and dedication, and our shareholders and customers for their support.

Wee Cho Yaw
Chairman & Chief Executive Officer
March 2005

Corporate Information

BOARD OF DIRECTORS

Mr Wee Cho Yaw
Chairman

Mr Wee Ee Cheong
Mr Lee Chin Chuan
Mr Ong Chu Meng
Mr Wong Meng Meng
Mr Philip Yeo Liat Kok
Prof Cham Tao Soon
Mr Ngiam Tong Dow *(appointed on 3 February 2005)*

EXECUTIVE COMMITTEE

Mr Wee Cho Yaw
Chairman

Mr Wee Ee Cheong
Mr Ngiam Tong Dow *(appointed on 3 February 2005)*

NOMINATING COMMITTEE

Mr Wong Meng Meng
Chairman

Mr Wee Cho Yaw
Mr Philip Yeo Liat Kok *(appointed on 7 January 2005)*
Prof Cham Tao Soon
Mr Ngiam Tong Dow *(appointed on 3 February 2005)*

REMUNERATION COMMITTEE

Mr Wee Cho Yaw
Chairman

Mr Philip Yeo Liat Kok
Prof Cham Tao Soon

SECRETARY

Mrs Vivien Chan

SHARE TRANSFER OFFICE

80 Raffles Place
4th Storey
UOB Plaza 1
Singapore 048624
Telephone: (65) 6539 3104
Facsimile: (65) 6536 7712

AUDITORS

Ernst & Young
10 Collyer Quay
#21-01 Ocean Building
Singapore 049315

REGISTERED OFFICE

80 Raffles Place
UOB Plaza
Singapore 048624
Company Registration No. 195800116D
Telephone: (65) 6533 9898
Facsimile: (65) 6534 2334
SWIFT: UOVBSGSG
Website: www.uobgroup.com

GENERAL MANAGEMENT

Mr Wee Cho Yaw
Chairman & Chief Executive Officer

Mr Wee Ee Cheong
Deputy Chairman & President

Mr Chong Kie Cheong
Senior Executive Vice President
Investment Banking

Mr Francis Lee Chin Yong
Senior Executive Vice President
International

Mr Terence Ong Sea Eng
Senior Executive Vice President
Global Treasury & Asset Management

Mr Samuel Poon Hon Thang
Senior Executive Vice President
Institutional & Individual Financial Services

Mr Joseph Chen Seow Chan
Managing Director
Global Treasury Trading

Mr Bill Chua Teck Huat
Executive Vice President
Operations

Ms Susan Hwee
Executive Vice President
Information Technology

Mr Kuek Tong Au
Executive Vice President
Corporate Services

Ms Sim Puay Suang
Executive Vice President
Personal Financial Services

Mr Wee Joo Yeow
Executive Vice President
Corporate Banking - Singapore

Mr Yeo Eng Cheong
Executive Vice President
Commercial Credit

Mr Larry Lam
Senior Vice President & Chief Auditor

Branch Network

MAIN
156 Cecil Street
#01-00 Far Eastern Bank Building
Singapore 069544
Telephone: (65) 6221 9055
Facsimile: (65) 6224 2263
Telex: RS 21539 TYEHUA

UPPER SERANGOON ROAD
262 Serangoon Central Drive
#01-109
Singapore 550262
Telephone: (65) 6382 1981
Facsimile: (65) 6382 2685

CORRESPONDENTS
In all principal cities of the world

Group Financial Review

REVIEW OF FINANCIAL PERFORMANCE

OVERVIEW OF BALANCE SHEET

Certain figures in this report may not add up to the relevant totals due to rounding.

Certain comparative figures have been restated to conform with the current year's presentation.

REVIEW OF FINANCIAL PERFORMANCE

Highlights and performance indicators

	2004	2003		Variance (%)
Key indicators				
Net interest income (NII) ($ million)	**13.7**	13.3	+	2.9
Non-interest income (Non-NII) ($ million)	**5.0**	6.7	–	25.3
Total income ($ million)	**18.7**	20.0	–	6.5
Total expenses ($ million)	**9.6**	10.0	–	3.9
Operating profit before provisions ($ million)	**9.1**	10.0	–	9.1
Net profit after tax ($ million)	**6.2**	6.6	–	6.3
Income mix:				
NII/Total income (%)	**73.3**	66.5	+	6.8% points
Non-NII/Total income (%)	**26.7**	33.5	–	6.8% points
	100.0	100.0		–
Return on average shareholders' funds (ROE) (%)	**4.1**	4.4	–	0.3% point
Basic earnings per share (EPS) (cents)	**6.2**	6.6	–	6.1
Return on average total assets (ROA) (%)	**0.8**	0.8		–
NII/Average interest bearing assets (%)	**1.75**	1.71	+	0.04% point
Expense/Income ratio (%)	**51.4**	50.0	+	1.4% points
Dividend rates (%)				
Final	**2.0**	2.0		–
Other indicators				
Customer loans (net) ($ million)	**289.6**	301.2	–	3.9
Customer deposits ($ million)	**637.2**	604.1	+	5.5
Loans/Deposits ratio+ (%)	**45.5**	49.9	–	4.4% points
Non-performing loans (NPLs) ($ million)	**22.1**	32.4	–	31.6
Cumulative provisions ($ million)	**20.5**	18.8	+	8.8
NPLs/Gross customer loans (%)	**7.1**	10.1	–	3.0% points
Cumulative provisions/NPLs (%)	**92.6**	58.2	+	34.4% points
Total assets ($ million)	**824.1**	802.9	+	2.6
Shareholders' funds ($ million)	**156.1**	151.5	+	3.0
Unrealised revaluation surplus* ($ million)	**38.0**	43.4	–	12.5
Net asset value (NAV) per share ($)	**1.56**	1.51	+	3.3
Revalued NAV per share ($)	**1.94**	1.95	–	0.5
Capital adequacy ratio^ (%)	**46.6**	44.0	+	2.6% points
Manpower (number)	**39**	40	–	1 number

+ *"Loans" refer to net customer loans while "Deposits" refer to customer deposits.*

* *Refers to revaluation surplus on properties and investment securities which was not incorporated into the financial statements.*

^ *Computed under the revised capital framework for Singapore-incorporated banks issued by MAS, which was effective from 30 June 2004. The comparative figure as at 31 December 2003 has been adjusted to conform with the revised framework accordingly.*

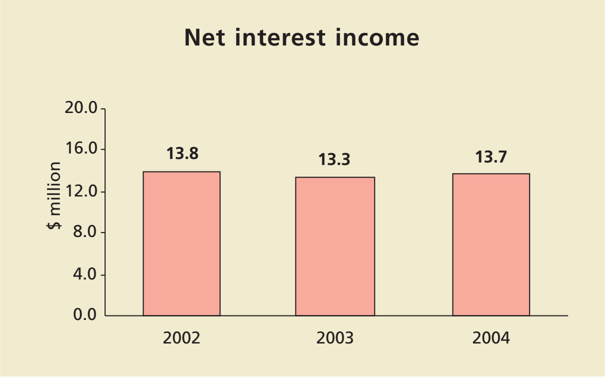
Group profits

The Group recorded a net profit after tax (NPAT) of $6.2 million for the financial year ended 31 December 2004, down 6.3% from $6.6 million in 2003. The decline in NPAT was mainly attributable to lower rental income and last year's profit on sale of property, partially offset by lower specific provision for loans, lower operating expenses and higher net interest income.

Financial ratios

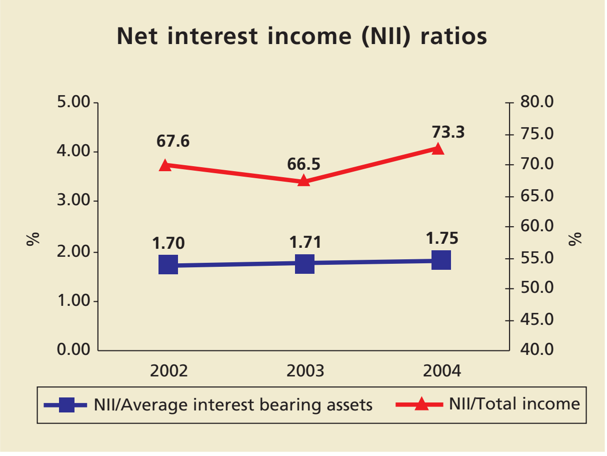
- Earnings per share decreased by 6.1%, from 6.6 cents in 2003 to 6.2 cents in 2004.
- Return on average shareholders' funds, at 4.1%, decreased by 0.3% point from 4.4% in 2003.
- Net asset value (NAV) per share increased by 5 cents or 3.3%, from $1.51 in 2003 to $1.56 in 2004.
- Total dividend of 2% (2003: 2%) was 3.9 times covered by net profit (2003: 4.1 times).

Net interest income



Net interest income for the Group increased 2.9% or $0.4 million to $13.7 million from $13.3 million in 2003. Net interest income continued to be the major contributor of total income, accounting for 73.3% (2003: 66.5%) of total income.

The increase in net interest income was primarily attributable to improved margin from interbank money market activities, partially negated by lower volume and interest margin from government securities.



The net interest margin on average interest bearing assets rose marginally by 0.04% point to 1.75% in 2004.

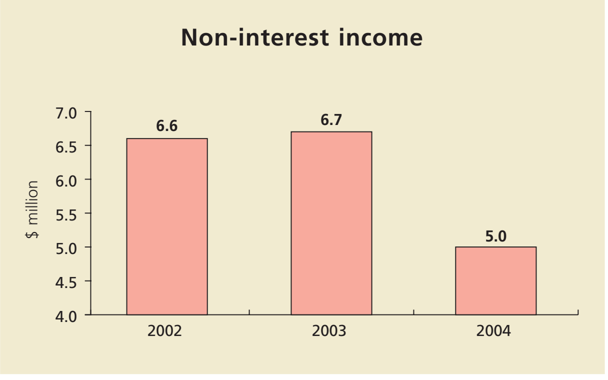
Average interest margin

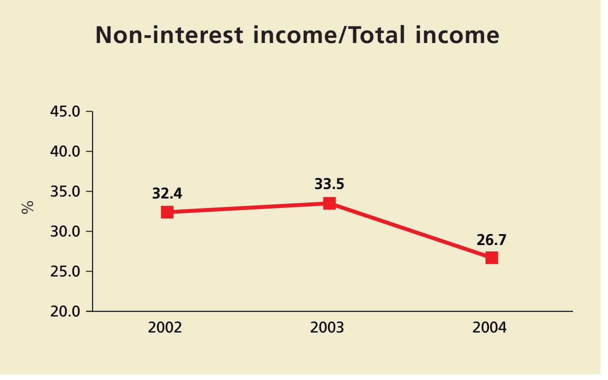
	2004			2003		
	Average balance $'000	**Interest $'000**	**Average interest rate %**	Average balance $'000	Interest $'000	Average interest rate %
Total interest bearing assets	**783,710**	**16,989**	**2.17**	779,593	17,432	2.24
Total interest bearing liabilities	**634,582**	**3,247**	**0.51**	632,258	4,083	0.65
Net interest income		**13,742**			13,349	
Average interest margin+			**1.75**			1.71

+ *Average interest margin represents net interest income as a percentage of average interest bearing assets.*

Non-interest income

The Group's non-interest income for 2004 accounted for 26.7% of total income. Total non-interest income dropped by $1.7 million or 25.3% to $5.0 million in 2004.





The decrease in non-interest income was mainly due to decline in rental income as a result of lower occupancy rate, coupled with last year's profit on sale of property.

Composition of non-interest income

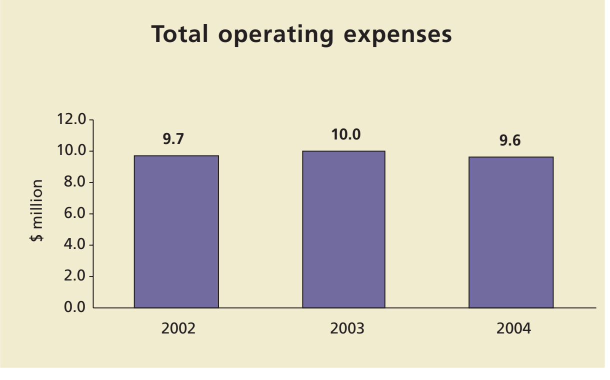
	2004 $'000	2003 $'000	Variance %
Fee and commission income			
Investment-related	**2**	1	100.0
Trade-related	**665**	527	26.2
Loan-related	**156**	253	(38.3)
Other	**595**	557	6.8
	1,418	1,338	6.0
Dividend and rental income	**2,492**	3,877	(35.7)
Other operating income			
Net profit from:			
Investment and government securities	**47**	61	(23.0)
Foreign exchange dealings	**279**	127	119.7
Disposal of fixed assets	**–**	468	(100.0)
Other	**780**	841	(7.3)
	1,106	1,497	(26.1)
Total non-interest income	**5,016**	6,712	(25.3)

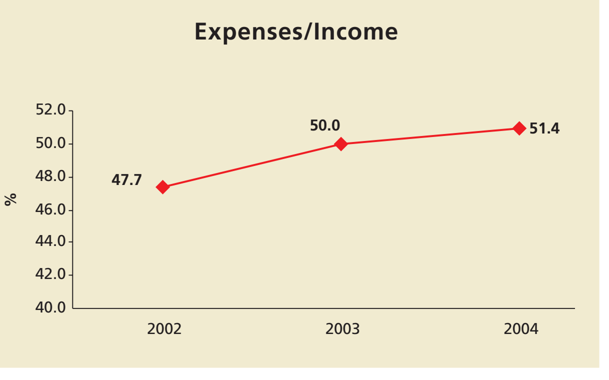
Operating expenses

Total operating expenses fell 3.9% to $9.6 million from $10.0 million in 2003, attributable to the decline in both staff costs and other operating expenses by 1.3% and 4.4% respectively.

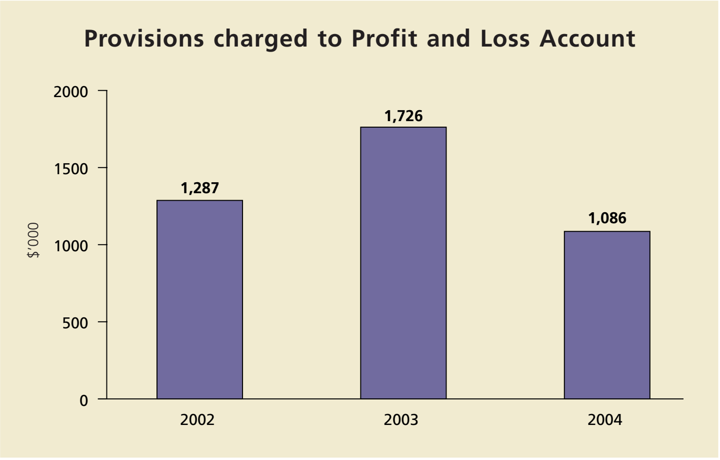
As a result of the higher decrease in total income compared to the decrease in total operating expenses, the expense to income ratio of the Group improved by 1.4% points to 51.4% in 2004 from 50.0% in 2003.

