United behind you

ANNUAL REPORT 2005

FAR EASTERN BANK LIMITED

(A SUBSIDIARY OF UNITED OVERSEAS BANK LIMITED)

FAR EASTERN BANK LIMITED

(INCORPORATED IN SINGAPORE)

AND ITS SUBSIDIARIES

CONTENTS

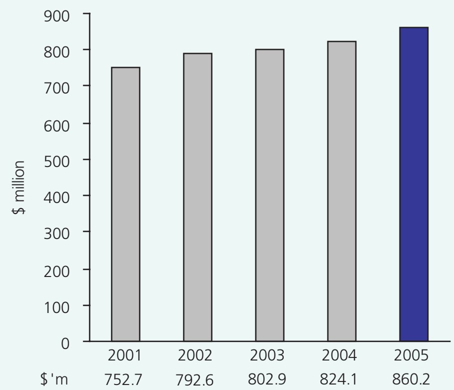
All figures in this Annual Report are in Singapore Dollars unless otherwise specified.

Financial Highlights (Consolidated)

Total assets

2005: $860.2 million + 4.4%

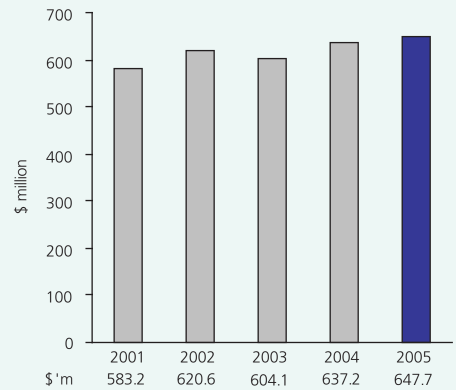
2004: $824.1 million



Customer deposits

2005: $647.7 million +1.7%

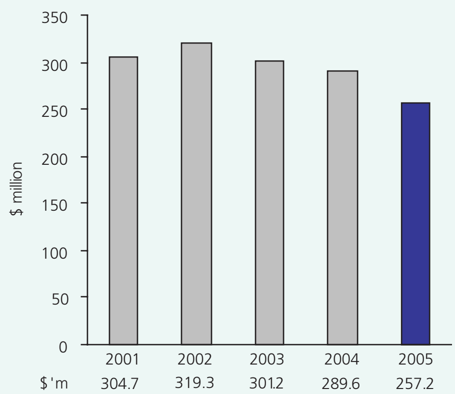
2004: $637.2 million



Customer loans

2005: $257.2 million – 11.2%

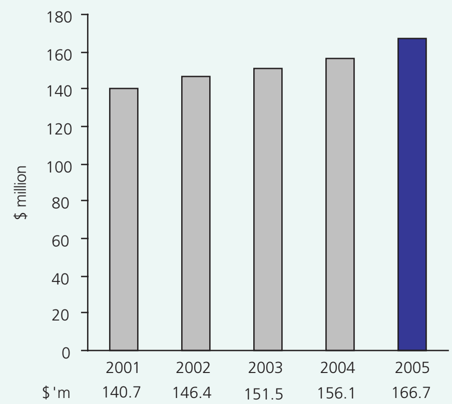
2004: $289.6 million



Shareholders' equity

2005: $166.7 million + 6.8%

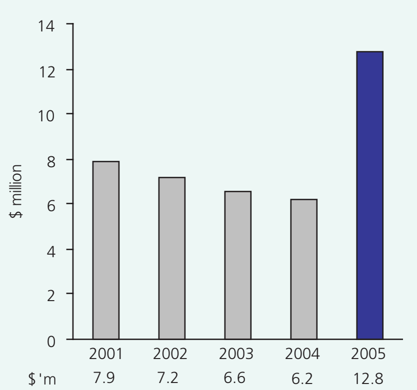
2004: $156.1 million



Net profit after tax

2005: $12.8 million + 106.0%

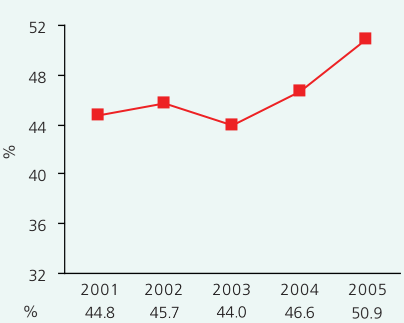
2004: $6.2 million



Capital adequacy ratio^

2005: 50.9% + 4.3% points

2004: 46.6%

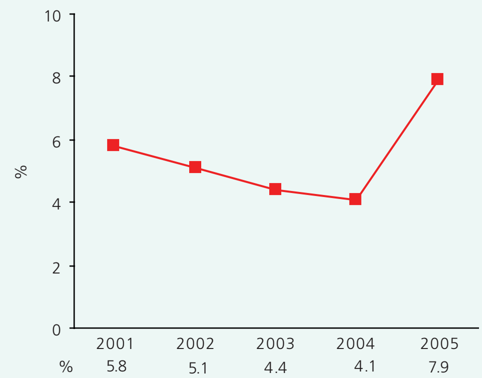


^ Computed based on MAS capital framework for 2003, 2004 & 2005, and BIS guidelines for 2001 & 2002.

Return on average shareholders' equity

2005: 7.9% + 3.8% points

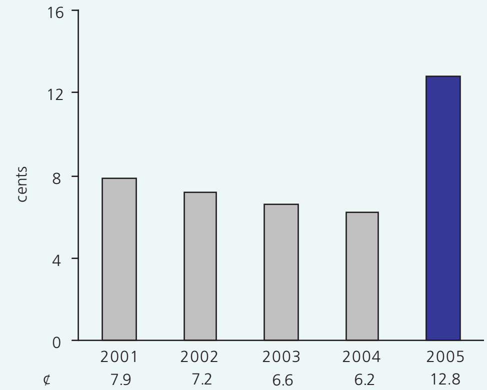
2004: 4.1%



Earnings per share

2005: 12.8 cents +106.5%

2004: 6.2 cents



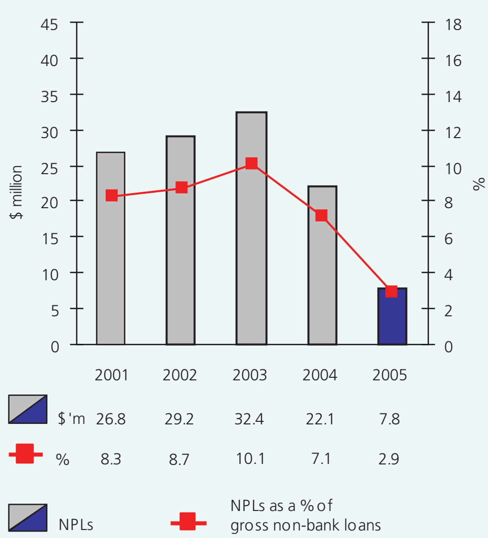
Total non-performing loans (NPLs)

NPLs
2005: $7.8 million – 64.7%

2004: $22.1 million

NPLs as a % of gross non-bank loans
2005: 2.9% – 4.2% points

2004: 7.1%



Total cumulative impairment

Individual impairment
2005: $1.2 million – 85.8%

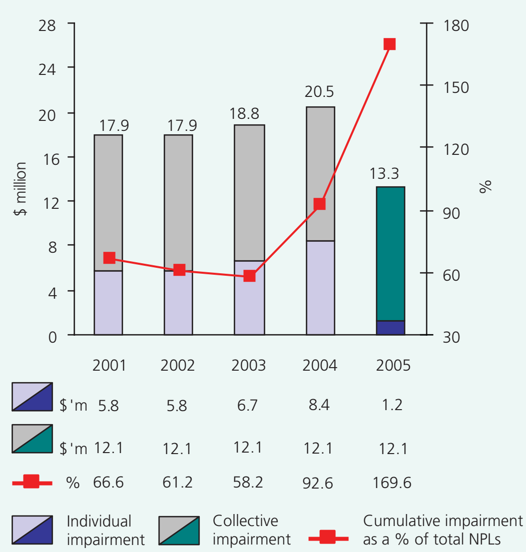
2004: $8.4 million

Collective impairment
2005: $12.1 million –

2004: $12.1 million

Total cumulative impairment as a % of total NPLs
2005: 169.6% + 77.0% points

2004: 92.6%



Chairman's Statement

Wee Cho Yaw
Chairman & Chief Executive Officer

Buoyed by the regional economies and a record high external trade, Singapore chalked up GDP growth of 6.4% in 2005, exceeding the earlier official estimate of 3% to 5% growth.

In tandem with the strong national growth, the FEB Group doubled its after tax profit to $12.8 million (2004: $6.2 million). Return on equity improved from 4.1% in 2004 to 7.9% in 2005.

Although net loans dropped from $290 million to $257 million during the year under review, net interest income grew by 44% to $19.7 million (2004: $13.7 million). Non-bank deposits grew from $637 million to $648 million. Fee and commission income fell slightly to $1.3 million (2004: $1.4 million), but this was offset by higher rental income of $2.7 million (2004: $2.3 million). Total income improved by 34% to $25.1 million (2004: $18.8 million). As a result of branch rationalisation, total expenses dropped by 6% to $9 million (2004: $9.6 million).

The Group's total assets increased by 4.4% to $860 million (2004: $824 million), while shareholders funds rose by 6.8% to $167 million (2004: $156 million). Return on assets improved from 0.8% to 1.6% during the year.

The Board proposes to transfer $9 million to reserves and recommends a first and final dividend of 2 cents per share less 20% income tax for the financial year ended 31 December 2005. Total dividend payout would amount to $1.6 million.

Although there is positive sentiment for the business outlook in 2006, and government forecast is for a GDP growth of 3% to 5%, the Singapore banking sector is likely to face keen competition and margin pressures. With a small capital base, the FEB Group will be more vulnerable to such competitive pressures.

In conclusion, I would like to record my appreciation to fellow Board Directors for their wise counsel during the year. My thanks also goes to management and staff members for their contributions, and to customers and shareholders for their support.

Wee Cho Yaw
Chairman & Chief Executive Officer
March 2006

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

EXECUTIVE COMMITTEE

Mr Wee Cho Yaw
Chairman

Mr Wee Ee Cheong
Mr Ngiam Tong Dow
Prof Cham Tao Soon
(appointed on 10 February 2006)
Mr Philip Yeo Liat Kok
(appointed on 10 February 2006)

NOMINATING COMMITTEE

Mr Wong Meng Meng
Chairman

Mr Wee Cho Yaw
Mr Philip Yeo Liat Kok
Prof Cham Tao Soon
Mr Ngiam Tong Dow
Mr Wee Ee Cheong
(alternate to Mr Wee Cho Yaw)

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) 6439 3104
Facsimile: (65) 6536 7712

AUDITORS

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#21-01 Ocean Building
Singapore 049315

REGISTERED OFFICE

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

BRANCH NETWORK

MAIN

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Singapore 069544
Telephone: (65) 6221 9055
Facsimile: (65) 6224 2263
Telex: RS 23029 FEBANK

CORRESPONDENTS

In all principal cities of the world

BRIEF CURRICULUM VITAE OF DIRECTORS

Mr Wee Cho Yaw

Chairman & Chief Executive Officer

Age 77. A career banker with more than 40 years of experience. Received Chinese high school education. Chairman & CEO of United Overseas Bank since 1974.

Appointed to the Board on 17 August 1984. Last re-appointed as a Director on 27 April 2005. Chairman and CEO of Far Eastern Bank since 1984. Chairman of the Executive Committee, Remuneration Committee and Member of the Nominating Committee. Chairman of United Overseas Insurance, United Overseas Bank (Malaysia), PT Bank UOB Indonesia (*President Commissioner)*, PT Bank Buana Indonesia (*President Commissioner)* and United Overseas Bank (Thai) Public Company, United International Securities, Haw Par Corporation, Hotel Plaza, Overseas Union Enterprise, United Industrial Corporation, United Overseas Land and Singapore Land and its subsidiary, Marina Centre Holdings. Former Director of Singapore Press Holdings.

Honorary President of Singapore Chinese Chamber of Commerce & Industry and Pro-Chancellor of Nanyang Technological University.

Awarded Businessman Of The Year in 2001 and 1990 in the Singapore Business Awards that recognise outstanding achievements by Singapore's business community.

Mr Wee Ee Cheong

Deputy Chairman & President

Age 53. Deputy Chairman & President of United Overseas Bank (UOB) since 2000.

Appointed as Executive Director on 3 January 1990. Last re-elected as a Director on 27 May 1998. Member of the Bank's Executive Committee.

Director of several UOB subsidiaries and affiliates, including United Overseas Insurance, United Overseas Bank (Malaysia), PT Bank UOB Indonesia *(Commissioner)*, United Overseas Bank (Thai) Public Company, United International Securities, United Overseas Land and Hotel Plaza.

Director of Visa International (Asia Pacific Regional Association) and the Institute of Banking & Finance. Chairman of the Association of Banks in Singapore and ASEAN Banking Council. Council Member of the Singapore Chinese Chamber of Commerce & Industry as well as Member of the Board of Governors of the Singapore-China Foundation and the Advisory Board of the INSEAD East Asia Council.

Has served as Deputy Chairman of Housing & Development Board and Director of Port of Singapore Authority.

Holds a Bachelor of Science (Business Administration) and Master of Arts (Applied Economics) from The American University, Washington DC.

Board of Directors

Mr Lee Chin Chuan

Age 74. Chairman of Hotel Royal Limited.

Appointed to the Board on 1 July 1978. Last re-appointed as a Director on 27 April 2005. An independent and non-executive Director. Managing Director of Aik Siew Tong Ltd and Melodies Ltd.

Mr Ong Chu Meng

Age 73. Chairman and Managing Director of Ong Lock Cho & Brothers Pte Ltd, Patrick View Development Pte Ltd and Mengna & Co. Pte Ltd.

Appointed to the Board on 28 June 1976. Last re-appointed as a Director on 27 April 2005. An independent and non-executive Director. Council Member of The Association of Nanyang University Graduates, Singa Sino Friendship Association and Ee Hoe Hean Club.

Mr Wong Meng Meng

Age 57. Senior Partner of Wong Partnership. Notary Public and Senior Counsel, Supreme Court of Singapore.

Appointed to the Board on 24 March 2000. Last re-elected as a Director on 27 April 2005. An independent and non-executive Director. Chairman of the Bank's Nominating Committee. Director of Hi-P International and Mapletree Logistics Trust Management Ltd. Honorary Legal Advisor to the Real Estate Developers' Association of Singapore.

Holds a Bachelor of Law (Honours) from the University of Singapore. Member of the Singapore International Arbitration Centre's Main Panel of Arbitrators.

Mr Philip Yeo Liat Kok

Age 59. Chairman of the Agency for Science, Technology & Research (A*STAR). Recognised for his contributions to Singapore's economic development and his pioneering role in the promotion and development of the country's information technology, semiconductor and chemical industries. Brings to the Bank wide government and private sector experience over a 35-year career.

Appointed to the Board on 26 May 2000. Last re-elected as a Director on 29 April 2004. An independent and non-executive Director. Member of the Bank's Executive, Nominating and Remuneration Committees. Chairman of Accuron Technologies Ltd, an aerospace and precision engineering company based in Singapore.

Holds a Bachelor of Applied Science (Industrial Engineering), an Honorary Doctorate of Engineering from the University of Toronto, an Honorary Doctorate of Medicine from the Karolinska Institutet, Sweden, a Master of Science (Systems Engineering) from the University of Singapore and a Master of Business Administration from Harvard University, USA.

Prof Cham Tao Soon

Age 66. University Distinguished Professor of Nanyang Technological University (NTU). Held the post of President of NTU from 1981 to 2002.

Appointed to the Board on 6 April 2001. Last re-elected as a Director on 8 May 2003**.** An independent and non-executive Director. Member of the Bank's Executive, Nominating and Remuneration Committees. Chairman of NatSteel, Singapore Symphonia Company and Singapore-China Foundation. Deputy Chairman of Singapore Press Holdings. Director of Robinson & Company, TPA Strategic Holdings and WBL Corporation. Board Member of Land Transport Authority and Singapore International Foundation. A Member of the Council of Presidential Advisers. Former Director of Adroit Innovations and Keppel Corporation.

Holds a Bachelor of Engineering (Civil, Honours) from the University of Malaya, a Bachelor of Science (Mathematics, Honours) from the University of London and a Doctor of Philosophy (Fluid Mechanics) from the University of Cambridge, UK. Fellow of the Institution of Engineers, Singapore and Institution of Mechanical Engineers, UK.

Mr Ngiam Tong Dow

Age 68. Chairman of Surbana Corporation Pte Ltd. Served as Chairman of Housing & Development Board from 1998 to 2003. Has a distinguished public service career, having held the post of Permanent Secretary in the Prime Minister's Office, Ministries of Finance, Trade & Industry, National Development, and Communications.

Appointed to the Board on 3 February 2005. Last re-elected as a Director on 27 April 2005. An independent and non-executive Director. Member of the Bank's Executive and Nominating Committees. Director of Singapore Press Holdings and Yeo Hiap Seng. Has served as Chairman of Central Provident Fund Board, Development Bank of Singapore, Economic Development Board and Telecommunication Authority of Singapore, and as Deputy Chairman of the Board of Commissioners of Currency, Singapore.

Holds a Bachelor of Arts (Economics, Honours) from the University of Malaya, Singapore, and a Master of Public Administration from Harvard University, USA.

Corporate Governance

The Bank is committed to high standards in corporate governance. The Board is guided by the recommendations and the principles set out in the Banking (Corporate Governance) Regulations 2005 ("Banking Regulations 2005") and the Guidelines On Corporate Governance For Banks, Financial Holding Companies And Direct Insurers issued by the Monetary Authority of Singapore ("MAS Guidelines on Corporate Governance").

Board of Directors

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

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

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

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

Board competency: The NC has assessed the specific qualities and skills of the directors and is of the view that they possess the necessary skills for the Bank's business. Detailed information on the directors' experience and qualifications can be found on pages 7 to 9. New directors are given guidance on the duties and responsibilities of directors and relevant regulatory requirements under Singapore law. All directors have access to advice from the company secretary. The directors may also request independent professional advice to help them carry out their responsibilities. A budget is set aside yearly for directors' training needs.

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

Chairman and Chief Executive Officer ("CEO"): The Chairman provides leadership to the Board and ensures that board meetings are conducted regularly. The CEO is responsible for the day-to-day running of the Bank and ensures that the Board's decisions and strategies are carried out. Mr Wee Cho Yaw is both the Chairman and CEO of the Bank since 1984. He has been able to execute the responsibilities of both these roles effectively. The Banking Regulations 2005 which came into force in September 2005 make an exception for an incumbent to hold the position of chairman and CEO concurrently.

Board Committees

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

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

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

Remuneration Committee ("RC"): The RC reviews and recommends the amount of directors' fees, allowances and remuneration of the executive directors. The Board recommends directors' fees as a lump sum for shareholders' approval at every Annual General Meeting. The sum is divided among the directors with those having additional responsibilities as chairman or members of board committees receiving a higher portion of the approved fees. Details of the total fees and other remuneration of the directors are set out in the Directors' Report on pages 39 to 40.

The Bank is a subsidiary of UOB. The network, infrastructure and management expertise of the UOB Group are made available to the Bank whose operations are managed by UOB in return for an annual management fee. The senior management functions of the Bank are performed by the senior management of UOB whose salaries are paid by UOB. Hence, the requirements to disclose the salaries of the Bank's top five executives and the names of any immediate family members of a director in the employ of the Bank whose remuneration is above $150,000, do not apply to the Bank as it does not have senior executives of its own.

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

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

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

Internal Audit

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

Mr Victor Ngo

Chief Internal Auditor

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

Risk Management

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

The Board has the overall responsibility for determining the type and level of business risks that the Bank undertakes. The Bank's Executive Committee oversees the risk profile of the Bank. As part of UOB's management of the Bank, various committees comprising top management and senior executives of UOB such as the Credit Committee, Asset Liability Committee, Investment Committee, Computer Committee, Management Committee and Management Executive Committee, have been delegated the authority to formulate, review and approve policies and limits on monitoring and managing risk exposures. The major policy decisions and proposals on risk exposures approved by these committees are reviewed by the Bank's Exco. The key risks monitored by the various committees are credit and country risk, balance sheet risk, liquidity risk, market risk and operational risk.

UOB Group Risk Management and Group Compliance, which are independent of the business units, perform the respective roles of implementing risk management policies and ensuring compliance by the business units with all applicable laws and regulatory standards.

Communication with shareholders

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

Ethical standards

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

Directors' Attendance 2005

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

Review of financial performance

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

Review of financial performance

Highlights and performance indicators

	2005	2004		Variance (%)
Key indicators				
Net interest income (NII) ($ million)	**19.7**	13.7	+	43.7
Non-interest income (Non-NII) ($ million)	**5.4**	5.0	+	7.4
Total income ($ million)	**25.1**	18.7	+	34.0
Total expenses ($ million)	**9.0**	9.6	–	6.2
Operating profit before impairment charges ($ million)	**16.1**	9.1	+	76.4
Net profit after tax ($ million)	**12.8**	6.2	+	106.0
Income mix:				
NII/Total income (%)	**78.6**	73.3	+	5.3% points
Non-NII/Total income (%)	**21.4**	26.7	–	5.3% points
	100.0	100.0		–
Return on average shareholders' equity (ROE) (%)	**7.9**	4.1	+	3.8% points
Basic earnings per share (EPS) (cents)	**12.8**	6.2	+	106.5
Return on average total assets (ROA) (%)	**1.6**	0.8	+	0.8% point
NII/Average interest bearing assets (%)	**2.53**	1.75	+	0.78% point
Expense/Income ratio (%)	**35.9**	51.4	–	15.5% points
Final dividend per share (cents)	**2.0**	2.0		–
Other indicators				
Customer loans (net) ($ million)	**257.2**	289.6	–	11.2
Customer deposits ($ million)	**647.7**	637.2	+	1.7
Loans/Deposits ratio+ (%)	**39.7**	45.5	–	5.8% points
Non-performing loans (NPLs) ($ million)	**7.8**	22.1	–	64.7
Cumulative impairment ($ million)	**13.3**	20.5	–	35.3
NPLs/Gross customer loans (%)	**2.9**	7.1	–	4.2% points
Cumulative impairment/NPLs (%)	**169.6**	92.6	+	77.0% points
Total assets ($ million)	**860.2**	824.1	+	4.4
Shareholders' equity ($ million)	**166.7**	156.1	+	6.8
Unrealised revaluation surplus* ($ million)	**41.1**	38.0	+	8.2
Net asset value (NAV) per share ($)	**1.67**	1.56	+	7.1
Revalued NAV per share ($)	**2.08**	1.94	+	7.2
Capital adequacy ratio (%)	**50.9**	46.6	+	4.3% points
Manpower (number)	**13**	39	–	26 numbers

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

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

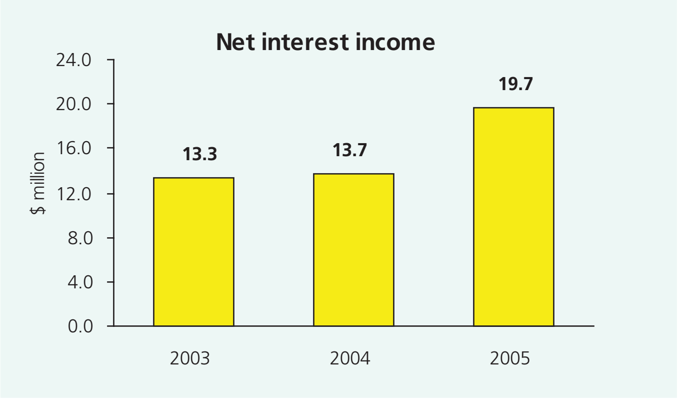
Group profits

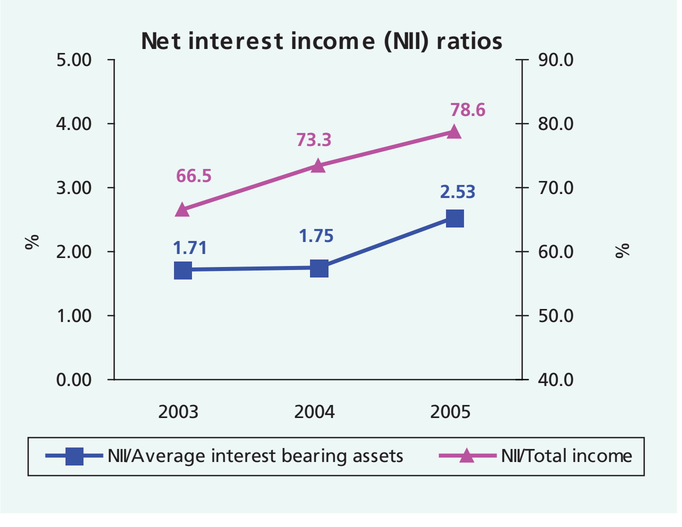
The Group recorded a net profit after tax (NPAT) of $12.8 million for the financial year ended 31 December 2005, representing an increase of $6.6 million or 106.0% over the $6.2 million for the financial year ended 31 December 2004. The increase in NPAT was mainly attributed to higher net interest income, lower impairment charges, lower operating expenses and higher rental income, partially offset by higher tax expense.