	2004 $'000	2003 $'000	Variance %
Staff costs	**1,435**	1,454	(1.3)
Other operating expenses	**8,198**	8,573	(4.4)
Total operating expenses	**9,633**	10,027	(3.9)





Provisions charged to Profit and Loss Account



For 2004, the total provision charge was at $1.1 million, down $0.6 million or 37.1% compared with $1.7 million in 2003. The decrease was substantially due to lower specific provisions for loans.

	2004 $'000	2003 $'000
Specific provisions for loans	**1,098**	1,752
Specific provisions for diminution in value of investments	**(82)**	4
Specific provisions for impairment of properties	**70**	(30)
Total provisions	**1,086**	1,726

OVERVIEW OF BALANCE SHEET

Total assets

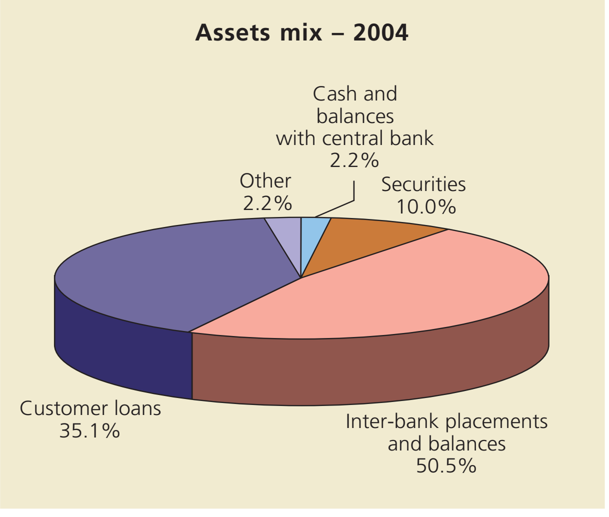
Group total assets increased to $824.1 million as at 31 December 2004, a 2.6% growth over the $802.9 million recorded as at 31 December 2003. The growth was primarily from securities and inter-bank balances, partially offset by the decrease in customer loans.

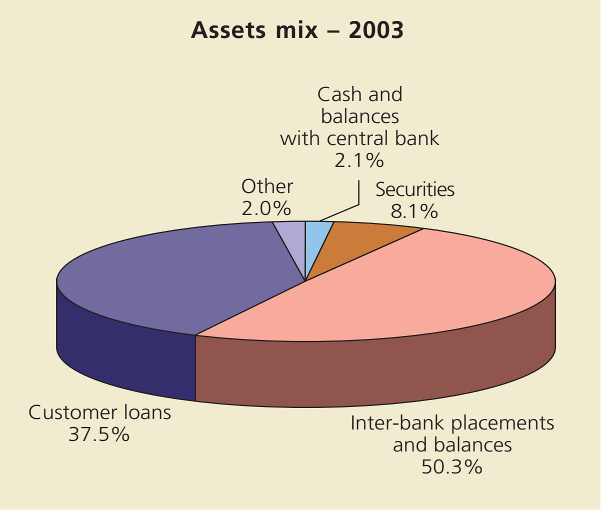
Assets mix

	2004		2003	
	$'000	**%**	$'000	%
Cash and balances with central bank	**17,733**	**2.2**	17,140	2.1
Securities*	**82,738**	**10.0**	65,231	8.1
Inter-bank placements and balances	**416,356**	**50.5**	403,676	50.3
Customer loans	**289,602**	**35.1**	301,234	37.5
Other	**17,697**	**2.2**	15,633	2.0
Total assets	**824,126**	**100.0**	802,914	100.0

** Comprising Singapore Government treasury bills and securities and investment securities.*

As at 31 December 2004, all securities were non-dealing assets. Included in these securities were Singapore Government treasury bills and securities amounting to $82.3 million (2003: $64.7 million).





Customer loans

Net loans and advances to customers decreased from $301.2 million to $289.6 million as at 31 December 2004. The decrease of $11.6 million or 3.9% was mainly from overdrafts portfolio.

Customer loans analysed by product group

	2004		2003	
	$'000	**%**	$'000	%
Housing loans	**116,573**	**37.6**	121,729	38.0
Term loans	**96,056**	**31.0**	83,882	26.2
Trade financing	**18,449**	**5.9**	14,639	4.6
Overdrafts	**79,025**	**25.5**	99,825	31.2
Total gross customer loans	**310,103**	**100.0**	320,075	100.0
Less: General provisions	**(12,059)**		(12,059)	
Specific provisions and interest-in-suspense	**(8,442)**		(6,782)	
Total net customer loans	**289,602**		301,234	

Gross customer loans analysed by industry

	2004		2003	
	$'000	**%**	$'000	%
Manufacturing	**18,302**	**5.9**	18,667	5.8
Building and construction	**11,161**	**3.6**	14,476	4.5
Housing loans	**116,573**	**37.6**	121,729	38.0
General commerce	**81,598**	**26.3**	83,615	26.1
Transport, storage and communication	**2,877**	**0.9**	3,305	1.0
Non-bank financial institutions	**11,245**	**3.6**	14,260	4.5
Professionals and private individuals (excluding housing loans)	**61,932**	**20.0**	58,568	18.3
Other	**6,415**	**2.1**	5,455	1.8
Total gross customer loans	**310,103**	**100.0**	320,075	100.0

Gross customer loans analysed by currency and fixed/variable rates

	2004			2003		
	Fixed rate	**Variable rate**	**Total**	Fixed rate	Variable rate	Total
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Singapore dollar	**81,104**	**215,563**	**296,667**	141,671	170,392	312,063
US dollar	**4,812**	**390**	**5,202**	2,247	751	2,998
Japanese yen	**5,644**	**640**	**6,284**	3,184	632	3,816
Other	**1,925**	**25**	**1,950**	1,184	14	1,198
Total gross customer loans	**93,485**	**216,618**	**310,103**	148,286	171,789	320,075

Gross customer loans analysed by remaining maturity

	2004		2003	
	$'000	**%**	$'000	%
Within 1 year	**121,730**	**39.2**	139,053	43.4
Over 1 year but within 3 years	**26,568**	**8.6**	27,123	8.5
Over 3 years but within 5 years	**25,681**	**8.3**	24,215	7.6
Over 5 years	**136,124**	**43.9**	129,684	40.5
Total gross customer loans	**310,103**	**100.0**	320,075	100.0

Credit facilities to related parties

As at 31 December 2004 and 31 December 2003, there were no outstanding loans or advances granted to related parties except for performance guarantees that were given by the Group to a related party in the ordinary course of business on normal terms and conditions. The outstanding amount of the credit facilities at 31 December were as follows:

	2004	2003
	$'000	$'000
Off-balance sheet credit facilities		
Associate of the holding company	**341**	540

Deposits

Total deposits went up by 2.5% or $16.2 million to $660.9 million as at 31 December 2004, mainly attributable to higher savings and other deposits from customers.

Deposits analysed by product group

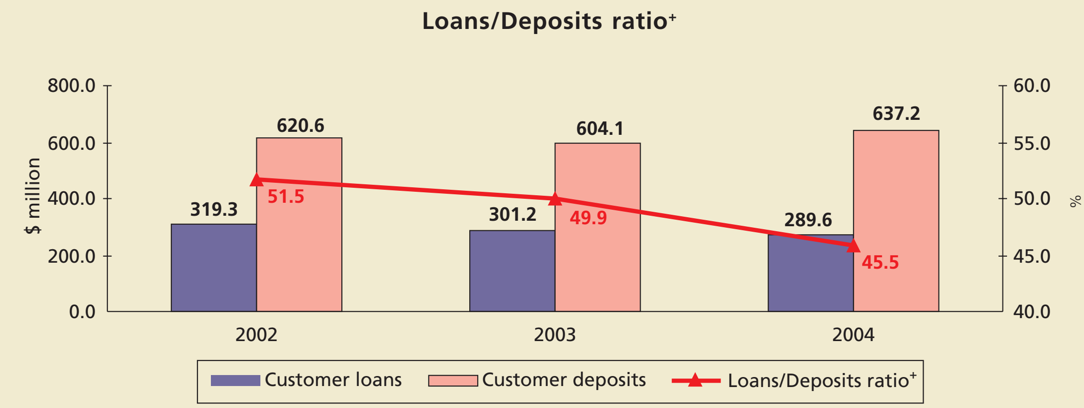
	2004		2003	
	$'000	**%**	$'000	%
Customer deposits				
Fixed deposits	**292,362**	**44.2**	283,254	43.9
Savings and other deposits	**344,810**	**52.2**	320,875	49.8
	637,172	**96.4**	604,129	93.7
Fellow subsidiaries' deposits	**2,463**	**0.4**	3,338	0.5
Holding company's deposits	**21,310**	**3.2**	37,252	5.8
Total deposits	**660,945**	**100.0**	644,719	100.0

Deposits analysed by remaining maturity

	2004		2003	
	$'000	**%**	$'000	%
Within 1 year	**642,007**	**97.1**	635,010	98.5
Over 1 year but within 3 years	**7,006**	**1.1**	5,824	0.9
Over 3 years but within 5 years	**11,932**	**1.8**	3,885	0.6
Total deposits	**660,945**	**100.0**	644,719	100.0

Loans/Deposits ratio+

As a result of the decrease in net customer loans of 3.9% coupled with the increase in customer deposits of 5.5%, the loans-to-deposits ratio declined 4.4% points to 45.5% as at 31 December 2004.



+ *"Loans" refer to net customer loans while "Deposits" refer to customer deposits.*

Shareholders' funds

Shareholders' funds as at 31 December 2004 stood at $156.1 million as compared to $151.5 million as at 31 December 2003.

Unrealised revaluation surplus on properties and investment securities amounted to $38.0 million as at 31 December 2004. The revaluation surplus was not incorporated into the financial statements.

	2004 **$'000**	2003 $'000
Shareholders' funds	**156,073**	151,454
Add: Revaluation surplus*	**37,977**	43,413
Shareholders' funds including revaluation surplus	**194,050**	194,867
Net asset value (NAV) per share ($)	**1.56**	1.51
Revaluation surplus per share ($)	**0.38**	0.44
Revalued NAV per share ($)	**1.94**	1.95

* *Refers to revaluation surplus on properties and investment securities which was not incorporated into the financial statements.*

CAPITAL ADEQUACY RATIOS

The Capital Adequacy Ratios ("CAR") of the Group were computed in accordance to the revised capital framework for Singapore-incorporated banks issued by the Monetary Authority of Singapore ("MAS").

As at 31 December 2004, the Group's total CAR was 46.6%, well above the minimum total CAR of 10% set by MAS. Compared to the total CAR of 44.0% as at 31 December 2003, it had increased 2.6% points mainly attributable to the decrease in risk-weighted assets coupled with the increase in Tier 1 capital due primarily to the net profit recorded for the financial year ended 31 December 2004.

	2004 **$'000**	2003^ $'000
Capital		
Tier 1 capital		
Share capital	**100,011**	100,011
Disclosed reserves	**56,065**	50,029
	156,076	150,040
Upper Tier 2 capital		
Cumulative general provisions	**4,301**	4,389
Total capital	**160,377**	154,429
Risk-weighted assets (including market risk)	**344,110**	351,125
Capital adequacy ratios		
Tier 1	**45.4%**	42.7%
Total capital	**46.6%**	44.0%

^ *The comparative figures as at 31 December 2003 have been adjusted to conform with the revised capital framework for Singapore-incorporated banks issued by MAS, which was effective from 30 June 2004.*

CREDIT AND COUNTRY RISK MANAGEMENT

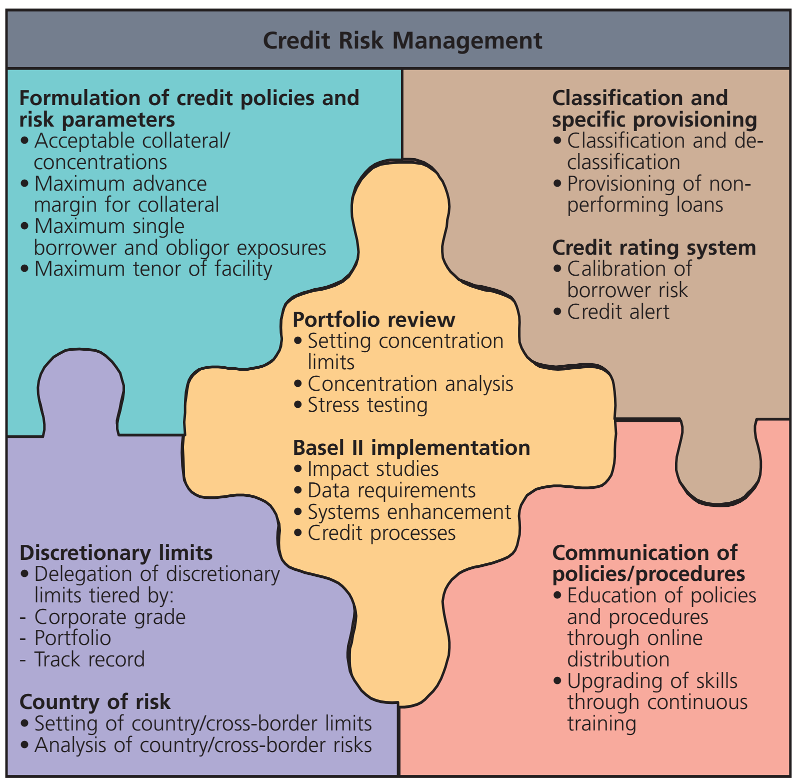
Credit risk

Counter-party and credit risk is defined as the potential loss arising from any failure by customers to fulfill their obligations, as and when they fall due. All credit exposures, whether on-balance sheet or off-balance sheet, are assessed. These obligations may arise from lending, trade finance, investment, receivables under derivative and foreign exchange contracts and other credit-related activities undertaken by the Group.

The Credit Committee, under delegated authority from the Board of Directors, approves credit policies, guidelines and procedures to control and monitor such risks. It has day-to-day responsibility for identifying and managing portfolio and risk concentration issues, including country exposure and industry sector exposure. The risk parameters for accepting credit risk are clearly defined and complemented by policies and processes to ensure that the Group maintains a well-diversified and high quality credit portfolio.

Credit discretionary limits are delegated to officers of individual business units, depending on their levels of experience. Approval of all credits is granted in accordance with credit policies and guidelines. Defined credit risk parameters include single borrower, obligor, security concentrations, identified high-risk areas, maximum tenor, acceptable structures and collateral types.

Policies are also in place to govern the approval of 'Related Parties' credit facilities. 'Related Parties' refer to individuals or companies with whom the authorised credit approving authority and/or his/her immediate family members have a relationship, whether as director, partner, shareholder or any other relationship which would give rise to a potential conflict of interest.



Credit relationships with 'Related Parties' must be established on a strictly arm's length commercial basis. An approving authority shall abstain and absent himself/herself from the deliberation and approval of credit cases where the borrower is a 'Related Party' except if the 'Related Party' is a:

- company of the Far Eastern Bank (FEB) Group;
- publicly listed company or company related to a publicly listed company;
- company formed by professional bodies, trade or clan associations, or societies.

The Board of Directors must be informed immediately in the event that any 'Related Party' borrower is in default of payment and/or in breach of any material term of the credit facility and such default or breach is not rectified within seven days of notice from the Group.

A comprehensive set of limits (country, regional, industry and counter-party) is in place to address concentration issues in the Bank's portfolio. A rigorous process is established to regularly review and report asset concentrations and portfolio quality so that risks are accurately assessed, properly approved and monitored. These cover large credit exposures by obligor group, collateral type, industry, product, country, level of non-performing loans (NPLs) and adequacy of provisioning requirements.

In particular, the trends and composition of exposures to property-related loans are closely monitored, analysed and reported on an on-going basis to ensure that exposures are kept within regulatory limits and internal guidelines. The exposure concentrations and NPLs by industry type are reported to the Credit Committee and Executive Committee on a monthly basis and to the Board of Directors on a quarterly basis.

Credit audits and reviews are regularly carried out to proactively identify and address potential weaknesses in the credit process and to pre-empt any unexpected deterioration in the credit quality.

FEB's parent bank, United Overseas Bank Limited (UOB) has made significant progress in its preparations for the New Basel Capital Accord (Basel II) and is already well in advance in developing, configuring and operationalising many of its systems and processes to prepare for the adoption of Basel II. UOB remains committed and will continue to invest in and strengthen its risk management systems, processes and practices to reach Internal Rating Based (IRB) compliance at the earliest date. To this end, UOB has engaged consultants in the relevant subject matters to provide advice on their fields of expertise.

Customer loans

Loans and advances are made to customers in various industry segments and business lines. The top 20 obligor group borrowers and top 100 group borrowers made up 28.9% and 61.2% of total loans and advances respectively.

Obligor groups are defined in accordance with Notice to Banks, MAS 623 to comply with Section 29 (1)(a) of the Banking Act. Where the parent company is a borrower, exposures to the parent company and companies that it has 20% or more shareholding or power to control are aggregated into a single obligor group.

As at 31 December 2004, about 57.6% of the exposure to customers resided in the personal financial services portfolio, which comprised mainly housing loans and other mortgage loans.

The composition of loans and advances to customers, contingent liabilities and corresponding non-performing portions are as follows:

	Loans and advances		Contingent liabilities		Non-performing loans	
By industry type (%)	**2004**	2003	**2004**	2003	**2004**	2003
Manufacturing	**5.9**	5.8	**6.8**	4.9	**–**	–
Building and construction	**3.6**	4.5	**5.4**	5.7	**1.0**	0.9
Housing loans	**37.6**	38.0	**–**	–	**18.5**	24.2
General commerce	**26.3**	26.1	**37.9**	52.7	**47.7**	47.9
Transport, storage and communication	**0.9**	1.0	**10.5**	8.5	**–**	–
Non-bank financial institutions	**3.6**	4.5	**21.4**	12.6	**9.3**	4.4
Professionals and private individuals	**20.0**	18.3	**8.0**	5.3	**18.6**	19.3
Other	**2.1**	1.8	**10.0**	10.3	**4.9**	3.3
Total (%)	**100.0**	100.0	**100.0**	100.0	**100.0**	100.0
Total gross loans ($ million)	**310.1**	320.0	**17.8**	19.4	**22.1**	32.4

Classification and provision of loans

The Bank classifies its loan portfolios according to the borrower's ability to repay the loan from its normal source of income. All loans and advances to customers are classified into the categories of 'Pass', 'Special Mention' or 'Non-Performing'. Non-Performing Loans are further classified as 'Substandard', 'Doubtful' or 'Loss' in accordance with Notice to Banks, MAS 612. The Bank also practises split classifications of 'Substandard - Doubtful' and 'Substandard - Loss', whereby 'Substandard' is the secured portion. Interest income on all non-performing loans is suspended and ceases to accrue. Such loans will remain classified until servicing of the account becomes satisfactory. Where appropriate, classified loans are transferred to in-house recovery specialists to maximise recovery prospects.

Loan classification	**Description**
Pass	All payments are current and full repayment of interest and principal from normal sources is not in doubt.
Special Mention	There is some potential weakness in the borrower's creditworthiness, but the extent of any credit deterioration does not warrant its classification as a non-performing loan.
Non-Performing: Substandard	There is weakness in the borrower's creditworthiness that jeopardises normal repayment. Default has occurred or is likely to occur. The loan is more than 90 days past due, or the repayment schedule has been restructured.
Non-Performing: Substandard - Doubtful	The loan is partially secured by tangible collateral and the recovery rate on the unsecured portion is expected to be more than 50%.
Non-Performing: Substandard - Loss	The loan is partially secured by tangible collateral and the recovery rate on the unsecured portion is expected to be less than 50%.
Non-Performing: Doubtful	There is severe weakness in the borrower's creditworthiness, full repayment is highly questionable and no collateral is available.
Non-Performing: Loss	The chance of recovery from the loan is insignificant and no collateral is available.

The Bank's provisions for credit losses are intended to cover probable credit losses through charges against profit. The provisions consist of an element that is specific to the individual loan and also a general element that has not been specifically identified to individual loans. The Bank constantly reviews the quality of its loan portfolio based on its knowledge of the borrowers and, where applicable, of the relevant industry and country of operation.

A specific provision is made when the Bank believes that the creditworthiness of a borrower has deteriorated to such an extent that the recovery of the entire outstanding loan is in doubt. The amount of specific provision to be made is based on the difference between the discounted cash flows (or collateral value) of an impaired loan and the carrying value of that loan. A general provision is made to cover possible losses and could be used to cushion any losses known from experience to exist in the loan portfolio.

Specific provisions are made for each loan grade in the following manner:

Loan Classification	**Recovery Expectation**	**Provision**
Substandard	> 90% to 100%	10% to 50% of any unsecured loan outstanding
Doubtful	50% to 90%	50% to 100% of any unsecured loan outstanding
Loss	< 50%	100% of any unsecured loan outstanding

Write-off

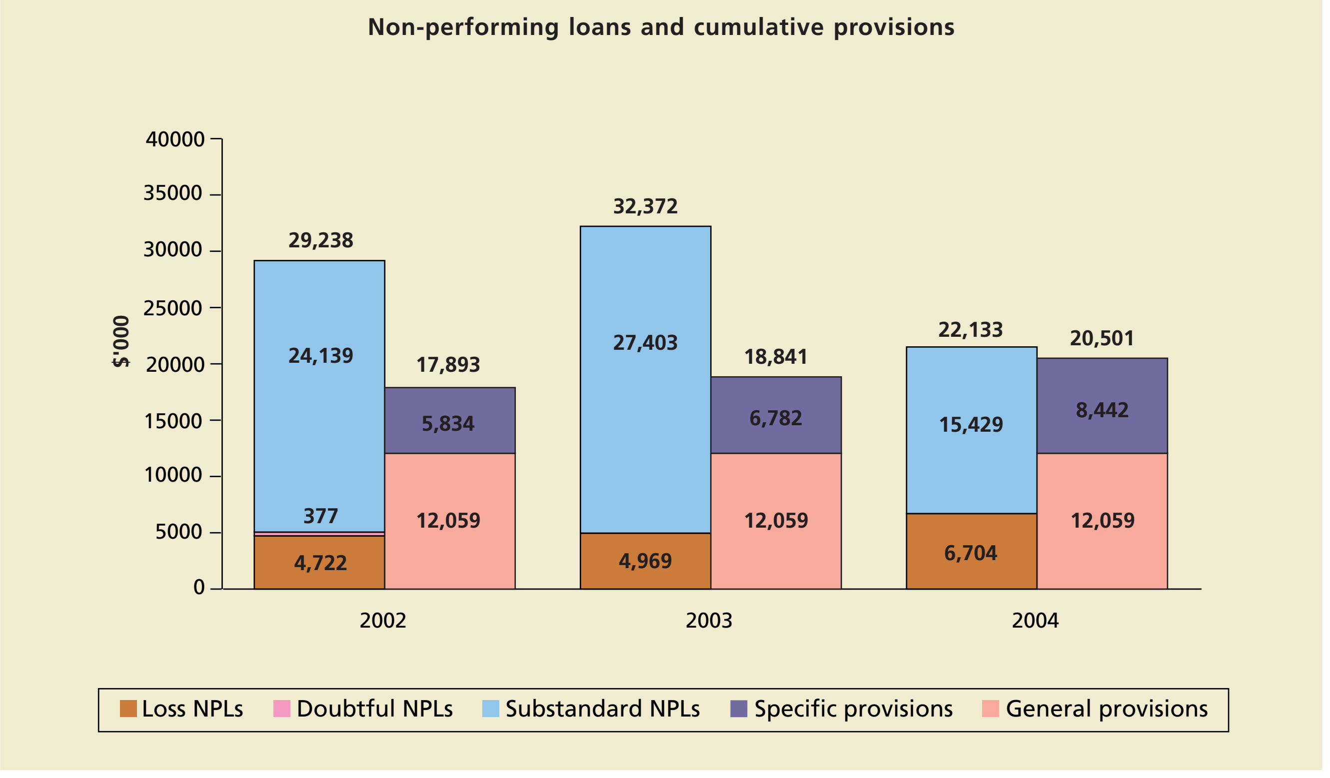
A classified account is written off where there is no realisable tangible collateral securing the account and all feasible avenues of recovery have been exhausted or where the borrower and guarantors have been bankrupted, wound-up, and/or proof of debt filed. Approval from MAS must be obtained before director-related loans and other loans, as required under Notice to Banks, MAS 606, can be written off.

Non-performing loans (NPLs) and cumulative provisions

The Bank's non-performing loans (NPLs) decreased by $10.3 million or 31.6% to $22.1 million as at 31 December 2004, compared to $32.4 million as at 31 December 2003. The decrease was in the Substandard category which amounted to 69.7% of total NPLs.

Correspondingly, NPLs as a percentage of gross customer loans dropped to 7.1%, from 10.1% as at 31 December 2003.

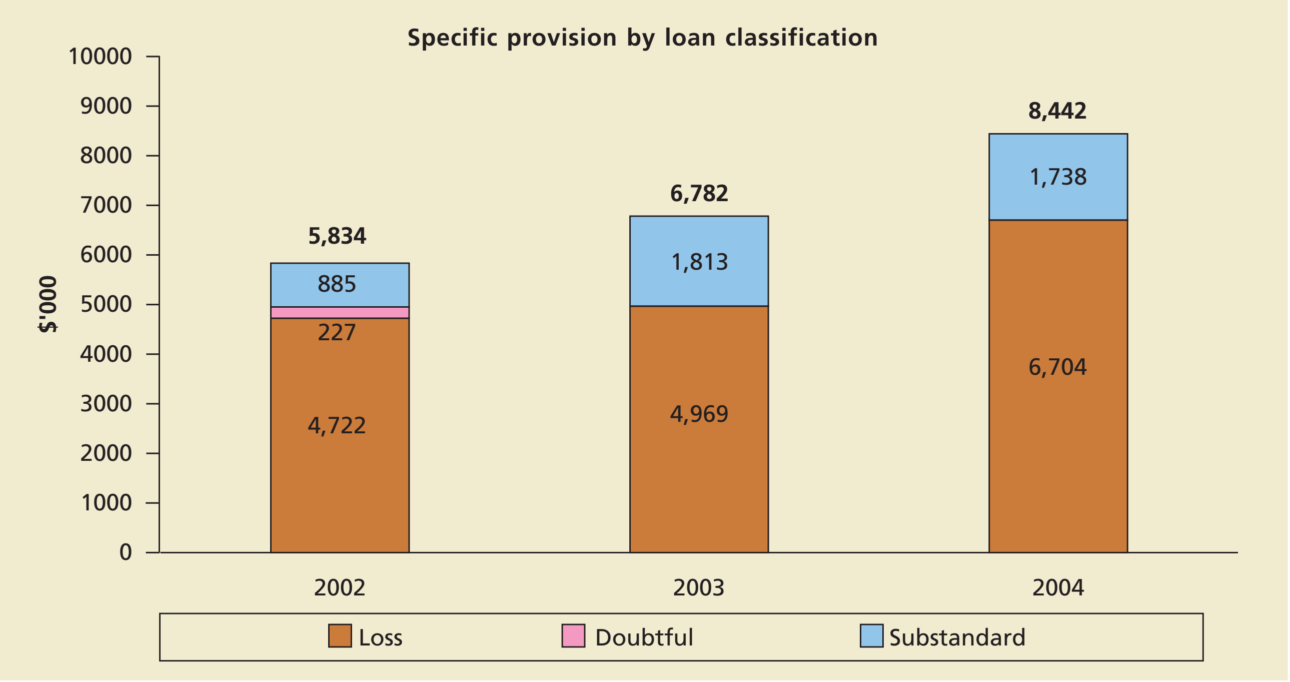
Specific provisions increased by $1.7 million or 24.5% to $8.4 million as at 31 December 2004, compared to $6.8 million as at 31 December 2003. General provisions remained unchanged at $12.1 million or 58.8% of the total cumulative provisions as at 31 December 2004. The cumulative provisions provided a coverage of 92.6% against the Bank's NPLs and 305.8% of NPLs classified as Doubtful and Loss.



Ratios (%)	**2004**	2003	2002
NPLs/Gross customer loans	**7.1**	10.1	8.7
NPLs/Total assets	**2.7**	4.0	3.7
Cumulative provisions/NPLs	**92.6**	58.2	61.2
Cumulative provisions/Doubtful & Loss NPLs	**305.8**	379.2	350.9
Cumulative provisions/Unsecured NPLs	**300.8**	312.6	281.9
Cumulative provisions/Gross customer loans	**6.6**	5.9	5.3
General provisions/Gross customer loans (net of specific provisions for loans)	**4.0**	3.8	3.6

Specific provisions by loan classification

As at 31 December 2004, about 79.4% of specific provisions made for expected loan losses is for 'Loss' accounts. The specific provisions for each classified loan grade are shown in the following chart:



Rescheduled and restructured accounts

A rescheduled account is one where repayment terms have been modified, but the principal terms and conditions of the original contract have not changed significantly. This is done to alleviate a temporary cash flow difficulty experienced by a borrower. It is expected that the problem is short-term and not likely to recur. The full amount of the debt is still repayable and no loss of principal or interest is expected.

When an account has been rescheduled three months before it meets the criteria for auto classification, the account can be graded as 'Performing'. However, if the rescheduling takes place after the account has been graded as 'Non-Performing', it remains as such and is upgraded to 'Pass' after six months and provided there are no excesses and past dues.

A restructured account is one where the original terms and conditions of the facilities have been modified significantly to assist the borrower to overcome financial difficulties where the longer-term prospect of the business or project is still deemed to be viable. A restructuring exercise could encompass a change in the credit facility type, or in the repayment schedule including moratorium, or extension of interest and/or principal payments and reduction of accrued interest, including forgiveness of interest and/or reduction in interest rate charged.

When an account has been restructured based on financial consideration, the account will be graded as 'Non-Performing'. It can only be upgraded to 'Pass' after six months when all payments are current in terms of the restructured terms and conditions and there is no reasonable doubt as to the ultimate collectability of principal and interest.