Financial ratios

- Earnings per share increased by 106.5% to 12.8 cents in 2005 from 6.2 cents in 2004.
- Return on average shareholders' equity increased by 3.8% points to 7.9% in 2005 from 4.1% in 2004.
- Net asset value (NAV) per share increased by 11 cents or 7.1% to $1.67 in 2005 from $1.56 in 2004.
- Total dividend of 2 cents (2004: 2 cents) was 8.0 times covered by NPAT (2004: 3.9 times).

Net interest income





Net interest income for the Group increased 43.7% or $6 million to $19.7 million in 2005 from $13.7 million in 2004. Net interest income continued to be the major contributor of total income, accounting for 78.6% (2004: 73.3%) of total income.

The increase in net interest income was primarily attributed to higher contributions from interbank money market activities and improved loan margin.

Average interest margin rose marginally by 0.78% point to 2.53% in 2005 from 1.75% in 2004.

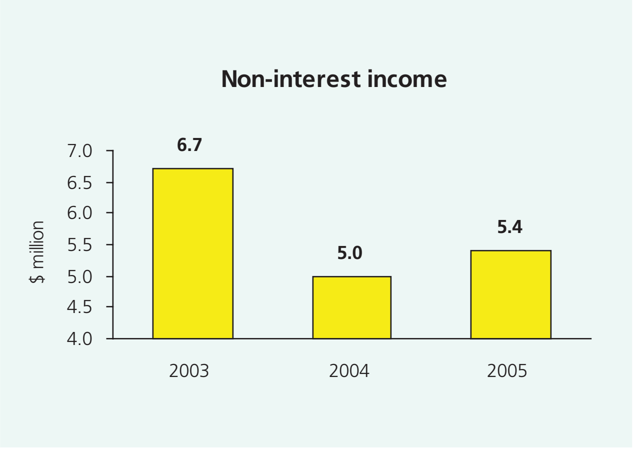
Average interest rates and margin

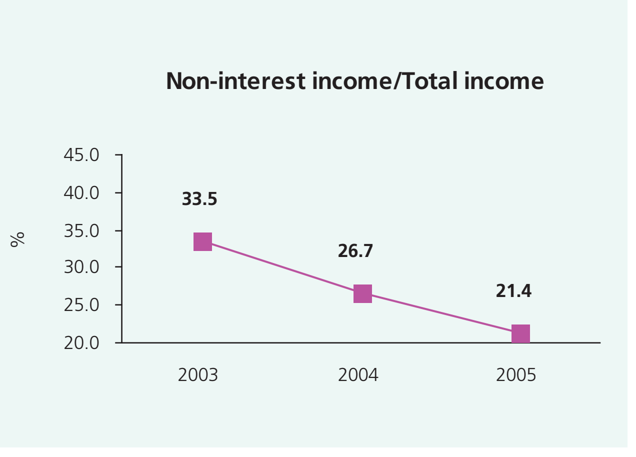
	2005			2004		
	Average balance $'000	**Interest $'000**	**Average interest rate %**	Average balance $'000	Interest $'000	Average interest rate %
Total interest bearing assets	**780,291**	**23,939**	**3.07**	783,710	16,989	2.17
Total interest bearing liabilities	**616,007**	**4,195**	**0.68**	634,582	3,247	0.51
Net interest income		**19,744**			13,742	
Average interest margin +			**2.53**			1.75

\+ *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 2005 accounted for 21.4% of total income. Total non-interest income increased by $0.4 million or 7.4% to $5.4 million in 2005 from $5.0 million in 2004. The increase was mainly due to higher rental income, profit on Singapore Government securities and foreign exchange, partly offset by lower fee and commission income and dividend income.





Composition of non-interest income

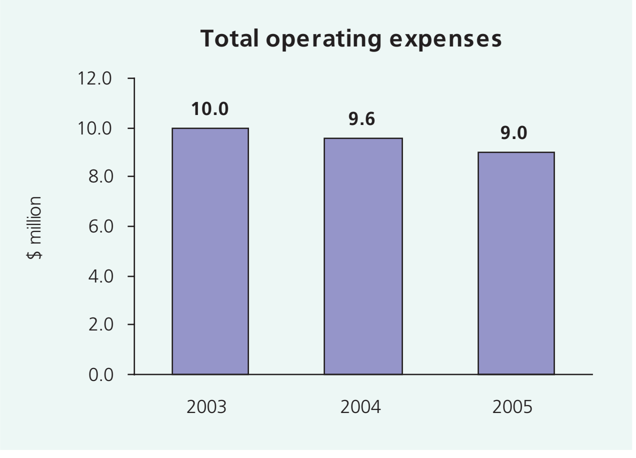
	2005 $'000	2004 $'000	Variance %
Fee and commission income			
Investment-related	**3**	2	50.0
Trade-related	**557**	665	(16.2)
Loan-related	**132**	156	(15.4)
Other	**559**	595	(6.1)
	1,251	1,418	(11.8)
Dividend and rental income	**2,703**	2,492	8.5
Other operating income			
Net profit/(loss) from:			
Investment and government securities	**447**	47	851.1
Foreign exchange	**323**	279	15.8
Disposal of fixed assets	**(12)**	–	–
Other	**675**	780	(13.5)
	1,433	1,106	29.6
Total non-interest income	**5,387**	5,016	7.4

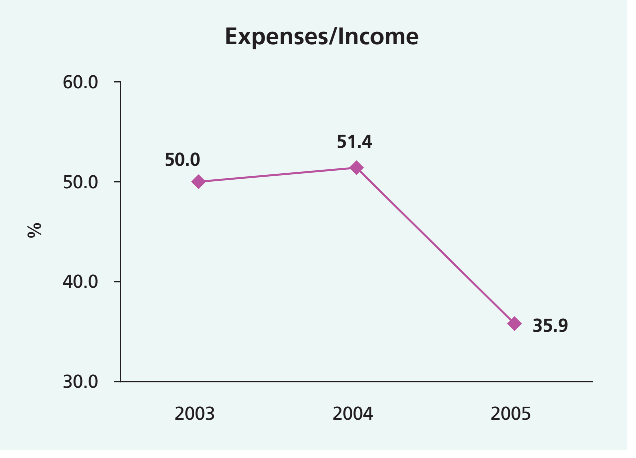
Operating expenses

Total operating expenses declined 6.2% to $9.0 million in 2005 from $9.6 million in 2004 due to the decrease in both staff costs and other operating expenses by 28.2% and 2.4% respectively.

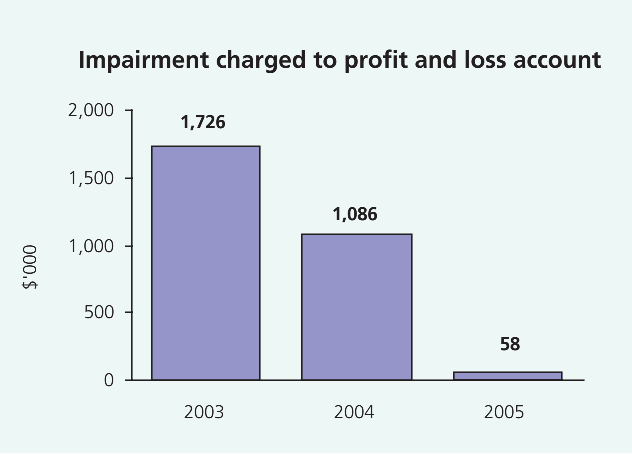
With the decrease in total operating expenses, coupled with the increase in total income, the expense to income ratio of the Group improved by 15.5% points to 35.9% in 2005 from 51.4% in 2004.

	2005	2004	Variance
	$'000	$'000	%
Staff costs	**1,031**	1,435	(28.2)
Other operating expenses	**8,002**	8,198	(2.4)
Total operating expenses	**9,033**	9,633	(6.2)





Impairment charged to profit and loss account



Total impairment charge was $58 thousand in 2005 as compared to $1.1 million in 2004 mainly due to lower impairment charges on loans.

	2005 $'000	2004 $'000	Variance %
Individual impairment on			
Loans	**129**	1,098	(88.3)
Investments	**(41)**	(82)	50.0
Properties & other fixed assets	**(30)**	70	(142.9)
Total	**58**	1,086	(94.7)

Overview of balance sheet

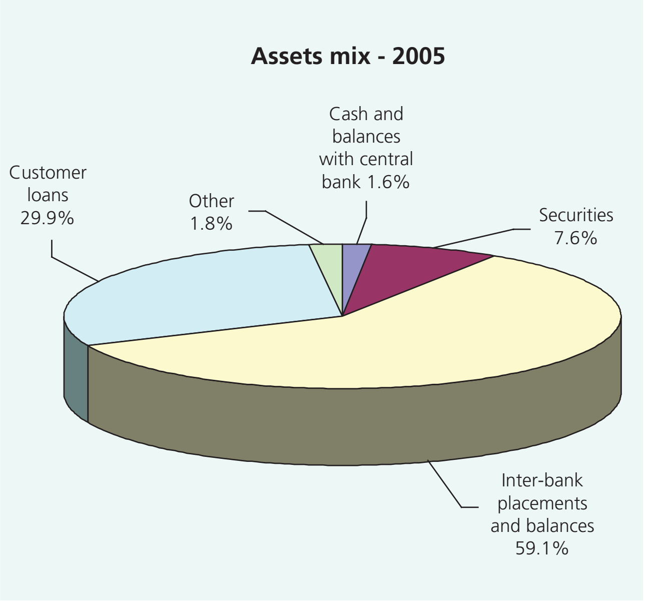
Total assets

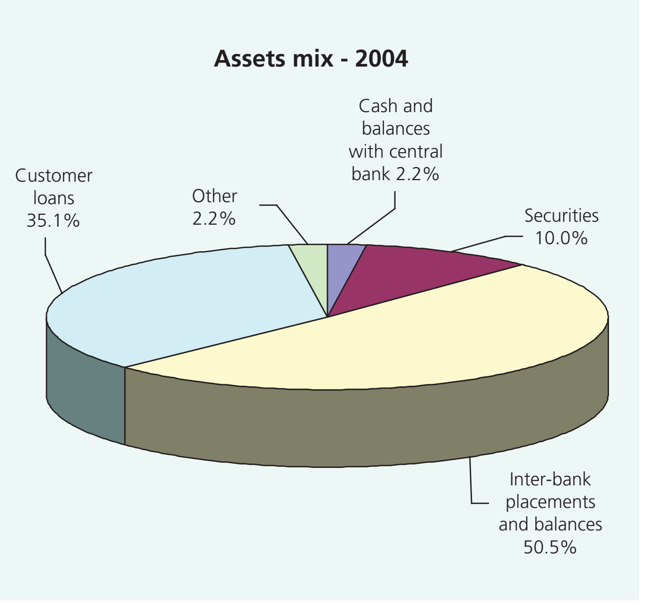
Group total assets increased to $860.2 million as at 31 December 2005, a 4.4% growth over the $824.1 million as at 31 December 2004. The increase was primarily from inter-bank placements and balances, partially offset by the decrease in customer loans and securities.