Loans that were classified and restructured during the year are as follows:

Loan classification	2004 Amount ($'000)	2004 Specific provisions ($'000)	2003 Amount ($'000)	2003 Specific provisions ($'000)
Loss	**–**	**–**	111	111

Ageing of NPLs

The full outstanding balance of an account is deemed non-current and aged when there are arrears in interest servicing or principal repayment. The ageing of NPLs is as follows:

Ageing (Days)	2004 Amount ($'000)	2004 % of total NPLs	2003 Amount ($'000)	2003 % of total NPLs
Current	**1,396**	**6.3**	2,080	6.4
⩽ 90	**2,137**	**9.6**	2,580	8.0
91 to 180	**2,626**	**11.9**	7,145	22.1
⩾ 181	**15,974**	**72.2**	20,567	63.5
Total	**22,133**	**100.0**	32,372	100.0

Collateral types

The majority of the classified loans are secured by properties. Properties are valued at forced sale value and such valuations are updated semi-annually. NPLs are also secured by other types of collateral such as marketable securities that include listed stocks and shares, cash and deposits, and bankers' standby letters of credit/guarantees.

As at 31 December 2004, 69.2% of NPLs was secured by collateral, compared to 81.4% as at 31 December 2003.

The secured NPLs of the Bank by collateral type are as follows:

	2004 $'000	2003 $'000
Property	**15,040**	25,815
Marketable securities	**–**	290
Cash and deposits	**278**	239
Total	**15,318**	26,344

BALANCE SHEET RISK MANAGEMENT

Balance sheet risk is defined as the potential change in earnings arising from the effect of movements in interest rates and foreign exchange rates on the structural banking book of the Group that is not of a trading nature.

The Asset Liability Committee (ALCO) approves the policies and limits for balance sheet risk. This risk is monitored and managed through the framework of approved policies and limits and reported regularly to ALCO, the Executive Committee of the Board and the Board of Directors.

In carrying out its business activities the Group strives to meet customers' demands and preferences for products with various interest rate structures and maturities. Sensitivity to interest rate movements arises from mismatches in the repricing dates, cash flows and other characteristics of assets and liabilities. As interest rates and yield curves change over time, the size and nature of these mismatches may result in a gain or loss in earnings. In managing balance sheet risk, the primary objective, therefore, is to monitor and avert significant volatility in Net Interest Income (NII) and Economic Value of Equity (EVE). For instance, when there are significant changes in market interest rates, the Group will adjust its lending and deposit rates to the extent necessary to stabilise its NII.

The balance sheet interest rate risk exposure is calculated using a combination of dynamic simulation modelling techniques and static analysis tools, such as maturity/repricing schedules. The schedules provide a static indication of the potential impact on interest earnings through gap analysis of the mismatches of interest rate sensitive assets, liabilities and off-balance sheet items by time bands, according to their maturity (for fixed rate items) or remaining period to their next repricing (for floating rate items).

The table in Note 32(c) of Notes to the Financial Statements represents the Group's interest rate risk sensitivity based on repricing mismatches as at 31 December 2004. Interest rate risk will arise when more assets/liabilities than liabilities/assets are repriced in a given time band. A positive interest rate sensitivity gap exists when more interest sensitive assets than interest sensitive liabilities reprice during a given time period. This tends to benefit NII when interest rates are rising. Conversely, a negative interest rate sensitivity gap exists when more interest sensitive liabilities than interest sensitive assets reprice during a given time period. This tends to benefit NII when interest rates are falling. Interest rate sensitivity may also vary during repricing periods and among the currencies in which the Group has positions. As at 31 December 2004, the Group had an overall positive interest rate sensitivity gap of $228.1 million, excluding non-interest sensitive items. The actual effect on NII will depend on a number of factors, including variations in interest rates within the repricing periods, variations among currencies, and the extent to which repayments are made earlier or later than the contracted dates. The interest rate repricing profile, which includes lending, funding and liquidity activities, typically leads to a negative interest rate sensitivity gap in the shorter term.

Complementing the static analysis is the dynamic simulation modelling process. In this process, the Group applies both the earnings and the EVE approaches to measuring interest rate risk. The potential effects of changes in interest rates on NII are estimated by simulating the future course of interest rates, expected changes in the Group's business activities over time, as well as the effect of embedded options in the form of loans subject to prepayment and of deposits subject to preupliftment. The changes in interest rates include the simulation of changes in the shape of the yield curve, high and low rates, and implied forward interest rates.

EVE is simply the present value of the Group's assets less the present value of the Group's liabilities, currently held by the Group. In EVE sensitivity simulation modelling, the present values for all the Group's cash flows are computed, with the focus on changes in EVE under various interest rate environments. This economic perspective measures interest rate risk across the entire time spectrum of the balance sheet.

Stress testing is also performed regularly on balance sheet risk to determine the sensitivity of the Group's capital to the impact of more extreme interest rate movements. This stress testing is to show that even under more extreme market movements, for example the Asian financial crisis, its capital will not deteriorate beyond its approved risk tolerance. Such tests are also performed to provide early warning of potential worst-case losses so as to facilitate proactive management of these risks in the rapidly changing financial markets. The results of these stress testing are presented to ALCO, the Executive Committee and the Board of Directors.

LIQUIDITY RISK MANAGEMENT

Liquidity risk is defined as the potential loss arising from the Group's inability to meet its contractual obligations when due. Liquidity risk arises in the general funding of the Group's activities and in the management of its assets. The Group maintains sufficient liquidity to fund its day-to-day operations, meet customer deposit withdrawals either on demand or at contractual maturity, meet customers' demand for new loans, participate in new investments when opportunities arise, and repay borrowings as they mature. Hence liquidity is managed to meet known as well as unanticipated cash funding needs.

Liquidity risk is managed in accordance with a framework of liquidity policies, controls and limits approved by ALCO. These policies, controls and limits ensure that the Group maintains well diversified sources of funding, as well as sufficient liquidity to meet all its contractual obligations when due. This distribution of sources and maturities of deposits is managed actively in order to ensure cost effectiveness and continued access to funds and to avoid a concentration of funding needs from any one source. Important factors in assuring liquidity are competitive pricing in interest rates and the maintenance of customers' confidence. Such confidence is founded on the Group's good reputation, the strength of its earnings, and its strong financial position and credit rating.

The management of liquidity risk is carried out throughout the year by a combination of cash flow management, maintenance of high quality marketable securities and other short-term investments that can be readily converted to cash, diversification of the funding base, and proactive management of the Group's "core deposits". "Core deposits" is a major source of liquidity for the Group. These "core deposits" are generally stable non-bank deposits, like current accounts, savings accounts and fixed deposits. The Group monitors the stability of its "core deposits" by analyzing their volatility over time.

In accordance with the regulatory liquidity risk management framework, liquidity risk is measured and managed on a projected cash flow basis. The Group is required to monitor liquidity under "business as usual" and "bank-specific crisis" scenarios. Liquidity cash flow mismatch limits have been established to limit the Group's liquidity exposure. The Group has also identified certain early warning indicators and established the trigger points for possible contingency situations. These early warning indicators are monitored closely so that immediate action can be taken. On a tactical daily liquidity management level, Global Treasury – Asset Liability Management is responsible for effectively managing the overall liquidity cash flows in accordance with the Group's approved liquidity risk management policies and limits.

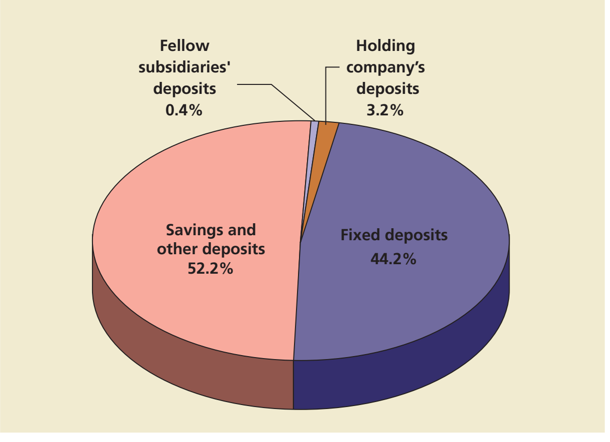
Liquidity contingency funding plans have been drawn up to ensure that alternative funding strategies are in place and can be implemented on a timely basis to minimise the liquidity risks that may arise upon the occurrence of a bank-specific crisis or dramatic change in market conditions. Under the plans, a team comprising senior management and representatives from all relevant units will direct the business units to take certain specified actions to create liquidity and continuous funding for the Group's operations.

The table in Note 32(d) of Notes to the Financial Statements shows the maturity mismatch analysis of the Bank's nearer and longer-term time bands relating to the cash inflows and outflows based on contractual classifications arising from business activities. The projected net cash outflow in the 'Up to 7 Days' time band of $257.9 million comprises mainly customers' current accounts and savings accounts that are repayable on demand. However, when these customer deposits are adjusted for behavioural characteristics, the projected net cash outflow in the 'Up to 7 Days' time band is very much reduced as they are adjusted out to the longer-term time bands due to the stable nature of these customer deposits.

Sources of Deposits

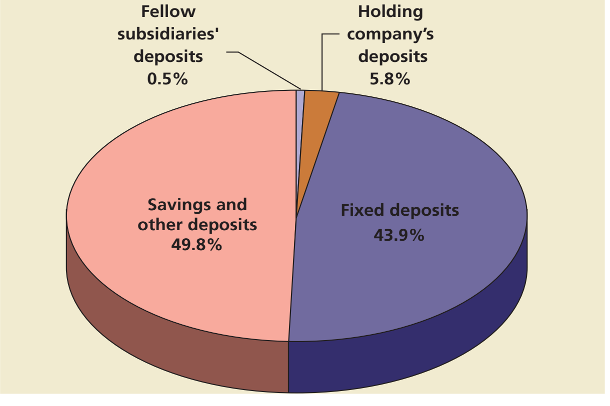
The Group has access to diverse funding sources. Liquidity is provided by a variety of both short-term and long-term instruments. The diversity of funding sources enhances funding flexibility, limits dependence on any one source of funds, and generally lowers the overall cost of funds. In making funding decisions, management considers market conditions, prevailing interest rates, liquidity needs, and the desired maturity profile of its liabilities.

Non-bank customers' fixed deposits, savings and other deposits continued to form a significant part of the Group's overall funding base in the year under review. As at 31 December 2004, customer deposits amounted to $637.2 million and accounted for 96.4% of total deposits. Fellow subsidiaries' and holding company's deposits on the other hand amounted to only $23.8 million and formed the remaining 3.6% of total deposits. In terms of deposits' mix, savings and other deposits comprised the majority of the funding base at 52.2% followed by fixed deposits at 44.2%.



Sources of deposits – 2004

	$'000	%
Customer deposits		
Fixed deposits	**292,362**	**44.2**
Savings and other deposits	**344,810**	**52.2**
Fellow subsidiaries' deposits	**2,463**	**0.4**
Holding company's deposits	**21,310**	**3.2**
Total deposits	**660,945**	**100.0**



Sources of deposits – 2003

	$'000	%
Customer deposits		
Fixed deposits	283,254	43.9
Savings and other deposits	320,875	49.8
Fellow subsidiaries' deposits	3,338	0.5
Holding company's deposits	37,252	5.8
Total deposits	644,719	100.0

OPERATIONAL RISK MANAGEMENT

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Potential loss may be in the form of financial loss or other damages, for example, loss of reputation and public confidence that will impact the Group's credibility and ability to transact, maintain liquidity and obtain new business.

Operational risk is managed through a framework of policies, techniques and procedures as approved by the Group's Management Committee (MC).

This framework of techniques and procedures encompasses the following:
- building of Operational Risk Profiles (ORPs);
- conduct of Operational Risk Self Assessment (ORSA) based on the ORPs;
- development of an Operational Risk Action Plan (ORAP);
- monitoring of Key Operational Risk Indicators (KORIs);
- collection and analysis of operational risk events/loss data;
- monitoring and reporting of operational risk issues.

The building of ORPs involves risk identification, the assessment of inherent or absolute risks, as well as the identification and classification of management controls. The methodology provides the tool for the profiling of significant operational risks to which business and support units are exposed. These units then define the key management policies/procedures/controls that have been established to address the identified operational risks.

As part of the continual assessment, ORSA provides the business/support heads with an analytical tool to identify the wider operational risks, assess the adequacy of controls over these risks, and identify control deficiencies at an early stage so that timely action can be taken.

Where actions need to be taken, these are documented in the form of an ORAP for monitoring and reporting to top management.

KORIs are statistical data that are collected and monitored regularly by business units on an on-going basis for the early detection of potential areas of operational control weakness. Trend analysis is carried out to determine whether there are systemic issues to be addressed.

A database of operational risk events and losses has been established to enable the future use of advanced approaches for quantification of operational risks. Additionally, the analysis of operational risk events and sharing of lessons learnt help to further strengthen the operational risk management capability of the business units.

Included in the overall framework of operational risk is the disciplined product programme process. This process aims to ensure that the risks associated with each new product/service are identified, analysed and managed.

For the implementation of all online products and services, extra care and precautionary measures are taken to address and protect customers' confidentiality and interests. Clear instructions are also posted on the Group's website to advise and educate customers on the proper use and safekeeping of their access identification and passwords.

As part of the Group's comprehensive operational risk framework, an enhanced Group-wide Business Contingency Plan has been developed. In addition, in line with the increasing need to outsource internal operations in order to achieve cost efficiency, a Group Outsourcing Policy has been established to regulate the outsourcing of services to third parties.

Risk transfer mechanisms, such as insurance, to mitigate the risk of high impact loss events also form part of this framework. Identified operational risks with relatively high residual risk assessment ratings and new risks that are beyond the control of the Group will be scrutinised for insurability.

Legal risk is part of operational risk. Legal risk arises from inadequate documentation, legal or regulatory incapacity or insufficient authority of customers and uncertainty in the enforcement of contracts. This is managed through consultation with the Group's legal counsel and external counsel to ensure that legal advice is appropriately taken where necessary.

As part of preparations to comply with Basel II, the Group has started mapping all its business activities to the eight Business Lines as defined by the Basel Committee on Banking Supervision.

GROUP COMPLIANCE

Risk Management & Compliance sector – Group Compliance is an independent function that helps to identify, assess and monitor the Bank's compliance risk, that is, the risk of financial or reputational loss arising from failure to comply with all applicable laws, regulations, codes of conduct and standards of good practice relating to the business activities of the Bank. Group Compliance also advises and reports on the Bank's compliance risk.

To fulfil its role, Group Compliance has drawn up policies, guidelines and procedures in line with applicable laws, rules and standards to provide guidance to business units in their day-to-day activities. These include guidelines and procedures for the sale of investment products, opening of accounts and prevention of money laundering and terrorist financing activities. Additional guidelines and procedures are implemented in business units to avoid and mitigate conflicts of interests. Regular training sessions are held to create and heighten staff awareness of applicable laws, rules and standards.

Group Compliance achieves its objectives through a team of dedicated compliance officers in key business lines and support units, and works closely with business units to manage the Bank's compliance risks.

The directors are pleased to present their report to the members together with the audited financial statements of Far Eastern Bank Limited (the "Bank") and its subsidiaries (the "Group") for the financial year ended 31 December 2004.

Directors

The directors of the Bank in office at the date of this report are:

Mr Wee Cho Yaw *(Chairman)*
Mr Wee Ee Cheong *(Deputy Chairman)*
Mr Lee Chin Chuan
Mr Ong Chu Meng
Mr Wong Meng Meng
Mr Philip Yeo Liat Kok
Prof Cham Tao Soon
Mr Ngiam Tong Dow *(appointed on 3 February 2005)*

Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Bank a party to any arrangement whose object was to enable the directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate, other than those issued in connection with the UOB 1999 Share Option Scheme as set out in this report.

Directors' interests in shares or debentures

(a) The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, an interest in shares of the Bank or related corporations as stated below:

	Direct interest		Deemed interest	
	At 31.12.2004	At 1.1.2004	**At 31.12.2004**	At 1.1.2004
The Bank				
Far Eastern Bank Limited				
(Ordinary shares of $1 each)				
Mr Lee Chin Chuan	**538,178**	538,178	**4,561,671**	4,455,443
Mr Ong Chu Meng	**302,185**	302,185	**1,969,850**	1,969,850
Related corporations				
United Overseas Bank Limited				
(Ordinary shares of $1 each)				
Mr Wee Cho Yaw	**16,390,248**	16,390,248	**211,708,142**	210,608,142
Mr Wee Ee Cheong	**2,794,899**	2,794,899	**146,085,251**	144,985,251
Mr Lee Chin Chuan	**–**	–	**83,727**	83,727
Prof Cham Tao Soon	**–**	–	**6,520**	6,520
Mr Koh Beng Seng *(resigned on 16 February 2005)*	**50,000**	–	**–**	–
United Overseas Insurance Limited				
(Ordinary shares of $1 each)				
Mr Wee Cho Yaw	**25,400**	25,400	**–**	–

Directors' interests in shares or debentures (continued)

(b) The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, an interest in the share options in, or debentures of the Bank or related corporations as stated below:

	Direct interest		Deemed interest	
	At 31.12.2004	At 1.1.2004	**At 31.12.2004**	At 1.1.2004
Related corporations				
United Overseas Bank Limited				
(Option to subscribe for unissued ordinary shares of $1 each)				
Mr Koh Beng Seng *(resigned on 16 February 2005)*	**–**	50,000	**–**	–

Note: The share options which were granted pursuant to the UOB 1999 Share Option Scheme carry the right to subscribe for new ordinary shares of United Overseas Bank Limited. The exercise price of the share options outstanding at 31 December 2003 is $11.67 per share.

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Bank has received or become entitled to receive a benefit by reason of a contract made by the Bank or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except that certain directors received remuneration from related corporations in their capacity as directors and/or executives of those corporations.

Share options

There were no options granted by the Bank or any of its subsidiaries during the financial year to subscribe for unissued shares of the Bank or its subsidiaries.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Bank or its subsidiaries.

There were no unissued shares under option in respect of the Bank or its subsidiaries as at 31 December 2004.

Auditors

Messrs Ernst & Young have expressed their willingness to accept reappointment as auditors.

On behalf of the Board of Directors,

Wee Cho Yaw
Chairman

Wee Ee Cheong
Deputy Chairman

Singapore, 24 February 2005

Statement by Directors

for the financial year ended 31 December 2004

We, Wee Cho Yaw and Wee Ee Cheong, being two of the directors of Far Eastern Bank Limited, do hereby state that, in the opinion of the directors:

(i) the accompanying profit and loss accounts, balance sheets, statement of changes in equity and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Bank and of the Group as at 31 December 2004, the results of the business and changes in equity of the Bank and the Group and cash flows of the Group for the financial year then ended; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

Wee Cho Yaw	**Wee Ee Cheong**
Chairman	Deputy Chairman

Singapore, 24 February 2005

Auditors’ Report to the Members of Far Eastern Bank Limited

for the financial year ended 31 December 2004

We have audited the accompanying financial statements of Far Eastern Bank Limited (the “Bank”) and its subsidiaries (the “Group”) as set out on pages 35 to 65 for the financial year ended 31 December 2004. These financial statements are the responsibility of the Bank’s directors. Our responsibility is to express an opinion on these financial statements based on our audit.

The financial statements for the financial year ended 31 December 2003 were audited by another firm of auditors whose report dated 20 February 2004 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

(a) the financial statements of the Bank and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the “Act”) and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Bank and of the Group as at 31 December 2004, the results of the Bank and of the Group and changes in equity of the Bank and of the Group and cash flows of the Group for the financial year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Bank and by its subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG
Certified Public Accountants

Singapore, 24 February 2005

Profit and Loss Accounts

for the financial year ended 31 December 2004

		The Group		The Bank	
	Note(s)	**2004**	2003	**2004**	2003
		$'000	$'000	**$'000**	$'000
Interest income	3	**16,989**	17,432	**16,989**	17,432
Less: Interest expense	4	**3,247**	4,083	**3,248**	4,084
Net interest income		**13,742**	13,349	**13,741**	13,348
Dividend income	5	**188**	360	**188**	361
Fee and commission income	6	**1,418**	1,338	**1,418**	1,338
Rental income	7	**2,304**	3,517	**2,304**	3,517
Other operating income	8	**1,106**	1,497	**1,106**	1,497
Income before operating expenses		**18,758**	20,061	**18,757**	20,061
Less:					
Staff costs	9	**1,435**	1,454	**1,435**	1,454
Other operating expenses	10	**8,198**	8,573	**8,196**	8,572
Total operating expenses		**9,633**	10,027	**9,631**	10,026
Operating profit before provisions		**9,125**	10,034	**9,126**	10,035
Less: Provisions	11	**1,086**	1,726	**1,086**	1,726
Profit before tax		**8,039**	8,308	**8,040**	8,309
Less: Tax	12(a)	**1,820**	1,670	**1,820**	1,670
Net profit for the financial year attributable to members		**6,219**	6,638	**6,220**	6,639

The accounting policies and explanatory notes form an integral part of the financial statements.

Balance Sheets

as at 31 December 2004

	Note(s)	The Group 2004 $'000	The Group 2003 $'000	The Bank 2004 $'000	The Bank 2003 $'000
Share capital and reserves					
Share capital	13	**100,011**	100,011	**100,011**	100,011
Statutory reserve	14	**45,050**	41,900	**45,050**	41,900
Revenue reserves	15	**11,012**	9,543	**11,007**	9,537
		156,073	151,454	**156,068**	151,448
Liabilities					
Current, fixed, savings accounts and other deposits of non-bank customers	16(b)	**637,172**	604,129	**637,172**	604,129
Deposits of and amounts owing to fellow subsidiaries		**2,463**	3,338	**2,463**	3,338
Deposits from subsidiaries		**–**	–	**113**	114
Deposits from holding company		**21,310**	37,252	**21,310**	37,252
	16(a)	**660,945**	644,719	**661,058**	644,833
Bills and drafts payable		**2,044**	2,077	**2,044**	2,077
Tax payables		**1,902**	1,599	**1,902**	1,599
Other liabilities	17	**3,162**	3,065	**3,159**	3,062
		668,053	651,460	**668,163**	651,571
		824,126	802,914	**824,231**	803,019
Off-balance sheet items					
Contingent liabilities	28	**17,811**	19,442	**17,811**	19,442
Derivative financial instruments	29	**2,118**	2,450	**2,118**	2,450
Commitments	30	**137,955**	160,441	**137,955**	160,441

	Note(s)	The Group 2004 $'000	The Group 2003 $'000	The Bank 2004 $'000	The Bank 2003 $'000
Assets					
Cash and balances with central bank		**17,733**	17,140	**17,733**	17,140
Singapore Government treasury bills and securities	18	**82,297**	64,712	**82,297**	64,712
Placements and balances with banks and agents	19	**12,417**	7,023	**12,417**	7,023
Trade bills	20	**1,399**	860	**1,399**	860
Advances to customers	20	**288,203**	300,374	**288,203**	300,374
Placements with fellow subsidiaries		**236**	233	**236**	233
Deferred tax asset	12(c)	**1,300**	1,418	**1,300**	1,418
Other assets	21	**4,849**	2,159	**4,849**	2,159
Placements with and net amount owing by holding company		**403,703**	396,420	**403,703**	396,420
		812,137	790,339	**812,137**	790,339
Investment securities	22	**441**	519	**441**	519
Investment in an associate of holding company	23	**757**	679	**757**	679
Investment in a fellow subsidiary	24	**129**	129	**129**	129
Investments in subsidiaries	25	**–**	–	**105**	105
Fixed assets	26	**10,662**	11,248	**10,662**	11,248
		824,126	802,914	**824,231**	803,019

The accounting policies and explanatory notes form an integral part of the financial statements.

Statement of Changes in Equity

for the financial year ended 31 December 2004

The Group

	Note(s)	**2004** Share capital $'000	**2004** Statutory reserve $'000	**2004** Revenue reserves $'000	**2004** Total $'000	2003 Share capital $'000	2003 Statutory reserve $'000	2003 Revenue reserves $'000	2003 Total $'000
Balance at 1 January		**100,011**	**41,900**	**9,543**	**151,454**	100,011	38,500	7,865	146,376
Net profit for the financial year attributable to members		**–**	**–**	**6,219**	**6,219**	–	–	6,638	6,638
Total recognised gains for the financial year		**–**	**–**	**6,219**	**6,219**	–	–	6,638	6,638
Transfer to statutory reserve	14,15	**–**	**3,150**	**(3,150)**	**–**	–	3,400	(3,400)	–
Final dividend	15	**–**	**–**	**(1,600)**	**(1,600)**	–	–	(1,560)	(1,560)
Balance at 31 December		**100,011**	**45,050**	**11,012**	**156,073**	100,011	41,900	9,543	151,454

The Bank

	Note(s)	**2004** Share capital $'000	**2004** Statutory reserve $'000	**2004** Revenue reserves $'000	**2004** Total $'000	2003 Share capital $'000	2003 Statutory reserve $'000	2003 Revenue reserves $'000	2003 Total $'000
Balance at 1 January		**100,011**	**41,900**	**9,537**	**151,448**	100,011	38,500	7,858	146,369
Net profit for the financial year attributable to members		**–**	**–**	**6,220**	**6,220**	–	–	6,639	6,639
Total recognised gains for the financial year		**–**	**–**	**6,220**	**6,220**	–	–	6,639	6,639
Transfer to statutory reserve	14,15	**–**	**3,150**	**(3,150)**	**–**	–	3,400	(3,400)	–
Final dividend	15	**–**	**–**	**(1,600)**	**(1,600)**	–	–	(1,560)	(1,560)
Balance at 31 December		**100,011**	**45,050**	**11,007**	**156,068**	100,011	41,900	9,537	151,448

The accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Cash Flow Statement

for the financial year ended 31 December 2004

	2004 $'000	2003 $'000
Cash flows from operating activities:		
Profit before tax	**8,039**	8,308
Adjustments for:		
Depreciation of fixed assets	**585**	549
Provision/(write-back of provision) for impairment of land and buildings	**70**	(30)
Operating profit before working capital changes	**8,694**	8,827
Changes in working capital:		
Increase/(decrease) in deposits	**33,043**	(16,449)
(Decrease)/increase in bills and drafts payable	**(33)**	883
Increase/(decrease) in other liabilities	**97**	(402)
Increase in placements and balances with banks and agents	**(5,394)**	(239)
Decrease in trade bills and advances to customers	**11,632**	18,060
Increase in other assets	**(2,690)**	(155)
Increase in net balance of related companies	**(24,103)**	(35,328)
Cash provided by/(used in) operations	**21,246**	(24,803)
Income tax paid	**(1,399)**	(2,027)
Net cash provided by/(used in) operating activities	**19,847**	(26,830)
Cash flows from investing activities:		
Net (increase)/decrease in fixed assets	**(69)**	603
Net decrease in investment securities and investments in related companies	**–**	135
Net cash (used in)/provided by investing activities	**(69)**	738
Cash flows from financing activities:		
Dividend paid by the Bank	**(1,600)**	(1,560)
Net cash used in financing activities	**(1,600)**	(1,560)
Net increase/(decrease) in cash and cash equivalents for the financial year	**18,178**	(27,652)
Cash and cash equivalents at beginning of the financial year	**81,852**	109,504
Cash and cash equivalents at end of the financial year (Note 31)	**100,030**	81,852

The accounting policies and explanatory notes form an integral part of the financial statements.

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. Corporate information

Far Eastern Bank Limited (the "Bank") is a limited liability company, which is incorporated in Singapore and its immediate and ultimate holding company is United Overseas Bank Limited, a company incorporated in Singapore. The Bank is a member of the United Overseas Bank Group.

The Bank is principally engaged in the business of banking in all its aspects. The principal activities of its subsidiaries are set out in Note 25 to the financial statements.

The registered office of the Bank is located at 80 Raffles Place, UOB Plaza, Singapore 048624.

2. Summary of significant accounting policies

(a) **Basis of preparation**

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") as required by the Singapore Companies Act, Cap. 50.

The accounting policies have been consistently applied by the Group and the Bank and are consistent with those used in the previous financial year.

(b) **Basis of accounting**

The financial statements are presented in Singapore dollars ("SGD" or "$").

The financial statements are prepared in accordance with the historical cost convention, modified by the revaluation of certain derivative financial instruments to fair value at the balance sheet date.

The preparation of financial statements in conformity with FRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the financial year. Although these estimates are based on management's best knowledge and efforts, actual results may ultimately differ from these estimates.

(c) **Basis of consolidation**

The consolidated financial statements include the financial statements of the Bank and all its subsidiaries made up to the end of the financial year. Inter-company balances and transactions and resulting unrealised profits and losses are eliminated in full on consolidation.

(d) **Subsidiaries**

A subsidiary is a company in which the Group, directly or indirectly, hold more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the Board of Directors.

(e) **Trade bills and advances to customers**

Trade bills and advances to customers are stated at cost less provisions for possible losses. These provisions comprise specific provisions made for any debts considered to be doubtful of collection and a general provision maintained to cover losses which, although not specifically identified, are inherent in any portfolio of loans and advances. Known bad debts are written-off.

(f) **Investments**

(i) Singapore Government treasury bills, not held for trading, are stated at the lower of cost and market value, determined on an aggregate basis.

Singapore Government securities, not held for trading, are stated at cost (adjusted for amortisation of premium or discount) and provisions are made for diminution in value that is other than temporary, determined on an individual basis.

(ii) Investment securities are stated at cost (adjusted for amortisation of premium or discount) and provisions are made for diminution in value that is other than temporary, determined on an individual basis.

Fair value for publicly quoted investments is based on quoted market bid prices at the balance sheet date. Fair value for unquoted investments is based on other valuation techniques, such as discounting estimated cash flows at an appropriate rate.

(iii) Investment in associates of the holding company and fellow subsidiaries are stated at cost and provisions are made for diminution in value that is other than temporary, determined on an individual basis.

(iv) Investment in subsidiaries are stated at cost and provisions are made for impairment, determined on an individual basis.

(g) **Cash and cash equivalents**

Cash and cash equivalents are highly liquid assets that are readily convertible to cash.

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the balance sheet amounts of cash and balances with central bank and Singapore Government treasury bills and securities.

(h) **Revenue recognition**

(i) Interest income is recognised on a time proportion basis.

(ii) Dividend income from investments is taken up gross in the profit and loss accounts of the accounting year in which the dividend is received.

(iii) Profits and losses on disposal of investments are taken up in the profit and loss accounts.

(iv) Fee and commission income and rental income are recognised on an accrual basis.