Assets mix

	2005		2004	
	$'000	**%**	$'000	%
Cash and balances with central bank	**13,830**	**1.6**	17,733	2.2
Securities*	**65,550**	**7.6**	82,738	10.0
Inter-bank placements and balances	**508,200**	**59.1**	416,356	50.5
Customer loans	**257,186**	**29.9**	289,602	35.1
Other	**15,451**	**1.8**	17,697	2.2
Total assets	**860,217**	**100.0**	824,126	100.0

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





Securities

Securities held by the Group as at 31 December 2005 were $65.6 million (2004: $82.7 million), comprising mainly Singapore Government treasury bills and securities.

	2005		2004	
	$'000	**%**	$'000	%
Singapore Government treasury bills and securities	**64,792**	**98.8**	82,297	99.5
Quoted equity shares	**758**	**1.2**	441	0.5
Total securities	**65,550**	**100.0**	82,738	100.0

Customer loans

Net loans and advances to customers were lower at $257.2 million as at 31 December 2005 compared to $289.6 million as at 31 December 2004. The decrease of $32.4 million or 11.2% was mainly from housing loans and overdrafts.

Customer loans analysed by product group

	2005		2004	
	$'000	**%**	$'000	%
Housing loans	**99,439**	**36.8**	116,573	37.6
Term loans	**95,586**	**35.3**	96,056	31.0
Trade financing	**16,317**	**6.0**	18,449	5.9
Overdrafts	**59,105**	**21.9**	79,025	25.5
Total gross customer loans	**270,447**	**100.0**	310,103	100.0
Less: Collective impairment	**(12,059)**		(12,059)	
Individual impairment	**(1,202)**		(5,112)	
Interest-in-suspense	**–**		(3,330)	
Total net customer loans	**257,186**		289,602	

Gross customer loans analysed by industry

	2005		2004	
	$'000	**%**	$'000	%
Manufacturing	**20,256**	**7.5**	18,302	5.9
Building and construction	**10,846**	**4.0**	11,161	3.6
Housing loans	**99,439**	**36.8**	116,573	37.6
General commerce	**67,017**	**24.8**	81,598	26.3
Transport, storage and communication	**3,197**	**1.2**	2,877	0.9
Non-bank financial institutions	**10,190**	**3.8**	11,245	3.6
Professionals and private individuals (excluding housing loans)	**55,567**	**20.5**	61,932	20.0
Other	**3,935**	**1.4**	6,415	2.1
Total gross customer loans	**270,447**	**100.0**	310,103	100.0

Gross customer loans analysed by currency and fixed/variable rates

	2005			2004		
	Fixed Rate $'000	**Variable Rate $'000**	**Total $'000**	Fixed Rate $'000	Variable Rate $'000	Total $'000
Singapore dollar	**52,143**	**209,674**	**261,817**	81,104	215,563	296,667
US dollar	**5,600**	**301**	**5,901**	4,812	390	5,202
Japanese yen	**1,844**	**–**	**1,844**	5,644	640	6,284
Other	**885**	**–**	**885**	1,925	25	1,950
Total gross customer loans	**60,472**	**209,975**	**270,447**	93,485	216,618	310,103

Gross customer loans analysed by remaining maturity

	2005		2004	
	$'000	**%**	$'000	%
Within 1 year	**92,368**	**34.2**	121,730	39.2
Over 1 year but within 3 years	**27,347**	**10.1**	26,568	8.6
Over 3 years but within 5 years	**23,606**	**8.7**	25,681	8.3
Over 5 years	**127,126**	**47.0**	136,124	43.9
Total gross customer loans	**270,447**	**100.0**	310,103	100.0

Credit facilities to related parties

As at 31 December 2005, there were no outstanding loans or advances granted to related parties except for performance guarantees of $356 million (2004: $341 million) given by the Group to an associate of the holding company in the ordinary course of business on normal terms and conditions.

Deposits

Total deposits rose by 3.3% or $21.7 million to $682.7 million as at 31 December 2005 from $660.9 million as at 31 December 2004, mainly attributed to higher fixed deposits and deposits from the holding company.

Deposits analysed by product group

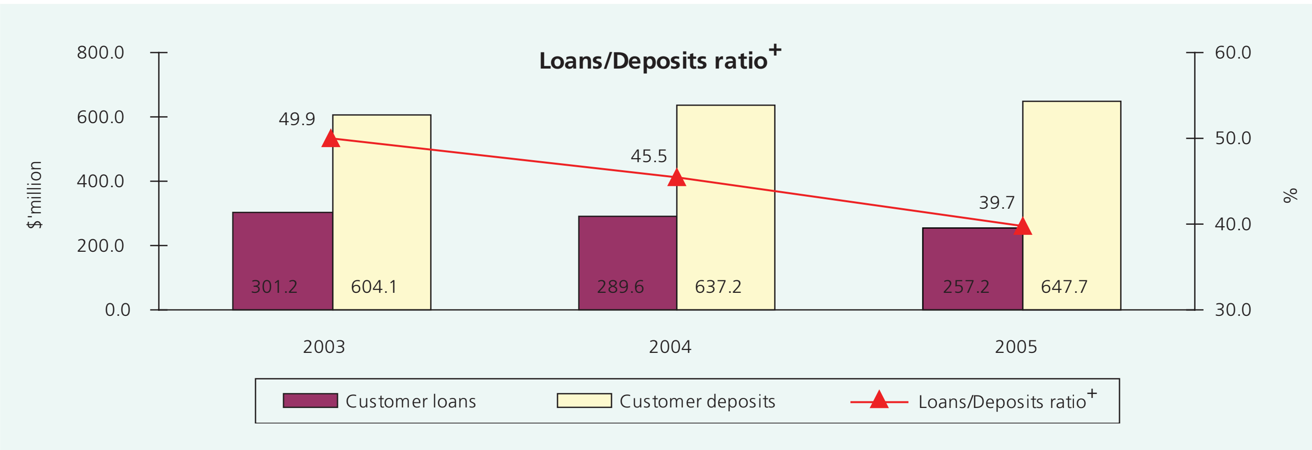
	2005		2004	
	$'000	**%**	$'000	%
Customer deposits				
Fixed deposits	**304,823**	**44.7**	292,362	44.2
Savings and other deposits	**342,866**	**50.2**	344,810	52.2
	647,689	**94.9**	637,172	96.4
Fellow subsidiaries' deposits	**1,833**	**0.3**	2,463	0.4
Holding company's deposits	**33,135**	**4.8**	21,310	3.2
Total deposits	**682,657**	**100.0**	660,945	100.0

Deposits analysed by remaining maturity

	2005		2004	
	$'000	**%**	$'000	%
Within 1 year	**654,573**	**95.9**	642,007	97.1
Over 1 year but within 3 years	**6,893**	**1.0**	7,006	1.1
Over 3 years but within 5 years	**21,191**	**3.1**	11,932	1.8
Total deposits	**682,657**	**100.0**	660,945	100.0

Loans/Deposits ratio+

With the decrease in net customer loans of 11.2%, coupled with the increase in customer deposits of 1.7%, the loans-to-deposits ratio declined 5.8% points to 39.7% in 2005 from 45.5% in 2004.



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

Shareholders' equity

Shareholders' equity as at 31 December 2005 was $166.7 million as compared to $156.1 million as at 31 December 2004.

As at 31 December 2005, unrealised revaluation surplus on properties and investment securities that was not incorporated into the financial statements amounted to $41.1 million (2004: $38.0 million).

	2005	2004	Variance
	$'000	$'000	%
Shareholders' equity	**166,731**	156,073	6.8
Add: Unrealised revaluation surplus	**41,075**	37,977	8.2
Shareholders' equity including unrealised revaluation surplus	**207,806**	194,050	7.1
Net asset value (NAV) per share ($)	**1.67**	1.56	7.1
Unrealised revaluation surplus per share ($)	**0.41**	0.38	7.9
Revalued NAV per share ($)	**2.08**	1.94	7.2

Capital adequacy ratios

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

As at 31 December 2005, the Group's total CAR was 50.9%, well above the minimum total CAR of 10% set by MAS. Compared to the total CAR of 46.6% as at 31 December 2004, it had increased 4.3% points attributed mainly to net profit for the financial year and lower risk-weighted assets.

	2005	2004
	$'000	$'000
Capital		
Tier 1 Capital		
Share capital	**100,011**	100,011
Disclosed reserves	**66,617**	56,065
	166,628	156,076
Upper Tier 2 Capital		
Cumulative collective impairment	**4,200**	4,301
Revaluation surplus on equity securities	**143**	–
	4,343	4,301
Total capital	**170,971**	160,377
Risk-weighted assets (including market risk)	**336,033**	344,110
Capital adequacy ratios		
Tier 1 capital	**49.6%**	45.4%
Total capital	**50.9%**	46.6%

Credit and Country Risk Management

Credit risk

Credit risk is defined as the potential loss arising from any failure by a borrower or a counterparty to fulfill its financial obligations, as and when they fall due. Credit risk is inherent in lending, trade financing, investment, treasury activities and other credit-related activities undertaken by the Group.

The Credit Committee, comprising the CEO and other senior and experienced officers of the bank, under delegated authority from the Board of Directors, oversees all credit, country and concentration risk matters. These include the monitoring and review of portfolio risk concentrations, approval of country and counterparty limits as well as the formulation of credit policies. The decisions of the Credit Committee and its credit risk management reports are reviewed by the Executive Committee and the Board of Directors.

To maintain independence and integrity of credit decision-making, the Group has established a Group Credit unit to segregate the credit approval function from loan origination. Credit approval authority is delegated within an established credit discretionary limit (CDL) structure that is risk-sensitive to ensure that the CDL is tiered according to the borrower's rating. The Bank has in place a very stringent process for the delegation of CDL based on the experience, seniority, product/business sector and track record of the officer. All officers with the authority to approve credits are guided by credit policies and guidelines with distinction made for institutional and individual borrowers. These credit policies and guidelines, which cover key risk parameters associated with credit structuring and approval, are periodically reviewed to ensure their continued relevance.

An internal credit rating system, which incorporates both statistical models and expert-judgement scorecards, has been developed, implemented and used as part of the credit approval process. Statistical models were built for portfolios with sufficient default data, and expert judgement scorecards were developed for low default portfolios.

Generally, a borrower is assigned a Customer Risk Rating (CRR) and a Facility Risk Rating (FRR). The CRR is a borrower's stand-alone credit rating and is derived after a comprehensive assessment of its financial condition, the quality of its management, business risks and the industry it operates in. The FRR incorporates transaction-specific dimensions such as availability and types of collateral, seniority of the exposures, facility structures, etc.

Consumer exposures are managed on a portfolio basis. The Bank has scorecards and stringent product programmes for credit underwriting purposes.

For the timely recognition of asset impairment, recovery action and the avoidance of undue concentration, a disciplined process is in place to regularly monitor, review and report the Group's portfolio risks. These include large credit exposures by obligor groups, sectors, security types, internal credit ratings, industries, countries as well as level of non-performing loans, appropriateness of classification and adequacy of provisioning.

Risk concentrations by industry are monitored closely to avoid undue concentration in any particular industry. Industry risk refers to the likelihood of groups of customers being adversely affected by economic developments impacting a particular industry in which such customers operate. Exposure concentrations and non-performing loans by industry type are analysed and significant trends reported to the Credit Committee as well as to the Executive Committee and the Board of Directors.

In particular, exposures arising from property-related loans are closely monitored to ensure compliance with regulatory and internal guidelines. The trends of such property-related loans are closely monitored by top borrowing groups, business sectors and geographical locations.

The Bank has in place a rigorous monitoring process that includes monthly reviews of all non-performing and special mention loans. In addition, credit reviews and audits are performed regularly to proactively manage any delinquencies, minimise undesirable concentrations, maximise recoveries, and check that credit policies and procedures are complied with. Past dues and credit limit excesses are tracked by business lines and product types, and significant trends are analysed and reported regularly to the Credit Committee and the Executive Committee.

To assess the resultant potential losses arising from the impact of possible adverse events on the Group's credit portfolio, credit stress tests are periodically conducted. The extent of the plausible credit impairments is analysed to determine if the potential losses are within the Group's risk tolerance.

In line with the Bank's drive to adopt best practices in risk management, the Bank has intensified its preparations for the New Basel Capital Accord. The Bank is targeting to adopt the Internal Rating Based Approach for Credit Risk and the Standardised Approach for Operational Risk.

The Bank remains committed and will continue to strengthen and invest in its risk management systems, processes and practices.

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 32.6% and 65.9% of its 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.

The Personal Financial Services portfolio, which mainly comprises housing loans and other mortgage loans, accounted for 57.3% of the Bank's exposure as at 31 December 2005.

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

	Loans & advances		Contingent liabilities		Non-performing loans	
By industry type (%)	**2005**	2004	**2005**	2004	**2005**	2004
Manufacturing	**7.5**	5.9	**3.8**	6.8	**–**	–
Building and construction	**4.0**	3.6	**12.6**	5.4	**–**	1.0
Housing loans	**36.8**	37.6	**–**	–	**18.6**	18.5
General commerce	**24.8**	26.3	**37.9**	37.9	**50.8**	47.7
Transport, storage and communication	**1.2**	0.9	**10.3**	10.5	**–**	–
Non-bank financial institutions	**3.8**	3.6	**24.2**	21.4	**22.6**	9.3
Professionals and private individuals	**20.5**	20.0	**7.7**	8.0	**8.0**	18.6
Others	**1.4**	2.1	**3.5**	10.0	**–**	4.9
Total (%)	**100.0**	100.0	**100.0**	100.0	**100.0**	100.0
Total gross loans (S$ million)	**270.4**	310.1	**15.6**	17.8	**7.8**	22.1

Classification and impairment charges on 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 (March 2005).

The Group has, since January 2005, largely adopted the methodology of Financial Reporting Standard (FRS) 39 for loan loss impairment. Under the new methodology of FRS 39, individual impairment losses are calculated based on the net present values of expected future cash flows and tangible collaterals.

Loan interest

The classification of a loan as non-performing does not disqualify the Group of its entitlement to interest income. It merely registers the uncertainty faced by the Group in the collection of such interest income. The Group has adopted the approach that once a loan is classified as non-performing, interest will be suspended and will cease to accrue, irrespective of whether any collateral would be adequate to cover such payments.

Write-off and charge-off policy

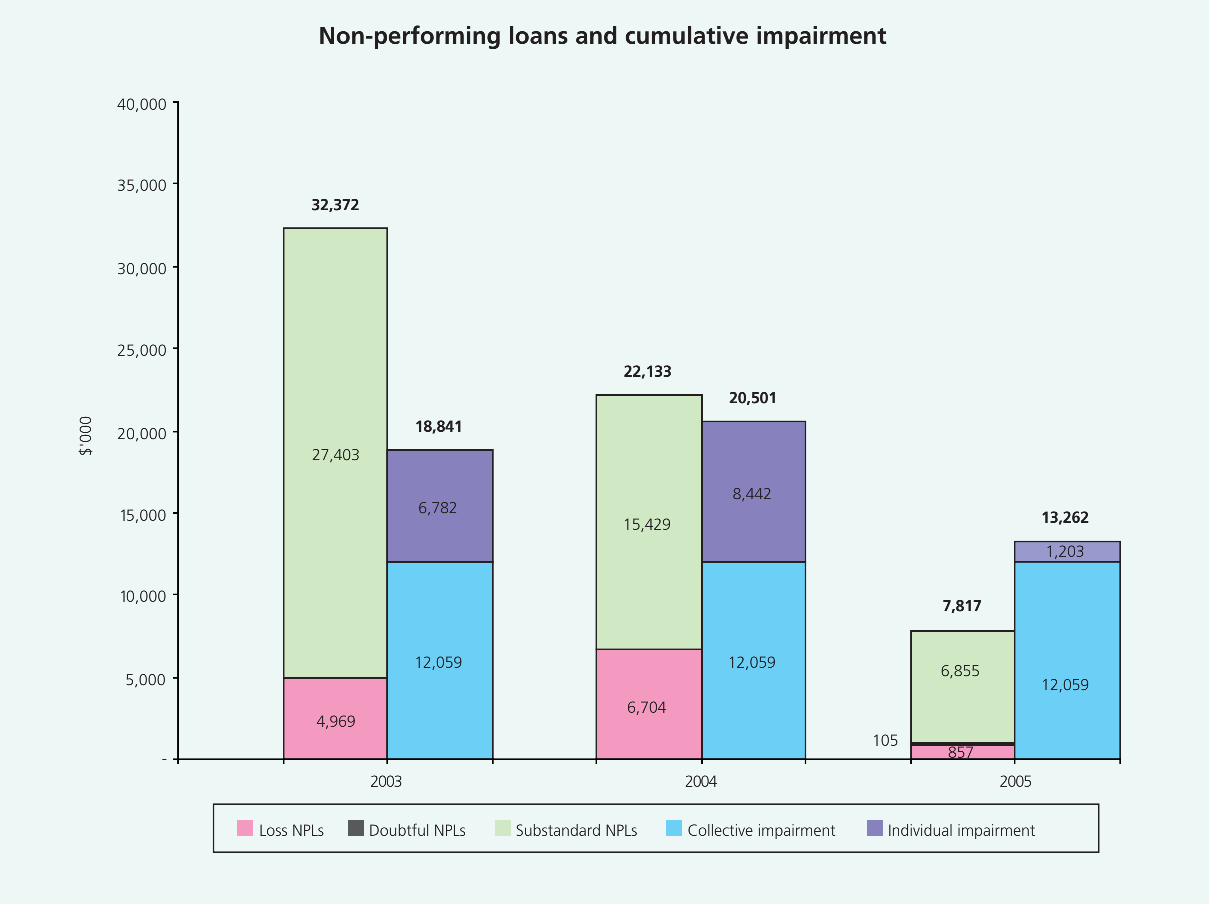
A classified account is written-off if it is deemed irrecoverable when there is no realisable tangible collateral securing the account and all feasible avenues of recovery have been exhausted.

Non-performing loans (NPLs) and cumulative impairment of the Bank

The Bank's non-performing loans (NPLs) improved dramatically by $14.3 million or 64.7% to $7.8 million as at 31 December 2005, compared to $22.1 million as at 31 December 2004. Correspondingly, NPLs as a percentage of gross customer loans dropped to 2.9%, from 7.1% as at 31 December 2004.

Individual impairment declined by $7.2 million or 85.7% to $1.2 million as at 31 December 2005, compared to $8.4 million as at 31 December 2004. Collective impairment remained unchanged at $12.1 million or 90.9% of the total cumulative impairment as at 31 December 2005. The cumulative impairment provided 169.7% cover against the Bank's NPLs.

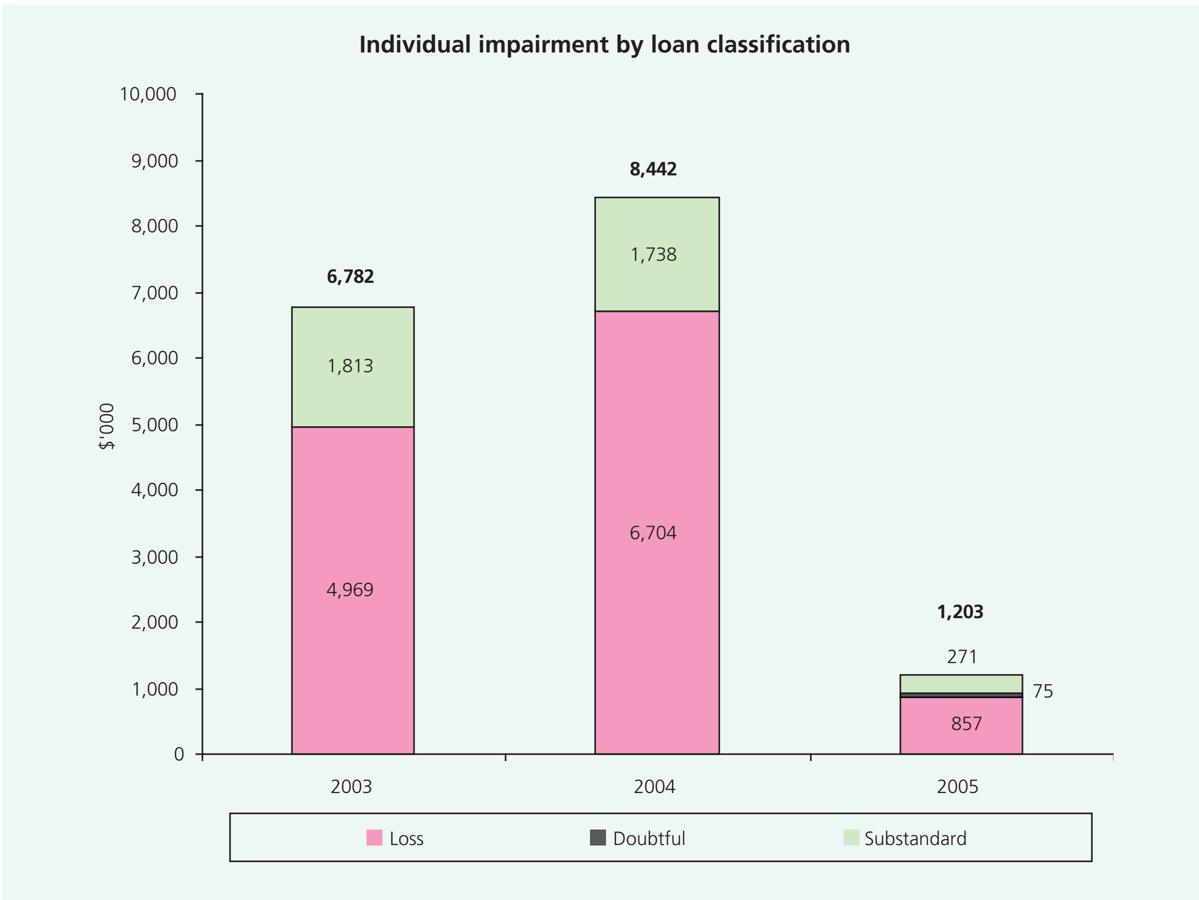
NPLs by loan classification and cumulative impairment as at 31 December 2005 were as follows:



Ratios (%)	2005	2004	2003
NPLs /Gross customer loans	**2.9**	7.1	10.1
NPLs/Total assets	**0.9**	2.7	4.0
Cumulative impairment/NPLs	**169.7**	92.6	58.2
Cumulative impairment/Unsecured NPLs	**388.0**	300.8	312.6
Cumulative impairment/Gross customer loans	**4.9**	6.6	5.9
Collective impairment/Gross customer loans (net of individual impairment for loans)	**4.5**	4.0	3.8

Individual impairment by loan classification

As at 31 December 2005, about 71.2% of individual impairment made for expected loan losses was for ‘Loss’ accounts. The individual impairment for each classified loan grade is shown in the following chart:



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 at 31 December 2005 was as follows:

	2005		2004	
Ageing (Days)	**Amount ($'000)**	**% of total NPLs**	**Amount ($'000)**	**% of total NPLs**
Current	**2,081**	**26.6**	1,396	6.3
≤ 90	**904**	**11.6**	2,137	9.6
91 to 180	**570**	**7.3**	2,626	11.9
≥ 181	**4,262**	**54.5**	15,974	72.2
Total	**7,817**	**100.0**	22,133	100.0

Accounts that have payment records that are current or ≤ 90 days past due and/or in excess may be classified as 'Non-Performing' if the borrowers are deemed to be financially weak.

Collateral Types

The majority of the classified loans is secured by properties. Properties securing classified loans are revalued semi-annually. As at 31 December 2005, 56.3% of NPLs was secured by collateral, compared to 69.2% as at 31 December 2004.

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

	2005	2004
	$'000	$'000
Property	**4,398**	15,040
Cash & Deposits	–	278
Total	**4,398**	15,318

Balance Sheet Risk Management

Balance sheet risk management is about managing interest rate and liquidity risks that arise out of business activities.