2. Summary of significant accounting policies (continued)

(i) **Fixed assets and depreciation**

Fixed assets are stated at cost less accumulated depreciation and impairment. Fixed assets, other than land and buildings, are depreciated on a straight-line basis over 5 or 10 years. Freehold land and leasehold land exceeding 99 years tenure are not depreciated. Other leasehold land is depreciated on a straight-line basis over the period of the lease. Buildings are depreciated on a straight-line basis over 50 years or over the period of the respective leases, whichever is shorter.

Provisions for impairment of fixed assets are determined on an individual basis.

(j) **Tax**

Deferred income tax is provided, using the liability method, in full on all significant temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised for all significant deductible temporary differences, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for all significant temporary differences arising on investments in subsidiaries, fellow subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(k) **Foreign currencies**

Transactions in foreign currencies are measured in Singapore dollars and recorded at exchange rates approximating those ruling at the transaction dates. Foreign currency monetary assets and liabilities are measured using the exchange rates ruling at balance sheet date. Non-monetary assets and liabilities are measured using the exchange rates ruling at the transaction dates. All resultant exchange differences are recognised in the profit and loss accounts.

(l) **Derivative financial instruments**

Derivative financial instruments are initially recognised in the balance sheets at amounts paid or received, as appropriate.

Derivative financial instruments undertaken for trading purposes are subsequently re-measured to fair value and the resultant profits or losses are taken up in the profit and loss accounts.

Derivative financial instruments entered into for hedging purposes are accounted for in a manner consistent with the accounting treatment of the hedged items.

(m) **Impairment**

Investments in subsidiaries and fixed assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and/or value in use.

(n) **Provisions**

Provisions are recognised when the Group or the Bank has a present legal or constructive obligation where as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions for possible loan losses, diminution in value and impairment of other classes of assets, despite the use of the term "provisions", are not provisions as defined above. Instead, they represent adjustments to the carrying values of assets.

(o) **Employee benefits**

Equity compensation benefits

Employees of the Group and the Bank with the corporate grade of Vice President (or an equivalent rank) and above as well as selected employees below Vice President (or an equivalent rank) qualify for the UOB 1999 Share Option Scheme (hereinafter called "the Scheme"), subject to certain restrictions.

Pursuant to the Scheme, options have been granted to enable the holders to acquire shares in the holding company at the respective exercise price.

The Group and the Bank do not recognise share options issued under the Scheme as a charge to the profit and loss accounts.

Post employment benefits

The Group and the Bank contributes to a legally required social security scheme, the Central Provident Fund, which is a defined contribution scheme.

These expenses are charged to the profit and loss accounts as and when they arise and are included as part of staff costs.

(p) **Dividends**

Dividends on ordinary shares are recorded in the Group's financial statements in the period in which they are declared.

3. Interest income

	The Group and The Bank	
	2004	2003
	$'000	$'000
Singapore Government treasury bills and securities	**1,231**	2,046
Trade bills and advances to customers	**12,696**	13,521
Inter-bank balances	**3,062**	1,865
	16,989	17,432
Received/receivable from:		
Holding company	**2,993**	1,791
Third parties	**13,996**	15,641
	16,989	17,432

4. Interest expense

	The Group		The Bank	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Non-bank deposits	**3,182**	4,052	**3,183**	4,053
Inter-bank balances	**65**	31	**65**	31
	3,247	4,083	**3,248**	4,084
Paid/payable to:				
Holding company	**64**	17	**64**	17
Subsidiaries	**–**	–	**1**	1
Fellow subsidiaries	**20**	17	**20**	17
Third parties	**3,163**	4,049	**3,163**	4,049
	3,247	4,083	**3,248**	4,084

5. Dividend income

	The Group		The Bank	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Dividend income from:				
Investment in an unquoted subsidiary	**–**	–	**–**	1
Investment in an unquoted fellow subsidiary	**2**	273	**2**	273
Other quoted investments	**186**	87	**186**	87
	188	360	**188**	361

6. Fee and commission income

	The Group and The Bank	
	2004	2003
	$'000	$'000
Investment-related	**2**	1
Loan and trade-related	**821**	780
Other	**595**	557
	1,418	1,338

7. Rental income

Rental income represents income from the tenanted areas of the buildings owned by the Bank. Included herein is rental income of $1,385,000 (2003: $2,152,000) received from the holding company.

8. Other operating income

	The Group and The Bank	
	2004	2003
	$'000	$'000
Net profit on disposal of investment securities and Singapore Government treasury bills and securities	**47**	61
Net profit on foreign exchange dealings	**279**	127
Net profit on sale of fixed assets	**–**	468
Other income	**780**	841
	1,106	1,497

9. Staff costs

	The Group and The Bank	
	2004	2003
	$'000	$'000
Wages and salaries	**1,245**	1,220
Employer's contribution to the Central Provident Fund	**153**	167
Other staff-related costs	**37**	67
	1,435	1,454
Number of employees at the balance sheet date	**39**	40

10. Other operating expenses

	The Group		The Bank	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Included in other operating expenses are:				
Depreciation of fixed assets	**585**	549	**585**	549
Rental of premises and equipment	**119**	124	**119**	124
Maintenance of premises and other assets	**456**	400	**456**	400
Other expenses of premises	**833**	597	**833**	597
Auditors' remuneration:				
Audit fees				
Current year	**57**	54	**56**	53
Prior year underprovision	**10**	–	**10**	–
	67	54	**66**	53
Other fees	**13**	9	**13**	9
Management fees payable to holding company	**5,250**	5,250	**5,250**	5,250
Fees payable to directors of the Bank	**63**	63	**63**	63

11. Provisions

Provisions charged/(credited) to the profit and loss accounts during the financial year are as follows:

	The Group and The Bank	
	2004	2003
	$'000	$'000
Specific provisions for and net write-offs of trade bills and advances to customers	**1,098**	1,752
(Write-back of provision)/provision for diminution in value of investments	**(82)**	4
Provision/(write-back of provision) for impairment of land and buildings	**70**	(30)
	1,086	1,726

12. Tax

(a) Tax expense

The tax charge to the profit and loss accounts comprises the following:

	The Group and The Bank	
	2004	2003
	$'000	$'000
On the profit of the financial year:		
Current tax	**1,662**	1,683
Deferred tax	**118**	21
	1,780	1,704
Under/(over) provision of tax in respect of prior financial year:		
Current tax	**40**	(34)
	1,820	1,670

(b) Tax reconciliation

The tax charge on the results of the Group and the Bank for the financial year differs from the theoretical amount that would arise by applying the Singapore statutory income tax rate to the profit before tax due to the following:

	The Group		The Bank	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Profit before tax	**8,039**	8,308	**8,040**	8,309
Tax calculated at a tax rate of 20% (2003: 22%)	**1,608**	1,828	**1,608**	1,828
Effects on:				
Singapore statutory stepped income exemption	**(11)**	(12)	**(11)**	(12)
Income not subject to tax	**(17)**	(110)	**(17)**	(110)
Income taxed at a concessionary rate of 10%	**(47)**	(67)	**(47)**	(67)
Expenses not deductible for tax purposes	**247**	65	**247**	65
Tax expense on profit of the financial year	**1,780**	1,704	**1,780**	1,704

(c) **Deferred tax**

The movements in the deferred tax asset and liability of the Group and the Bank (prior to offsetting of balances within the same tax jurisdiction) during the financial year are as follows:

	The Group and The Bank	
	2004	2003
	$'000	$'000
Deferred tax liability on accelerated tax depreciation:		
At 1 January	**439**	418
(Credited)/charged to profit and loss accounts due to temporary differences	**(51)**	21
At 31 December	**388**	439
Deferred tax asset on non-tax deductible general provisions:		
At 1 January	**1,857**	1,857
Charged to profit and loss accounts due to reduction in income tax rate	**(169)**	–
At 31 December	**1,688**	1,857

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. Deferred tax asset and liability after netting are shown in the balance sheets as follows:

	The Group and The Bank	
	2004	2003
	$'000	$'000
Deferred tax asset	**1,688**	1,857
Deferred tax liability	**(388)**	(439)
Deferred tax asset (net) shown in balance sheets	**1,300**	1,418

13. Share capital

	The Group and The Bank	
	2004	2003
	$'000	$'000
Authorised:		
- 200,000,000 ordinary shares of $1 each	**200,000**	200,000
Issued and fully paid:		
- 100,010,566 (2003: 100,010,566) ordinary shares of $1 each	**100,011**	100,011

The holder of the ordinary shares is entitled to receive dividends as and when declared by the Bank. All ordinary shares carry one vote per share without restriction.

14. Statutory reserve

	The Group and The Bank	
	2004	2003
	$'000	$'000
Balance at 1 January	**41,900**	38,500
Transfer from revenue reserves (Note 15)	**3,150**	3,400
Balance at 31 December	**45,050**	41,900

The statutory reserve is maintained in accordance with the provisions of the Singapore Banking Act, Cap.19. This reserve is non-distributable unless approved by the relevant authority.

15. Revenue reserves

(a) **The Group**

		2004			2003	
	General reserve	**Retained profits**	**Total**	General reserve	Retained profits	Total
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Balance at 1 January	**6,600**	**2,943**	**9,543**	4,000	3,865	7,865
Net profit for the financial year attributable to members	**–**	**6,219**	**6,219**	–	6,638	6,638
Transfer to general reserve	**2,850**	**(2,850)**	**–**	2,600	(2,600)	–
Transfer to statutory reserve (Note 14)	**–**	**(3,150)**	**(3,150)**	–	(3,400)	(3,400)
Final dividend in respect of the financial year ended 31 December 2003 (2003: 31 December 2002) of 2 cents (2003: 2 cents) per share paid, net of tax at 20% (2003: 22%)	**–**	**(1,600)**	**(1,600)**	–	(1,560)	(1,560)
Balance at 31 December	**9,450**	**1,562**	**11,012**	6,600	2,943	9,543

(b) **The Bank**

	2004			2003		
	General reserve $'000	**Retained profits $'000**	**Total $'000**	General reserve $'000	Retained profits $'000	Total $'000
Balance at 1 January	**6,600**	**2,937**	**9,537**	4,000	3,858	7,858
Net profit for the financial year attributable to members	**–**	**6,220**	**6,220**	–	6,639	6,639
Transfer to general reserve	**2,850**	**(2,850)**	**–**	2,600	(2,600)	–
Transfer to statutory reserve (Note 14)	**–**	**(3,150)**	**(3,150)**	–	(3,400)	(3,400)
Final dividend in respect of the financial year ended 31 December 2003 (2003: 31 December 2002) of 2 cents (2003: 2 cents) per share paid, net of tax at 20% (2003: 22%)	**–**	**(1,600)**	**(1,600)**	–	(1,560)	(1,560)
Balance at 31 December	**9,450**	**1,557**	**11,007**	6,600	2,937	9,537

(c) In each financial year, a certain amount of retained profits is tranferred to the general reserve of the Group and the Bank. The general reserve has not been earmarked for any particular purpose. The revenue reserves of the Group and the Bank are distributable.

16. Deposits of and amounts owing to non-bank customers, subsidiaries, fellow subsidiaries and holding company

(a)

	The Group		The Bank	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Analysed by remaining maturity:				
Within 1 year	**642,007**	635,010	**642,120**	635,124
Over 1 year but within 3 years	**7,006**	5,824	**7,006**	5,824
Over 3 years but within 5 years	**11,932**	3,885	**11,932**	3,885
	660,945	644,719	**661,058**	644,833

16. Deposits of and amounts owing to non-bank customers, subsidiaries, fellow subsidiaries and holding company (continued)

(b)

	The Group and The Bank	
	2004	2003
	$'000	$'000
Included in deposits of non-bank customers are:		
Fixed deposits	**292,362**	283,254
Current, savings and other deposits	**344,810**	320,875
	637,172	604,129

17. Other liabilities

	The Group		The Bank	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Accrued interest payable	**1,154**	1,417	**1,154**	1,417
Accrued operating expenses	**287**	276	**286**	275
Unclaimed balances	**472**	431	**472**	431
Gold savings accounts	**514**	403	**514**	403
Other	**735**	538	**733**	536
	3,162	3,065	**3,159**	3,062

18. Singapore Government treasury bills and securities

	The Group and The Bank	
	2004	2003
	$'000	$'000
Not held for trading, at cost adjusted for premium and discount	**82,297**	64,716
Provision for diminution in value	**–**	(4)
	82,297	64,712
Market value at 31 December	**83,342**	65,104

Movement in the provision for diminution in value of Singapore Government treasury bills and securities is as follows:

	The Group and The Bank	
	2004	2003
	$'000	$'000
At 1 January	**4**	–
(Credited)/charged to profit and loss accounts	**(4)**	4
At 31 December	**–**	4

19. Placements and balances with banks and agents

	The Group and The Bank	
	2004	2003
	$'000	$'000
Analysed by remaining maturity:		
Within 1 year	**12,417**	7,023

20. Trade bills and advances to customers

(a)

	The Group and The Bank	
	2004	2003
	$'000	$'000
Gross trade bills	**1,399**	860
Gross advances to customers	**308,704**	319,215
Specific provisions	**(5,112)**	(4,231)
Interest-in-suspense	**(3,330)**	(2,551)
General provisions	**(12,059)**	(12,059)
	288,203	300,374
Total gross trade bills and advances to customers	**310,103**	320,075

(b) Total gross trade bills and advances to customers analysed by remaining maturity:

	The Group and The Bank	
	2004	2003
	$'000	$'000
Within 1 year	**121,730**	139,053
Over 1 year but within 3 years	**26,568**	27,123
Over 3 years but within 5 years	**25,681**	24,215
Over 5 years	**136,124**	129,684
	310,103	320,075

(c) Total gross trade bills and advances to customers analysed by industry group:

	The Group and The Bank			
	2004	**2004**	2003	2003
	$'000	**%**	$'000	%
Manufacturing	**18,302**	**6**	18,667	6
Building and construction	**11,161**	**4**	14,476	5
Housing loans	**116,573**	**37**	121,729	38
General commerce	**81,598**	**26**	83,615	26
Transport, storage and communication	**2,877**	**1**	3,305	1
Non-bank financial institutions	**11,245**	**4**	14,260	4
Professionals and private individuals (excluding housing loans)	**61,932**	**20**	58,568	18
Other	**6,415**	**2**	5,455	2
Total	**310,103**	**100**	320,075	100

20. Trade bills and advances to customers (continued)

(d) At the balance sheet date, the gross amount of trade bills and advances to customers that are regarded as non-performing loans are as follows:

	The Group and The Bank	
	2004	2003
	$'000	$'000
Substandard	**15,429**	27,403
Doubtful	**–**	–
Loss	**6,704**	4,969
	22,133	32,372

Non-performing loans are those classified as Substandard, Doubtful and Loss in accordance with Notice to Banks, MAS 612. Specific provisions are made for any debts considered to be doubtful of collection.