The UOB Group Asset Liability Committee (ALCO), under its delegated authority from the Board of Directors, 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 structural interest rate risk, the primary objective, therefore, is to manage the volatility in Net Interest Income (NII) and Economic Value of Equity (EVE).

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 33(c) of Notes to the Financial Statements represents the Group's interest rate risk sensitivity based on repricing mismatches as at 31 December 2005. 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 2005, the Group had an overall positive interest rate sensitivity gap of $252.4 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 pre-payment and of deposits subject to pre-upliftment. 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 if customers' confidence. Such confidence is founded on the Bank'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 analysing 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", "bank-specific crisis" and "general market 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.

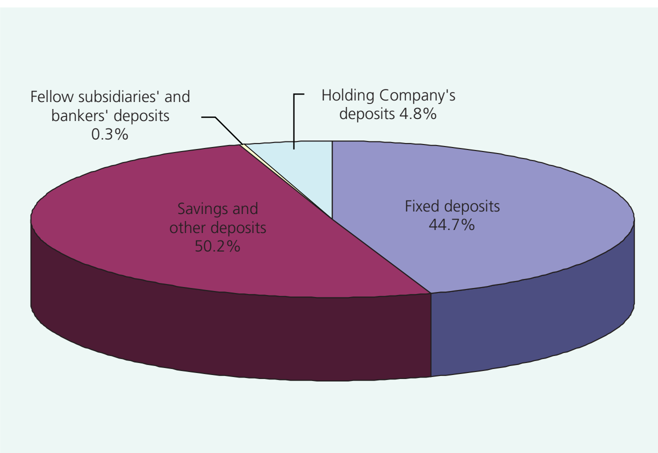
Liquidity contingency funding plans have been drawn up to ensure that alternative funding strategies are in place and can be implemented on a timely basis to minimise the liquidity risks that may arise upon the occurrence of a dramatic change in market conditions. Under the plans, a team comprising senior 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 33(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.

Sources of deposits

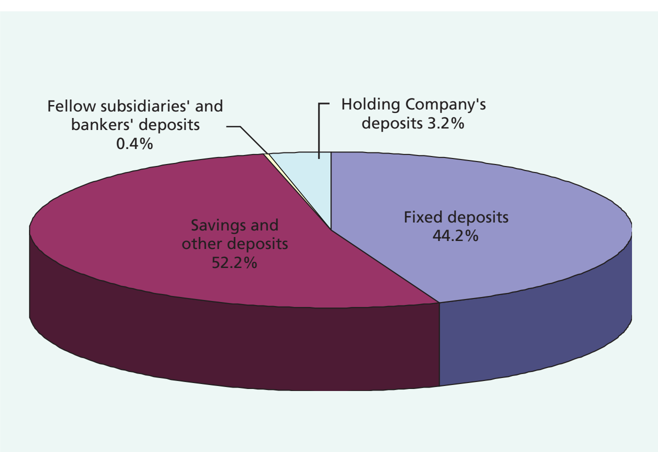
The Group has access to diverse funding sources. Liquidity is provided by a variety of both short-term and long-term instruments. The diversity of funding sources enhances funding flexibility, limits dependence on any one source of funds, and generally lowers the overall cost of funds. In making funding 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 2005, customer deposits amounted to $647.7 million and accounted for 94.9% of total Group deposits. Fellow subsidiaries', bankers' and holding company's deposits on the other hand amounted to only $35 million and formed the remaining 5.1% of total Group deposits. In terms of deposits' mix, savings and other deposits comprised the majority of the funding base at 50.2% followed by fixed deposits at 44.7%.



Sources of deposits – 2005

	$'000	%
Customer deposits		
Fixed deposits	304,823	44.7
Savings and other deposits	342,867	50.2
Fellow subsidiaries' and bankers' deposits	1,833	0.3
Holding Company's deposits	33,134	4.8
Total Deposits	682,657	100



Sources of deposits – 2004

	$'000	%
Customer deposits		
Fixed deposits	292,362	44.2
Savings and other deposits	344,810	52.2
Fellow subsidiaries' and bankers' deposits	2,463	0.4
Holding Company's deposits	21,310	3.2
Total Deposits	660,945	100

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 by which operational risks inherent in the Bank's business are identified, assessed/measured, monitored, controlled/mitigated and reported to the UOB Group Management Committee, the Executive Committee of the Board and the Board of Directors.

The UOB Group Management Committee, under its delegated authority from the Board of Directors, oversees the establishment of a sound operational risk management framework and monitors the operational risk profile of the Group.

The Group has an independent Operational Risk Management Division to develop and maintain the operational risk management framework, policies, and techniques; support and guide business units in the implementation of operational risk management programmes; and provide oversight over the management of operational risk in the Group.

The framework of techniques and procedures encompasses the following:

- building of Operational Risk Profiles (ORPs);
- conduct of Operational Risk Self Assessments (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 of controls to address the identified operational risks. As part of the continual assessment, ORSA provides the business/support heads with an analytical tool to assess the adequacy of controls over these risks and to 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 management. The ORSA program consists of a control self assessment covering the general control environment, and a process-based risk & control self assessment for core business processes.

KORIs are statistical data collected and monitored by business and support units on an ongoing 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 for collection 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 new product/service programme process. This process aims to ensure that risks associated with each new product/service are identified, analysed and managed before launch.

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.

In line with the increasing need to outsource internal operations in order to achieve cost efficiency, a Group Outsourcing Policy has been established to ensure that outsourcing risks are identified and managed prior to entering into the arrangements as well as on an ongoing basis.

The Group has developed effective Business Continuity Management and Crisis Management strategies and plans to mitigate the potential impact of major business and/or system disruptions.

In addition, risk transfer mechanisms, such as effective use of insurance to mitigate the risk of high impact loss events also form part of the operational risk management framework.

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 our ongoing promotion of an operational risk management culture, an operational risk management training programme has been established and will be implemented progressively in the Group.

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

Directors' Report

for the financial year ended 31 December 2005

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 2005.

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 Yeo Liat Kok Philip	
Prof Cham Tao Soon	
Mr Ngiam Tong Dow	

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 31.12.2005	At 1.1.2005	**At 31.12.2005**	At 1.1.2005
The Bank				
Far Eastern Bank Limited				
(Ordinary shares of S$1 each)				
Mr Lee Chin Chuan	**538,178**	538,178	**4,561,671**	4,561,671
Mr Ong Chu Meng	**302,185**	302,185	**2,020,453**	1,969,850

	Direct interest		Deemed interest	
	At 31.12.2005	At 1.1.2005	**At 31.12.2005**	At 1.1.2005
Related corporations				
United Overseas Bank Limited				
(Ordinary shares of S$1 each)				
Mr Wee Cho Yaw	**16,390,248**	16,390,248	**245,208,142**	211,708,142
Mr Wee Ee Cheong	**2,794,899**	2,794,899	**146,085,251**	146,085,251
Mr Lee Chin Chuan	**–**	–	**83,727**	83,727
Prof Cham Tao Soon	**–**	–	**6,520**	6,520
Mr Ngiam Tong Dow	**–**	–	**8,600**	–
United Overseas Insurance Limited				
(Ordinary shares of S$1 each)				
Mr Wee Cho Yaw	**25,400**	25,400	**–**	–

(b) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the share options of related corporations.

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.

Directors' fees and other remuneration

Details of the total fees and other remuneration paid/payable by the Group to the directors of the Bank for the financial year ended 31 December 2005 are as follows:

	Directors' fees %	**Base or fixed salary %**	**Variable performance bonus %**	**Benefit-in-kind and others %**	**Total %**
Below $250,000					
Mr Wee Cho Yaw	100.0	–	–	–	100.0
Mr Wee Ee Cheong	100.0	–	–	–	100.0
Mr Koh Beng Seng (resigned on 16 February 2005)	100.0	–	–	–	100.0

Directors' fees and other remuneration (continued)

	Directors' fees %	Base or fixed salary %	Variable performance bonus %	Benefit-in-kind and others %	Total %
Below $250,000 (continued)					
Mr Lee Chin Chuan	100.0	–	–	–	100.0
Mr Ong Chu Meng	100.0	–	–	–	100.0
Mr Wong Meng Meng	100.0	–	–	–	100.0
Mr Yeo Liat Kok Philip	100.0	–	–	–	100.0
Prof Cham Tao Soon	100.0	–	–	–	100.0
Mr Ngiam Tong Dow	100.0	–	–	–	100.0

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 2005.

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
23 February 2006

Statement by Directors
for the financial year ended 31 December 2005

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 2005, 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
Chairman

Wee Ee Cheong
Deputy Chairman

Singapore
23 February 2006

Auditors' Report to the Members of Far Eastern Bank Limited

for the financial year ended 31 December 2005

We have audited the accompanying financial statements of Far Eastern Bank Limited (the "Bank") and its subsidiaries (the "Group") as set out on pages 43 to 86 for the financial year ended 31 December 2005. 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.

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, including the modification of the requirements of FRS39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning by Notice to Banks No. 612 'Credit Files, Grading and Provisioning' issued by the Monetary Authority of Singapore, 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 2005, 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
23 February 2006

Profit and Loss Accounts

for the financial year ended 31 December 2005

	Note	The Group		The Bank	
		2005	2004	**2005**	2004
		$'000	$'000	**$'000**	$'000
Interest income	3	**23,939**	16,989	**23,939**	16,989
Less: Interest expense	4	**4,195**	3,247	**4,196**	3,248
Net interest income		**19,744**	13,742	**19,743**	13,741
Dividend income	5	**52**	188	**52**	188
Fee and commission income	6	**1,251**	1,418	**1,251**	1,418
Rental income	7	**2,651**	2,304	**2,651**	2,304
Other operating income	8	**1,433**	1,106	**1,433**	1,106
Income before operating expenses		**25,131**	18,758	**25,130**	18,757
Less:					
Staff costs	9	**1,031**	1,435	**1,031**	1,435
Other operating expenses	10	**8,002**	8,198	**8,001**	8,196
Total operating expenses		**9,033**	9,633	**9,032**	9,631
Operating profit before impairment charges		**16,098**	9,125	**16,098**	9,126
Less: Impairment charges	11	**58**	1,086	**58**	1,086
Profit before tax		**16,040**	8,039	**16,040**	8,040
Less: Tax	12a	**3,230**	1,820	**3,230**	1,820
Profit for the financial year attributable to equity holders of the Bank		**12,810**	6,219	**12,810**	6,220

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

Balance Sheets

as at 31 December 2005

	Note	The Group		The Bank	
		2005	2004	**2005**	2004
		$'000	$'000	**$'000**	$'000
Share capital and reserves					
Share capital	13	**100,011**	100,011	**100,011**	100,011
Statutory reserve	14	**51,500**	45,050	**51,500**	45,050
Fair value reserve	15	**105**	–	**105**	–
Revenue reserves	16	**15,115**	11,012	**15,110**	11,007
		166,731	156,073	**166,726**	156,068
Liabilities					
Deposits of non-bank customers	17b	**647,689**	637,172	**647,689**	637,172
Deposits of and amounts owing to fellow subsidiaries		**1,833**	2,463	**1,833**	2,463
Deposits of subsidiaries		**–**	–	**114**	113
Deposits of holding company		**33,135**	21,310	**33,135**	21,310
	17a	**682,657**	660,945	**682,771**	661,058
Bills and drafts payable		**3,756**	2,044	**3,756**	2,044
Tax payables		**3,386**	1,902	**3,386**	1,902
Other liabilities	18	**3,687**	3,162	**3,683**	3,159
		693,486	668,053	**693,596**	668,163
		860,217	824,126	**860,322**	824,231
Off-balance sheet items					
Contingent liabilities	29	**15,573**	17,811	**15,573**	17,811
Financial derivatives	30	**1,936**	2,118	**1,936**	2,118
Commitments	31	**115,286**	137,955	**115,286**	137,955

	Note	The Group		The Bank	
		2005	2004	**2005**	2004
		$'000	$'000	**$'000**	$'000
Assets					
Cash and balances with central bank		**13,830**	17,733	**13,830**	17,733
Singapore Government treasury bills and securities	19	**64,792**	82,297	**64,792**	82,297
Placements and balances with banks and agents	20	**13,247**	12,417	**13,247**	12,417
Trade bills	21	**794**	1,399	**794**	1,399
Advances to customers	21	**256,392**	288,203	**256,392**	288,203
Placements with fellow subsidiaries		**248**	236	**248**	236
Placements with and amount owing by holding company		**494,705**	403,703	**494,705**	403,703
Derivative financial assets	30	**25**	–	**25**	–
Investment securities	22	**758**	441	**758**	441
Other assets	23	**3,146**	4,849	**3,146**	4,849
Investment in an associate of holding company	24	**798**	757	**798**	757
Investment in a fellow subsidiary	25	**129**	129	**129**	129
Investment in subsidiaries	26	**–**	–	**105**	105
Fixed assets	27	**10,048**	10,662	**10,048**	10,662
Deferred tax asset	12c	**1,305**	1,300	**1,305**	1,300
		860,217	824,126	**860,322**	824,231

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

Statements of Changes in Equity

for the financial year ended 31 December 2005

		The Group								
		2005					2004			
	Note	**Share capital $'000**	**Statutory reserve $'000**	**Fair value reserve $'000**	**Revenue reserves $'000**	**Total $'000**	Share capital $'000	Statutory reserve $'000	Revenue reserves $'000	Total $'000
Balance at 1 January										
As previously reported		**100,011**	**45,050**	**–**	**11,012**	**156,073**	100,011	41,900	9,543	151,454
Adjustments due to FRS39		**–**	**–**	**1,132**	**(657)**	**475**	–	–	–	–
As restated		**100,011**	**45,050**	**1,132**	**10,355**	**156,548**	100,011	41,900	9,543	151,454
Available-for-sale assets	15									
Net change in fair value		**–**	**–**	**(169)**	**–**	**(169)**	–	–	–	–
Transferred to profit and loss account on disposal/impairment		**–**	**–**	**(858)**	**–**	**(858)**	–	–	–	–
Total losses recognised directly in equity		**–**	**–**	**(1,027)**	**–**	**(1,027)**	–	–	–	–
Net profit for the financial year		**–**	**–**	**–**	**12,810**	**12,810**	–	–	6,219	6,219
Total recognised gains/(losses) for the financial year		**–**	**–**	**(1,027)**	**12,810**	**11,783**	–	–	6,219	6,219
Transfer to statutory reserve	14,16a	**–**	**6,450**	**–**	**(6,450)**	**–**	–	3,150	(3,150)	–
Final dividend	16a	**–**	**–**	**–**	**(1,600)**	**(1,600)**	–	–	(1,600)	(1,600)
Balance at 31 December		**100,011**	**51,500**	**105**	**15,115**	**166,731**	100,011	45,050	11,012	156,073

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

		The Bank								
		2005					2004			
	Note	**Share capital $'000**	**Statutory reserve $'000**	**Fair value reserve $'000**	**Revenue reserves $'000**	**Total $'000**	Share capital $'000	Statutory reserve $'000	Revenue reserves $'000	Total $'000
Balance at 1 January										
As previously reported		**100,011**	**45,050**	**–**	**11,007**	**156,068**	100,011	41,900	9,537	151,448
Adjustments due to FRS39		**–**	**–**	**1,132**	**(657)**	**475**	–	–	–	–
As restated		**100,011**	**45,050**	**1,132**	**10,350**	**156,543**	100,011	41,900	9,537	151,448
Available-for-sale assets	15									
Net change in fair value		**–**	**–**	**(169)**	**–**	**(169)**	–	–	–	–
Transferred to profit and loss account on disposal/impairment		**–**	**–**	**(858)**	**–**	**(858)**	–	–	–	–
Total losses recognised directly in equity		**–**	**–**	**(1,027)**	**–**	**(1,027)**	–	–	–	–
Net profit for the financial year		**–**	**–**	**–**	**12,810**	**12,810**	–	–	6,220	6,220
Total recognised gains/(losses) for the financial year		**–**	**–**	**(1,027)**	**12,810**	**11,783**	–	–	6,220	6,220
Transfer to statutory reserve	14,16b	**–**	**6,450**	**–**	**(6,450)**	**–**	–	3,150	(3,150)	–
Final dividend	16b	**–**	**–**	**–**	**(1,600)**	**(1,600)**	–	–	(1,600)	(1,600)
Balance at 31 December		**100,011**	**51,500**	**105**	**15,110**	**166,726**	100,011	45,050	11,007	156,068

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 2005

	2005 $'000	2004 $'000
Cash flows from operating activities:		
Profit before tax	**16,040**	8,039
Adjustments for:		
Depreciation of fixed assets	**578**	585
Net loss on disposal of fixed assets	**12**	–
Impairment charges	**58**	1,086
Operating profit before working capital changes	**16,688**	9,710
Changes in working capital:		
Increase in deposits	**10,517**	33,043
Increase/(decrease) in bills and drafts payable	**1,712**	(33)
Increase in other liabilities	**525**	97
Increase in placements and balances with banks and agents	**(830)**	(5,394)
Decrease in trade bills and advances to customers	**31,466**	10,616
Decrease/(increase) in other assets	**447**	(2,690)
Increase in net balance with related companies	**(79,819)**	(24,103)
Cash (used in)/provided by operations	**(19,294)**	21,246
Income tax paid	**(1,613)**	(1,399)
Net cash (used in)/provided by operating activities	**(20,907)**	19,847
Cash flows from investing activities:		
Net cash flow on disposal/(purchase) of fixed assets	**54**	(69)
Net cash provided by/(used in) investing activities	**54**	(69)
Cash flows from financing activities:		
Dividend paid by the Bank	**(1,600)**	(1,600)
Net cash used in financing activities	**(1,600)**	(1,600)
Net (decrease)/increase in cash and cash equivalents for the financial year	**(22,453)**	18,178
Cash and cash equivalents at beginning of the financial year	**101,075***	81,852
Cash and cash equivalents at end of the financial year (Note 32)	**78,622**	100,030

* Restated upon adoption of FRS39.

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 26 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 of the Bank and its subsidiaries (the "Group") have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") as required by the Singapore Companies Act, Cap. 50, including the modification of requirements of FRS39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning by Notice to Banks No. 612 'Credit Files, Grading and Provisioning' issued by the Monetary Authority of Singapore ("MAS").

The financial statements have been prepared under the historical cost convention, modified by the revaluation of available-for-sale financial assets and financial derivatives.

The financial statements are presented in Singapore Dollars.

(b) **Changes in accounting policies**

The accounting policies applied by the Group are consistent with those used in the previous financial year except for changes arising from adoption of the following new and revised FRS with effect from 1 January 2005:

New FRS

(i) FRS39 Financial Instruments: Recognition and Measurement

The Group adopted FRS39 on 1 January 2005 and classified and measured its financial assets and financial liabilities in accordance with the standard as described under Note 2g.

2. Summary of significant accounting policies (continued)

(b) **Changes in accounting policies** (continued)

(i) FRS39 Financial Instruments: Recognition and Measurement (continued)

The standard was applied prospectively with opening balances of the financial assets and financial liabilities at 1 January 2005 restated. For available-for-sale assets, differences between the carrying amounts and fair values were taken to fair value reserve. For financial assets and financial liabilities carried at amortised cost, differences between the carrying amounts and amortised costs net of provision for impairment were recognised in retained profits. For financial derivatives not qualified for hedge accounting, differences between the carrying amounts and fair values were recognised in retained profits.

The impact on the financial statements of the Bank and the Group as at 1 January 2005 upon initial adoption of the standard is as follows:

	Increase/(Decrease) The Group and The Bank $'000
Fair value reserve	1,132
Retained profits	(657)
	475
Other liabilities	(164)
	311
Singapore Government treasury bills and securities	1,045
Trade bills and advances to non-bank customers	(821)
Other assets	(283)
Investment securities	370
	311

Revised FRS

(ii) The Group has also adopted the following revised standards mandatory for annual financial periods beginning on or after 1 January 2005 and comparative figures have been restated where applicable:

- FRS1 Presentation of Financial Statements
- FRS8 Accounting Policies, Changes in Accounting Estimates and Errors
- FRS10 Events after the Balance Sheet Date
- FRS16 Property, Plant and Equipment

- FRS17 Leases
- FRS21 The Effects of Changes in Foreign Exchange Rates
- FRS24 Related Party Disclosures
- FRS27 Consolidated and Separate Financial Statements
- FRS28 Investments in Associates
- FRS31 Interests in Joint Ventures
- FRS32 Financial Instruments: Disclosure and Presentation
- FRS33 Earnings Per Share

The adoption of the above revised FRS did not result in any significant change in the accounting policies.

FRS and INT FRS not yet effective

(iii) The Group has not applied the following FRS and INT FRS deemed applicable to the activities of the Group that have been issued but effective after 31 December 2005:

- INT FRS104 Determining whether an arrangement contains a lease
  (effective for annual financial periods beginning on or after 1 January 2006)

  INT FRS104 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement, and whether the arrangement is dependent on the use of a specific asset or assets and conveys a right to use the asset.

- FRS40 Investment Property
  (effective for annual financial periods beginning on or after 1 January 2007)

  FRS40 permits an entity to measure its properties either at fair value with fair value changes taken to the profit and loss account (Fair Value Model), or at cost less accumulated depreciation and provision for impairment (Cost Model). A lessee may account for an operating lease property as an investment property if it meets the definition of investment property and apply the Fair Value Model to the property. The Group will examine the implication of the standard closely before the measurement model is selected.

2. Summary of significant accounting policies (continued)

(c) **Significant accounting estimates and judgements**

Preparation of the financial statements involved making certain estimates, assumptions concerning the future and judgements. They affect the accounting policies applied, amounts of assets, liabilities, income and expenses reported and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

(d) **Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at the balance sheet date. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases. Inter-company transactions and balances are eliminated.

(e) **Investment in subsidiaries**

A subsidiary is an entity over which the Group has the power to govern its financial and operating policies. The Group generally has such power when it directly or indirectly holds more than 50% of the issued share capital, or controls more than half the voting power or the composition of the Board of Directors.

Investment in subsidiaries is stated at cost less provision for impairment, if any, determined on an individual basis.

(f) **Foreign currencies**

Transactions in foreign currencies are recorded at exchange rates approximating those ruling at the transaction dates. Monetary assets and monetary liabilities denominated in foreign currencies are translated at closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Exchange differences arising on settlement of monetary items or on translating monetary items at balance sheet date are recognised in the profit and loss account.

(g) **Financial assets and financial liabilities**

(i) Classification and measurement

Financial assets and liabilities within the scope of FRS39 are classified and accordingly measured as follows:

Financial assets/liabilities at fair value through profit and loss

- Held for trading

  Financial assets and financial liabilities are classified as held for trading if they are acquired for short-term profit taking. Financial derivatives are classified as held for trading unless they are designated as hedging instruments in accordance with FRS39. Gains or losses on held for trading financial assets and financial liabilities are recognised in the profit and loss account.

- Designated as fair value through profit and loss

  These are financial assets and financial liabilities designated at inception to be measured at fair value through profit and loss account. Such designation, once made, is irrevocable.

Financial assets and financial liabilities at fair value through profit and loss are recognised initially at fair value with transaction costs taken directly to the profit and loss account, and are subsequently remeasured at fair value.

Held to maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the assets till maturity. Such assets are initially recognised at fair value plus directly attributable transaction costs, and are subsequently carried at amortised cost using the effective interest method. Gains and losses are recognised in the profit and loss account when the investments are derecognised or impaired, as well as through the amortisation process.

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognised at fair value plus directly attributable transaction costs, and are subsequently carried at amortised cost using the effective interest method. Gains and losses are recognised in the profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

2. Summary of significant accounting policies (continued)

(g) **Financial assets and financial liabilities** (continued)

(i) Classification and measurement (continued)

Available-for-sale

Non-derivative financial assets that are not classified into any of the preceding categories or are designated to be available for sale are classified in this category. At initial recognition, the financial assets are recognised at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with gains or losses recognised in the fair value reserve until the assets are derecognised, or determined to be impaired, at which time the cumulative gains or losses previously reported in equity are transferred to the profit and loss account.