(e) The movements in provisions are as follows:

	The Group and The Bank							
	2004				2003			
	Specific provisions	**Interest-in-suspense**	**General provisions**	**Total**	Specific provisions	Interest-in-suspense	General provisions	Total
	$'000	**$'000**	**$'000**	**$'000**	$'000	$'000	$'000	$'000
Balance at 1 January	**4,231**	**3,237**	**12,059**	**19,527**	3,456	2,950	12,059	18,465
Write-off against provisions	**(137)**	**(49)**	**–**	**(186)**	(828)	(519)	–	(1,347)
Net charge to profit and loss accounts	**1,018**	**–**	**–**	**1,018**	1,603	–	–	1,603
Interest suspended	**–**	**660**	**–**	**660**	–	806	–	806
Balance at 31 December	**5,112**	**3,848**	**12,059**	**21,019**	4,231	3,237	12,059	19,527

General provisions comprise provisions for possible loan losses, contingencies and other banking risks.

The movements in interest-in-suspense include amounts relating to interest receivable as shown in Note 21.

21. Other assets

	The Group and The Bank	
	2004	2003
	$'000	$'000
Interest receivable	**1,886**	1,696
Interest-in-suspense [Note 20(e)]	**(518)**	(686)
	1,368	1,010
Other	**3,481**	1,149
	4,849	2,159

22. Investment securities

	The Group and The Bank	
	2004	2003
	$'000	$'000
Quoted equity shares, at cost	**441**	519
Market value at 31 December	**811**	784

23. Investment in an associate of holding company

	The Group and The Bank	
	2004	2003
	$'000	$'000
Unquoted equity shares:		
At cost	**1,250**	1,250
Provision for diminution in value	**(493)**	(571)
	757	679

Movement in the provision for diminution in value of investment in an associate of holding company is as follows:

	The Group and The Bank	
	2004	2003
	$'000	$'000
At 1 January	**571**	571
Credited to profit and loss accounts	**(78)**	–
At 31 December	**493**	571

24. Investment in a fellow subsidiary

	The Group and The Bank	
	2004	2003
	$'000	$'000
Unquoted equity shares, at cost	**129**	129

The details of the fellow subsidiary are set out below:

Name of fellow subsidiary	Principal activities	Country of incorporation and place of business	Percentage of paid-up capital held by the Bank	
			2004	2003
			%	%
UOBT (2003) Limited	Dormant	Singapore	**20**	20

25. Investments in subsidiaries

	The Bank	
	2004	2003
	$'000	$'000
Unquoted equity shares, at cost	**105**	105

The details of the wholly-owned subsidiaries of the Bank are as follows:

Name of subsidiaries	Principal activities	Country of incorporation and place of business	Cost of investment by the Bank	
			2004	2003
			$'000	$'000
FEB Realty Company Pte Ltd	Dormant	Singapore	**100**	100
Far Eastern Bank Nominees Private Limited	Nominee services	Singapore	**5**	5
			105	105

26. Fixed assets

(a)

	The Group and The Bank					
	2004			2003		
	Land and buildings	**Office equipment, computers, fixtures and other assets**	**Total**	Land and buildings	Office equipment, computers, fixtures and other assets	Total
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Balance at 1 January						
Cost	**19,803**	**3,799**	**23,602**	20,835	3,547	24,382
Accumulated depreciation	**(7,857)**	**(3,455)**	**(11,312)**	(7,525)	(3,415)	(10,940)
Provision for impairment	**(1,042)**	**–**	**(1,042)**	(1,072)	–	(1,072)
Net book value	**10,904**	**344**	**11,248**	12,238	132	12,370
Movements during the financial year:						
Additions	**–**	**71**	**71**	–	257	257
Disposals	**–**	**(2)**	**(2)**	(860)	–	(860)
(Provision)/write-back of provision for impairment	**(70)**	**–**	**(70)**	30	–	30
Depreciation charge	**(490)**	**(95)**	**(585)**	(504)	(45)	(549)
Net book value at 31 December	**10,344**	**318**	**10,662**	10,904	344	11,248
Balance at 31 December						
Cost	**19,803**	**3,839**	**23,642**	19,803	3,799	23,602
Accumulated depreciation	**(8,347)**	**(3,521)**	**(11,868)**	(7,857)	(3,455)	(11,312)
Provision for impairment	**(1,112)**	**–**	**(1,112)**	(1,042)	–	(1,042)
Net book value	**10,344**	**318**	**10,662**	10,904	344	11,248

(b) Based on directors' valuation, the estimated market value of the land and buildings of the Group and the Bank as at 31 December 2004 was $48 million (2003: $54 million). The excess of the estimated market value over the net book value of the land and buildings is not recognised in the financial statements.

(c) Included in the land and buildings of the Group and the Bank are leasehold properties with net book value as at 31 December 2004 amounting to $9.6 million (2003: $10.2 million). The rest of the properties is freehold.

27. Dividends

The directors have proposed a final dividend in respect of the financial year ended 31 December 2004 of 2 cents per share net of tax at 20%, amounting to a total of $1,600,000. These financial statements do not reflect this proposed dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2005. The final dividend in respect of the financial year ended 31 December 2003 was 2 cents per share net of tax at 20% amounting to a total of $1,600,000.

28. Contingent liabilities

	The Group and The Bank	
	2004	2003
	$'000	$'000
Direct credit substitutes	**9,349**	8,083
Transaction-related contingencies	**2,683**	2,624
Trade-related contingencies	**5,779**	8,735
	17,811	19,442

In the normal course of business, the Group and the Bank conduct businesses involving acceptances, guarantees, performance bonds and indemnities. The majority of these facilities are reimbursable by corresponding obligations of the customers. No assets of the Group and the Bank have been pledged as security for these contingent liabilities.

29. Derivative financial instruments

(a)

	The Group and The Bank					
	2004			2003		
	Contract or underlying principal amount	**Fair value Assets**	**Fair value Liabilities**	Contract or underlying principal amount	Fair value Assets	Fair value Liabilities
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Foreign exchange contracts						
Forwards (non-trading)	**2,118**	**20**	**31**	2,450	23	6

29. Derivative financial instruments (continued)

(b) Derivative financial instruments held by the Group and the Bank are forwards whose values change in response to the change in the "underlying" foreign exchange rates. In the normal course of business, the Group and the Bank transact in customised derivatives to meet the specific needs of their customers. The risks associated with the use of derivatives, as well as management's policies for controlling these risks are set out in Note 32.

The table above analyses the contract or underlying principal amounts (notional amounts) and the fair values of the Group's and the Bank's derivative financial instruments at the balance sheet date. A positive valuation represents a financial asset and a negative valuation represents a financial liability. The notional amounts of these instruments indicate the volume of transactions outstanding at the balance sheet date. They do not necessarily indicate the amounts of future cash flows or the fair value of the derivatives and, therefore, do not represent total amounts at risk.

30. Commitments

	The Group and The Bank	
	2004	2003
	$'000	$'000
Undrawn credit facilities	**137,855**	160,341
Other	**100**	100
	137,955	160,441

31. Cash and cash equivalents

	The Group	
	2004	2003
	$'000	$'000
Cash and balances with central bank	**17,733**	17,140
Singapore Government treasury bills and securities	**82,297**	64,712
	100,030	81,852

32. Financial risk management

The Group's activities in the banking business involves the use of financial instruments, including derivatives. These activities expose the Group to a variety of financial risks, mainly credit risk, foreign exchange risk, interest rate risk and liquidity risk.

Managing financial risks is an integral part of the Group's business. Being a banking subsidiary of the UOB Group, the management of such risks is carried out centrally by the various specialist committees of the UOB Group under delegated authority from the Board.

These various specialist committees formulate, review and approve policies and limits on monitoring and managing risk exposures under their respective supervision. The major policy decisions and proposals approved by these committees are subject to review by the Executive Committee.

The UOB Group's Risk Management & Compliance sector, which is independent of the business units, performs the role of implementing the risk management policies and procedures while the UOB Group's compliance officers in the business units ensure that each business unit puts in place the proper control procedures to ensure regulatory and operational compliance. This is further enhanced by the periodic audit risk assessments carried out by the UOB Group Audit.

The main financial risks that the Group is exposed to and how it manages these risks are set out below:

(a) **Credit risk**

Credit risk is the potential loss arising from any failure by the Group's customers to fulfil their obligations as and when these obligations fall due. These obligations may arise from lending, trade finance, investments, receivables under derivative contracts and other credit-related activities undertaken by the Group.

The Credit Committee is responsible for the management of credit risk of the Group. Apart from direct credit management, such as approval of significant loans, it is also responsible for providing directions and timely guidance on lending to different geographical sectors, industries and products.

In general, the Group monitors the levels of credit risk it undertakes through regular review by management, with independent oversight of its credit concentration and portfolio quality by the Credit Committee.

In respect of its lending-related activities, management regularly reviews the amount of risk accepted in relation to one borrower or groups of borrowers, geographical and industry segments, types of acceptable security, level of non-performing loans and adequacy of provisioning requirements.

In respect of other credit risk activities such as money market transactions and derivative financial instruments, the Group adopts the UOB Group's counterparty risk policies that set out approved counterparties with whom the Group may transact and their respective transaction limits.

Exposure to credit risk is also managed in part by obtaining collateral or right to call for collateral when certain exposure thresholds are exceeded, the right to terminate transactions upon the occurrence of unfavourable events, the right to reset the terms of transactions after specified time periods or upon the occurrence of unfavourable events, and entering into netting agreements with counterparties that permit the Group to offset receivables and payables with such counterparties.

Given the amounts, types and nature of its existing products and businesses, the Group assesses that industry concentration risk arises primarily from the Group's trade bills and advances to customers. Note 20(c) analyses the Group's total gross trade bills and advances to customers by industry classification as at the balance sheet date.

The Group's financial assets and credit-related contingent liabilities by geographical concentration are mainly in Singapore as at 31 December 2004 and 31 December 2003.

The Group also has potential credit risk exposure to undrawn credit facilities of $138 million (2003: $160 million). These represent unused portions of authorisation to extend credit mainly in the form of loans, guarantees and trade finance products such as letters of credit. However, the likely amount of exposure is less than the total undrawn credit facilities since most of these are contingent upon customers maintaining certain credit standards and are cancellable at the option of the Group subject to notice requirements. From past experience, many of these undrawn credit facilities are expected to expire without being drawn upon.

32. Financial risk management (continued)

(b) **Foreign exchange risk**

Foreign exchange risk is the risk to earnings and value of foreign currency assets, liabilities and derivative financial instruments caused by fluctuations in foreign exchange rates.

In general, the Group does not engage in a significant amount of foreign exchange position-taking or proprietary business. Its foreign exchange exposures arise mainly from its customer facilitation business. The Group utilises mainly foreign currency forwards to hedge its foreign exchange exposures.

Foreign exchange risk is managed through risk limits and policies as approved by the Asset Liability Committee. These limits and policies, such as on the level of exposure by currency and in total for both overnight and intra-day positions, are independently monitored on a daily basis by the UOB Group's Middle Office.

The following table sets out the Group's assets, liabilities and derivative financial instruments by currency as at the balance sheet date. The off-balance sheet gap represents the net contract/underlying principal amounts of derivatives, which are principally used to reduce the Group's exposure to currency movements:

	The Group 2004		
	Singapore dollars $'000	**Other $'000**	**Total $'000**
Assets			
Cash and balances with central bank	**17,666**	**67**	**17,733**
Singapore Government treasury bills and securities	**82,297**	**–**	**82,297**
Placements and balances with banks, agents and related companies	**400,000**	**16,356**	**416,356**
Trade bills and advances to customers	**276,205**	**13,397**	**289,602**
Fixed assets	**10,662**	**–**	**10,662**
Other	**7,435**	**41**	**7,476**
	794,265	**29,861**	**824,126**
Liabilities			
Current, fixed, savings accounts and other deposits of non-bank customers	**624,911**	**12,261**	**637,172**
Deposits and balances of related companies	**9,037**	**14,736**	**23,773**
Bills and drafts payable	**2,039**	**5**	**2,044**
Other	**4,425**	**639**	**5,064**
	640,412	**27,641**	**668,053**
Shareholders' funds	**156,073**	**–**	**156,073**
	796,485	**27,641**	**824,126**
Net on-balance sheet position	**(2,220)**	**2,220**	**–**
Net off-balance sheet position	**1,814**	**(1,814)**	**–**
Net foreign currency gap	**(406)**	**406**	**–**

	The Group 2003		
	Singapore dollars $'000	Other $'000	Total $'000
Assets			
Cash and balances with central bank	17,084	56	17,140
Singapore Government treasury bills and securities	64,712	–	64,712
Placements and balances with banks, agents and related companies	387,000	16,676	403,676
Trade bills and advances to customers	293,256	7,978	301,234
Fixed assets	11,248	–	11,248
Other	4,883	21	4,904
	778,183	24,731	802,914
Liabilities			
Current, fixed, savings accounts and other deposits of non-bank customers	591,611	12,518	604,129
Deposits and balances of related companies	29,541	11,049	40,590
Bills and drafts payable	2,077	–	2,077
Other	4,152	512	4,664
	627,381	24,079	651,460
Shareholders' funds	151,454	–	151,454
	778,835	24,079	802,914
Net on-balance sheet position	(652)	652	–
Net off-balance sheet position	754	(754)	–
Net foreign currency gap	102	(102)	–

(c) **Interest rate risk**

Interest rate risk is the risk to earnings and value of financial instruments caused by fluctuations in interest rates.

Sensitivity to interest rates arises from the differences in the maturities and repricing dates of assets, liabilities and off-balance sheet items. These mismatches are actively monitored and managed as part of the overall interest rate risk management process which is conducted in accordance with the UOB Group's policies as approved by the Asset Liability Committee.

32. Financial risk management

(c) **Interest rate risk** (continued)

The table below shows the interest rate sensitivity gap, by time band, on which interest rates of instruments are next repriced on a contractual basis or, if earlier, the dates on which the instruments mature:

	The Group 2004									
	Total $'000	Non-interest bearing $'000	Up to 7 days $'000	Over 7 days to 1 month $'000	Over 1 to 3 months $'000	Over 3 to 12 months $'000	Over 1 to 3 years $'000	Over 3 years $'000	Total interest bearing $'000	Effective interest rate %
Assets										
Cash and balances with central bank	17,733	17,733	–	–	–	–	–	–	–	–
Singapore Government treasury bills and securities	82,297	–	–	2,993	4,978	40,893	–	33,433	82,297	1.79
Placements and balances with banks, agents and related companies	416,356	–	19,356	397,000	–	–	–	–	416,356	1.32
Trade bills and advances to customers	289,602	6,762	185,500	8,180	23,896	41,292	23,877	95	282,840	4.36
Other	18,138	18,138	–	–	–	–	–	–	–	–
	824,126	42,633	204,856	408,173	28,874	82,185	23,877	33,528	781,493	–
Liabilities										
Current, fixed, savings accounts and other deposits of non-bank customers	637,172	102,169	251,185	37,484	91,258	136,138	7,006	11,932	535,003	0.75
Deposits and balances of related companies, and bills and drafts payable	25,817	7,468	16,060	1,234	1,055	–	–	–	18,349	0.50
Other	5,064	5,064	–	–	–	–	–	–	–	–
	668,053	114,701	267,245	38,718	92,313	136,138	7,006	11,932	553,352	–
Shareholders' funds	156,073	156,073	–	–	–	–	–	–	–	–
	824,126	270,774	267,245	38,718	92,313	136,138	7,006	11,932	553,352	–
Net interest rate sensitivity gap	–	(228,141)	(62,389)	369,455	(63,439)	(53,953)	16,871	21,596	228,141	–

	The Group 2003									
	Total $'000	Non-interest bearing $'000	Up to 7 days $'000	Over 7 days to 1 month $'000	Over 1 to 3 months $'000	Over 3 to 12 months $'000	Over 1 to 3 years $'000	Over 3 years $'000	Total interest bearing $'000	Effective interest rate %
Assets										
Cash and balances with central bank	17,140	17,140	–	–	–	–	–	–	–	–
Singapore Government treasury bills and securities	64,712	–	–	–	18,180	–	37,468	9,064	64,712	3.37
Placements and balances with banks, agents and related companies	403,676	–	101,153	302,523	–	–	–	–	403,676	0.84
Trade bills and advances to customers	301,234	–	151,896	14,387	16,896	61,611	56,444	–	301,234	3.97
Other	16,152	16,152	–	–	–	–	–	–	–	–
	802,914	33,292	253,049	316,910	35,076	61,611	93,912	9,064	769,622	–
Liabilities										
Current, fixed, savings accounts and other deposits of non-bank customers	604,129	–	328,072	29,446	84,258	152,644	5,824	3,885	604,129	0.65
Deposits and balances of related companies, and bills and drafts payable	42,667	–	42,428	78	161	–	–	–	42,667	0.57
Other	4,664	4,664	–	–	–	–	–	–	–	–
	651,460	4,664	370,500	29,524	84,419	152,644	5,824	3,885	646,796	–
Shareholders' funds	151,454	151,454	–	–	–	–	–	–	–	–
	802,914	156,118	370,500	29,524	84,419	152,644	5,824	3,885	646,796	–
Net interest rate sensitivity gap	–	(122,826)	(117,451)	287,386	(49,343)	(91,033)	88,088	5,179	122,826	–

Actual repricing dates may differ from contractual dates because contractual terms may not reflect the actual behavioural patterns of assets and liabilities which are subject to prepayments.

(d) **Liquidity risk**

Liquidity risk is the risk that the Group is unable to meet its cash flow obligations as and when they fall due, such as upon the maturity of deposits and loan draw-downs.

It is not unusual for a bank to have mismatches in the contractual maturity profile of its assets and liabilities. The Group manages liquidity risk in accordance with a framework of liquidity policies, controls and limits that is approved by the Asset Liability Committee, with the main objectives of honouring all cash outflow commitments on an ongoing basis, satisfying statutory liquidity and reserve requirements, and avoiding raising funds at market premiums or through forced sale of assets.

32. Financial risk management

(d) **Liquidity risk** (continued)

These controls and policies include the setting of limits on cashflow mismatches, monitoring of liquidity crisis early warning indicators, stress test analysis of cashflow in liquidity crisis scenarios and establishment of a comprehensive contingency funding plan.

Additionally, the Group is required by law to maintain a certain percentage of its liability base in the form of cash and other liquid assets as a buffer against unforeseen liquidity requirements. The majority of these liquid assets are held in marketable Singapore Government treasury bills and securities.

The following table shows the maturity analysis of the Group's assets and liabilities based on contractual terms:

	The Group 2004							
	Total $'000	**Up to 7 days $'000**	**Over 7 days to 1 month $'000**	**Over 1 to 3 months $'000**	**Over 3 to 12 months $'000**	**Over 1 to 3 years $'000**	**Over 3 years $'000**	**Non-specific maturity $'000**
Assets								
Cash and balances with central bank	17,733	17,733	–	–	–	–	–	–
Singapore Government treasury bills and securities	82,297	–	–	2,993	9,027	36,844	33,433	–
Placements and balances with banks, agents and related companies	416,356	19,356	397,000	–	–	–	–	–
Trade bills and advances to customers	289,602	81,972	4,590	15,563	4,618	861	181,998	–
Other	18,138	534	29	100	27	6	1,190	16,252
	824,126	119,595	401,619	18,656	13,672	37,711	216,621	16,252
Liabilities								
Current, fixed, savings accounts and other deposits of non-bank customers	637,172	353,354	37,484	91,258	136,138	7,006	11,932	–
Deposits and balances of related companies, and bills and drafts payable	25,817	23,528	1,234	1,055	–	–	–	–
Other	5,064	640	68	165	247	12	22	3,910
	668,053	377,522	38,786	92,478	136,385	7,018	11,954	3,910
Shareholders' funds	156,073	–	–	–	–	–	–	156,073
	824,126	377,522	38,786	92,478	136,385	7,018	11,954	159,983
Net maturity mismatch	–	(257,927)	362,833	(73,822)	(122,713)	30,693	204,667	(143,731)

	The Group 2003							
	Total $'000	Up to 7 days $'000	Over 7 days to 1 month $'000	Over 1 to 3 months $'000	Over 3 to 12 months $'000	Over 1 to 3 years $'000	Over 3 years $'000	Non-specific maturity $'000
Assets								
Cash and balances with central bank	17,140	17,140	–	–	–	–	–	–
Singapore Government treasury bills and securities	64,712	–	–	18,180	–	37,468	9,064	–
Placements and balances with banks, agents and related companies	403,676	101,153	302,523	–	–	–	–	–
Trade bills and advances to customers	301,234	102,069	9,572	3,282	5,289	27,123	153,899	–
Other	16,152	624	902	71	17	137	–	14,401
	802,914	220,986	312,997	21,533	5,306	64,728	162,963	14,401
Liabilities								
Current, fixed, savings accounts and other deposits of non-bank customers	604,129	328,072	29,446	84,258	152,644	5,824	3,885	–
Deposits and balances of related companies, and bills and drafts payable	42,667	42,428	78	161	–	–	–	–
Other	4,664	392	31	89	161	6	–	3,985
	651,460	370,892	29,555	84,508	152,805	5,830	3,885	3,985
Shareholders' funds	151,454	–	–	–	–	–	–	151,454
	802,914	370,892	29,555	84,508	152,805	5,830	3,885	155,439
Net maturity mismatch	–	(149,906)	283,442	(62,975)	(147,499)	58,898	159,078	(141,038)

The contractual maturity profile often does not reflect the actual behavioural patterns. In particular, the Group has a significant amount of "core deposits" of non-bank customers which are contractually at call (included in the "Up to 7 days" time band) but history shows that such deposits provide a stable source of long-term funding for the Group.

In addition to the above, the Group is also subjected to liquidity requirements to support calls under outstanding contingent liabilities and undrawn credit facility commitments as disclosed in Notes 28 and 30. The total outstanding contractual amounts do not represent future cash requirements since the Group expects many of these contingent liabilities and commitments (such as direct credit substitutes and undrawn credit facilities) to expire without being called or drawn upon, and many of the commitments to pay third parties (such as letters of credit) are reimbursed immediately by customers.

33. Fair values of financial instruments

Financial instruments comprise financial assets, financial liabilities and also derivative financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale. The information presented herein represents best estimates of fair values of financial instruments at the balance sheet date.

The on-balance sheet financial assets and financial liabilities of the Group and the Bank whose fair values are required to be disclosed in accordance with Singapore Financial Reporting Standard 32 ("FRS 32") comprise all its assets and liabilities with the exception of deferred tax asset, investments in subsidiaries, a fellow subsidiary and an associate of holding company, fixed assets and tax payables. The fair values of those on-balance sheet financial assets and financial liabilities as at the balance sheet date approximate their carrying amounts as shown in the balance sheets, except for Singapore Government treasury bills and securities and investment securities whose fair values are shown in Notes 18 and 22 respectively.

Where available, quoted and observable market prices are used as the measurement of fair values, such as for Singapore Government treasury bills and securities and most of the off-balance sheet derivative financial instruments.

The fair values of derivative financial instruments are shown in Note 29.

Where quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions, the principal ones are as follows:

– The fair values of cash and balances with central bank, and placements and balances with banks, agents and related companies are considered to approximate their carrying values because most of these are of negligible credit risk and either short-term in nature or repriced frequently.

– The Group and the Bank consider the carrying amount of advances to customers as a reasonable approximation of their fair values. Presently, market and observable prices do not exist as there is currently no ready market wherein exchanges between willing parties occur. In estimating the fair value, loans are categorised into homogeneous groups by product type, risk characteristics, maturity and pricing profile, and non-performing accounts. In evaluating the reasonableness of fair value, the Group and the Bank perform analysis on each of the homogeneous groups, taking into account various hypothetical credit spread and market interest rate scenarios, future expected loss experience and estimated forced sale values of collateral. General provisions are also deducted in arriving at the fair value as a discount for credit risk inherent in the large portfolio of advances to customers.

– The Group and the Bank consider the carrying amounts of all its deposits, such as non-bank customers' deposits and deposits and balances of related companies, as reasonable approximation of their respective fair values given that these are mostly repayable on demand and short-term in nature. The Group and the Bank have also performed analysis after taking into account the current interest rate environment and determined that their fair values are not likely to be materially sensitive to shifts in market interest rates.

- For derivative financial instruments where quoted and observable market prices are not available, fair values are arrived at using internal pricing models.

The fair values of contingent liabilities and undrawn credit facilities are not readily ascertainable. These financial instruments are presently not sold or traded. They generate fees that are in line with market prices for similar arrangements. The estimated fair value may be represented by the present value of the fees expected to be received, less associated costs of obligations or services to be rendered. The Group and the Bank assess that their respective fair values are unlikely to be significant.

As assumptions were made regarding risk characteristics of the various financial instruments, discount rates, future expected loss experience and other factors, changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

In addition, the fair value information for non-financial assets and liabilities is excluded as they do not fall within the scope of FRS 32 which requires fair value information to be disclosed. These included fixed assets, long-term relationships with customers, franchise and other intangibles, which are integral to the full assessment of the Group's and the Bank's financial positions and the values of their net assets.

34. Related party transactions

All related party transactions entered into by the Group are in the ordinary course of its business and are at arm's length commercial terms. In addition to the related party information shown elsewhere in the financial statements, the other related party transactions as at 31 December 2004 were performance guarantees of $341,000 (2003: $540,000) granted to an associate of the holding company and the estimated value of collateral for these credit facilities was $3,750,000 (2003: $3,750,000).

35. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2004 were authorised for issue in accordance with a resolution of the directors on 24 February 2005.

Notice of Annual General Meeting

Notice is hereby given that the **Forty-Sixth Annual General Meeting** of members of the Company will be held at the Penthouse of United Overseas Bank Limited, 80 Raffles Place, 61st Storey, UOB Plaza 1, Singapore 048624 on Wednesday, 27 April 2005 at 11.30 am to transact the following business:

As Ordinary Business

Resolution 1 To receive the Financial Statements, the Directors' Report and the Auditors' Report for the year ended 31 December 2004.

Resolution 2 To declare a first and final dividend of 2% (2 cents per share) less 20% income tax for the year ended 31 December 2004.

Resolution 3 To approve Directors' fees of $62,500 for 2004 (2003: $62,500).

Resolution 4 To re-appoint Messrs Ernst & Young as Auditors of the Company and authorise the Directors to fix their remuneration.

To re-elect the following Directors:

Resolution 5 Mr Wong Meng Meng

Resolution 6 Mr Ngiam Tong Dow

To pass the following resolution under Section 153(6) of the Companies Act, Cap. 50:

"THAT pursuant to Section 153(6) of the Companies Act, Cap. 50, ______________________ be and is hereby re-appointed as a Director of the Company to hold such office until the next Annual General Meeting of the Company."

in respect of:-

Resolution 7 Mr Wee Cho Yaw

Resolution 8 Mr Lee Chin Chuan

Resolution 9 Mr Ong Chu Meng

As Special Business

To consider and, if thought fit, pass the following ordinary resolution:

Resolution 10 "THAT pursuant to Section 161 of the Companies Act, Cap. 50, approval be and is hereby given to the Directors to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this resolution shall not exceed 10 per cent of the issued share capital of the Company for the time being."

Notes to Resolution 10

Resolution 10 is to enable the Directors to issue shares in the Company (other than on a bonus or rights issue) up to an amount not exceeding 10 per cent of the issued share capital of the Company for the time being. This approval will expire at the conclusion of the next Annual General Meeting. The Directors would only issue shares under this resolution where they consider it appropriate and in the interest of the Company to do so.

By Order of the Board

Mrs Vivien Chan
Secretary
Singapore, 4 April 2005

Notes:

1 *A member of the company entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.*

2 *To be effective, the instrument appointing a proxy or proxies must be deposited at the office of the Company Secretary at 80 Raffles Place, 4th Storey, UOB Plaza 1, Singapore 048624, not less than 48 hours before the time set for holding the Meeting.*

Proxy Form

FAR EASTERN BANK LIMITED
(INCORPORATED IN THE REPUBLIC OF SINGAPORE)
Company Registration Number: 195800116D

Number of Shares Held

I/We ______________________________ (Name)

of ______________________________ (Address)

being a member/members of Far Eastern Bank Limited (the "Company"), hereby appoint:

Name	NRIC/Passport Number	Proportion of Shareholdings	
		No. of Shares	(%)
Address			

and/or *(delete as appropriate)*

Name	NRIC/Passport Number	Proportion of Shareholdings	
		No. of Shares	(%)
Address			

or failing him/her, the Chairman of the Meeting as my/our proxy, to attend and vote for me/us on my/our behalf at the **Forty-Sixth Annual General Meeting** of members of the Company, to be held at the Penthouse of United Overseas Bank Limited, 80 Raffles Place, 61st Storey, UOB Plaza 1, Singapore 048624 on Wednesday, 27 April 2005 at 11.30 am and at any adjournment thereof.

(Please indicate with an "X" in the space provided how you wish your proxy to vote. In the absence of specific directions, the proxy will vote as the proxy deems fit.)

No.	Ordinary Resolutions	For	Against
1	Financial Statements, Directors' Report and Auditors' Report		
2	First and final dividend		
3	Directors' fees		
4	Auditors and their remuneration		
5	Re-election (Mr Wong Meng Meng)		
6	Re-election (Mr Ngiam Tong Dow)		
7	Re-appointment (Mr Wee Cho Yaw)		
8	Re-appointment (Mr Lee Chin Chuan)		
9	Re-appointment (Mr Ong Chu Meng)		
10	Authority to issue shares		

Dated this ____________ day of ____________ 2005

____
Signature(s) or Common Seal of Shareholder(s)

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1 To be effective, this proxy form must be deposited at 80 Raffles Place, 4th Storey, UOB Plaza 1, Singapore 048624 (Attention: The Company Secretary), not less than 48 hours before the time set for holding the Meeting. A proxy need not be a member of the Company.

2 If the member is a corporation, this proxy form must be executed under its common seal or the hand of its duly authorised officer or attorney.

3 Any alteration made in this form should be initialled by the person who signs it.

1st FOLD

2nd FOLD

FOLD AND GLUE OVERLEAF. DO NOT STAPLE.

FEB

Postage will be paid by addressee.
For posting in Singapore only.

BUSINESS REPLY SERVICE
PERMIT NO. 07399

The Company Secretary
80 Raffles Place, 4th Storey, UOB Plaza 1
Singapore 048624

FOLD AND GLUE OVERLEAF. DO NOT STAPLE.

FOLD AND GLUE OVERLEAF. DO NOT STAPLE.