Non-trading liabilities

Non-derivative financial liabilities not held for active trading or designated as fair value through profit and loss are initially recognised at fair value plus directly attributable transaction costs and are subsequently carried at amortised cost using the effective interest method. Gains and losses are recognised in the profit and loss account when the liabilities are derecognised, as well as through the amortisation process.

(ii) Recognition and derecognition

Financial assets and financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. All regular way purchases and sales of financial assets that require delivery of the assets within the period generally established by regulation or market convention, are recognised on the settlement date.

A financial asset or, where applicable, a part of a financial asset or group of similar financial assets is derecognised where:

- the contractual rights to the cash flows from the asset have expired;
- the Group retains the contractual rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third-party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either a) has transferred substantially all the risks and rewards of the asset, or b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

On the derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of a) the consideration received (including any new asset obtained less any new liability assumed) and b) any cumulative gain or loss that has been recognised in equity is recognised in the profit and loss account.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of original liability and the recognition of a new liability, and the difference in the carrying amounts of the new and original liabilities is recognised in the profit and loss account.

(iii) Impairment

Financial assets, other than those measured at fair value through profit and loss account are subject to impairment review at each balance sheet date. In general, an impairment loss is recognised when there is objective evidence that the carrying amount of an asset is below its recoverable amount.

Assets carried at amortised costs

In determining the impairment loss on loans and receivables or held-to-maturity investments which are carried at amortised costs, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of the impairment loss is recognised in the profit and loss account.

Financial assets that are individually significant are assessed individually. Those not individually significant are grouped based on similar credit risks and assessed on a portfolio basis. The resulting impairment losses are referred to as individual impairment in the financial statements.

Collective impairment is made for estimated losses inherent in but not currently identifiable to the individual financial assets in accordance with the transitional arrangement set out in MAS Notice 612.

2. Summary of significant accounting policies (continued)

(g) **Financial assets and financial liabilities** (continued)

(iii) Impairment (continued)

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value as its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has occurred, the amount of the loss which is taken to the profit and loss account is measured as the difference between the carrying amount of the asset and present value of its estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent period.

Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the profit and loss account, is transferred from equity to the profit and loss account. Reversal of impairment losses in respect of equity instruments classified as available-for-sale is recognised through equity. Reversal of impairment losses on debt instruments is recognised in the profit and loss account if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account.

(iv) Fair value measurement

The fair values of the financial assets and financial liabilities that are quoted in active markets are determined by their bid and asked prices respectively at the valuation date without any deduction for transaction costs. An active market is where price information is readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and the price information is from actual and regularly occurring market transactions on an arm’s length basis.

Where the markets for certain financial instruments are not active, fair values are established using valuation techniques commonly used by market participants, including discounted cash flow method, and based on assumptions and data observable in the market.

(h) **Cash, balances and placements**

Cash, balances and placements are classified as loans and receivables.

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

Trade bills and advances to customers are classified as loans and receivables.

(j) **Government and investment securities**

Government and investment securities are classified as available-for-sale.

(k) **Financial derivatives**

Financial derivatives are initially recognised at fair value on the contracted date and are subsequently remeasured at fair value. Financial derivatives with positive and negative fair values are carried as assets and liabilities respectively in the balance sheet.

Derivatives embedded in the financial instruments are accounted for separately as derivatives if their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss.

(l) **Fixed assets and depreciation**

Fixed assets are stated at cost less accumulated depreciation and provision for impairment. Fixed assets, other than land and buildings, are depreciated on a straight-line basis over 5 or 10 years.

Computer software is included in fixed assets and amortised accordingly. 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 the lease period, whichever is shorter. The residual values, useful life and depreciation method are reviewed at each financial year-end.

The carrying amounts of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the amounts may not be recoverable.

(m) **Tax**

(i) Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted by the balance sheet date.

(ii) Deferred tax

Deferred tax is provided using the liability method on all significant temporary differences between the tax bases of assets and liabilities and their carrying amounts.

2. Summary of significant accounting policies (continued)

(m) **Tax** (continued)

(ii) Deferred tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, and carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investment in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investment in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right to set off current tax assets against current tax liabilities exists and the deferred taxes relate to the same taxable entity and taxation authority.

Deferred tax relating to items recognised directly in equity is recognised in equity.

(n) **Provisions**

Provisions are recognised when the Group 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.

If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

(o) **Revenue recognition**

(i) Interest income is recognised on a time proportion basis using the effective interest method.

(ii) Dividend income from subsidiaries is recognised when it is declared, while that from other investments is recognised when it is received.

(iii) Fee and commission income is recognised as and when services are rendered. Where a fee is charged in lieu of interest, such fee is amortised over the same period as the related interest income is recognised using the effective interest method.

(iv) Rental income is recognised on a time proportion basis.

(p) **Employee benefits**

(i) Equity compensation benefits

The Group qualifies for an equity compensation plan referred to as the UOB 1999 Share Option Scheme. Under the scheme, options to subscribe for ordinary shares of $1 each in the holding company may be granted to employees in the corporate grade of Vice President (or equivalent rank) and above and selected employees below the corporate grade of Vice President (or equivalent rank) of the Group, and to directors and controlling equity holders, subject to certain conditions.

The cost of the options is the fair value at the option grant date and is recognised as an expense in the profit and loss account over the one year vesting period.

2. Summary of significant accounting policies (continued)

(p) **Employee benefits** (continued)

(ii) Post employment benefits

The Group contributes to social security schemes, including the Central Provident Fund which is defined contribution scheme. Such contributions are expensed off to the profit and loss account as part of staff costs.

(q) **Dividends**

Dividends on ordinary shares are accounted for as appropriation of retained profits in the period in which they are approved.

3. Interest income

	The Group and The Bank	
	2005	2004
	$'000	$'000
Singapore Government treasury bills and securities	**1,181**	1,231
Trade bills and advances to customers	**14,463**	12,696
Placements and balances with banks and agents	**8,295**	3,062
	23,939	16,989
Received/receivable from:		
Holding company	**8,176**	2,993
Third parties	**15,763**	13,996
	23,939	16,989

Included in the total interest income was interest of $420,000 accrued on impaired financial assets by the Group and the Bank.

4. Interest expense

	The Group		The Bank	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Non-bank deposits	**4,148**	3,182	**4,149**	3,183
Inter-bank balances	**47**	65	**47**	65
	4,195	3,247	**4,196**	3,248
Paid/payable to:				
Holding company	**47**	64	**47**	64
Subsidiaries	**–**	–	**1**	1
Fellow subsidiaries	**47**	20	**47**	20
Third parties	**4,101**	3,163	**4,101**	3,163
	4,195	3,247	**4,196**	3,248

5. Dividend income

	The Group and The Bank	
	2005	2004
	$'000	$'000
Investment in an unquoted fellow subsidiary	**2**	2
Other quoted investments	**50**	186
	52	188

6. Fee and commission income

	The Group and The Bank	
	2005	2004
	$'000	$'000
Investment-related	**3**	2
Loan and trade-related	**689**	821
Other	**559**	595
	1,251	1,418

7. Rental income

Rental income represents income from the tenanted areas of the buildings owned by the Bank. Included in the rental income for the financial year was income of $1,375,000 (2004: $1,385,000) received from the holding company.

8. Other operating income

	The Group and The Bank	
	2005	2004
	$'000	$'000
Net profit on disposal of investment securities and Singapore Government treasury bills and securities	**447**	47
Net profit on foreign exchange	**323**	279
Net loss on sale of fixed assets	**(12)**	–
Other income	**675**	780
	1,433	1,106

9. Staff costs

	The Group and The Bank	
	2005	2004
	$'000	$'000
Wages and salaries	**885**	1,245
Employer's contribution to the Central Provident Fund	**104**	153
Other staff-related costs	**42**	37
	1,031	1,435
Number of employees at 31 December	**13**	39

10. Other operating expenses

	The Group		The Bank	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Included in other operating expenses are:				
Depreciation of fixed assets	**578**	585	**578**	585
Rental of premises	**3**	119	**3**	119
Maintenance of premises and other assets	**325**	456	**325**	456
Other expenses of premises	**698**	833	**698**	833
Audit fees	**52**	67	**51**	66
Non-audit fees paid/payable to auditors	**2**	13	**2**	13
Management fees payable to holding company	**5,775**	5,250	**5,775**	5,250
Fees payable to directors of the Bank	**63**	63	**63**	63

11. Impairment charges

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

	The Group and The Bank	
	2005	2004
	$'000	$'000
Individual impairment on and net write-offs of trade bills and advances to customers	**129**	1,098
Write-back of impairment on investments	**(41)**	(82)
(Write-back of impairment)/impairment on fixed assets	**(30)**	70
	58	1,086

12. Tax

(a) Tax expense

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

	The Group and The Bank	
	2005	2004
	$'000	$'000
On the profit of the financial year:		
Current tax	**3,261**	1,662
Deferred tax	**(31)**	118
	3,230	1,780
Under provision of tax in respect of prior financial year:		
Current tax	**–**	40
	3,230	1,820

(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	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Profit before tax	**16,040**	8,039	**16,040**	8,040
Tax calculated at a tax rate of 20% (2004: 20%)	**3,208**	1,608	**3,208**	1,608
Effects on:				
Singapore statutory stepped income exemption	**(11)**	(11)	**(11)**	(11)
Income not subject to tax	**(14)**	(17)	**(14)**	(17)
Income taxed at a concessionary rate of 10%	**(60)**	(47)	**(60)**	(47)
Expenses not deductible for tax purposes	**107**	247	**107**	247
Tax expense on profit of the financial year	**3,230**	1,780	**3,230**	1,780

(c) Deferred tax

	The Group and The Bank	
	2005	2004
	$'000	$'000
Deferred tax asset on non-tax deductible collective impairment:		
Balance at 1 January	**1,688**	1,857
Charged to profit and loss accounts due to reduction in income tax rate	**–**	(169)
Balance at 31 December	**1,688**	1,688

	The Group and The Bank			
	2005			2004
Deferred tax liability	**Accelerated tax depreciation $'000**	**Available for sale financial assets $'000**	**Total $'000**	Accelerated tax depreciation/ Total $'000
Balance at 1 January				
As previously reported	**388**	**–**	**388**	439
Adjustments due to FRS39	**–**	**283**	**283**	–
As restated	**388**	**283**	**671**	439
Credited to profit and loss account	**(31)**	**–**	**(31)**	(51)
Credited to equity	**–**	**(257)**	**(257)**	–
Balance at 31 December	**357**	**26**	**383**	388

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	
	2005	2004
	$'000	$'000
Deferred tax asset	**1,688**	1,688
Deferred tax liability	**(383)**	(388)
Deferred tax asset (net) shown in balance sheets	**1,305**	1,300

13. Share capital

	The Group and The Bank	
	2005	2004
	$'000	$'000
Authorised		
200,000,000 ordinary shares of $1 each	**200,000**	200,000
Issued and fully paid		
100,010,566 (2004: 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 approved by the Bank. All ordinary shares carry one vote per share without restriction.

14. Statutory reserve

	The Group and The Bank	
	2005	2004
	$'000	$'000
Balance at 1 January	**45,050**	41,900
Transfer from revenue reserves (Note 16)	**6,450**	3,150
Balance at 31 December	**51,500**	45,050

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. Fair value reserve

	The Group and The Bank
	2005
	$'000
Balance at 1 January	
As previously reported	**–**
Adjustments due to FRS 39	**1,132**
As restated	**1,132**
Available-for-sale assets	
Net change in fair value	**(169)**
Transferred to profit and loss account on disposal/impairment	**(858)**
Balance at 31 December	**105**

The fair value reserve of the Group and the Bank represents the cumulative fair value changes on outstanding available-for-sale financial assets.

16. Revenue reserves

(a) The Group

	2005			2004		
	General reserve $'000	**Retained profits $'000**	**Total $'000**	General reserve $'000	Retained profits $'000	Total $'000
Balance at 1 January						
As previously reported	**9,450**	**1,562**	**11,012**	6,600	2,943	9,543
Adjustments due to FRS39	**–**	**(657)**	**(657)**	–	–	–
As restated	**9,450**	**905**	**10,355**	6,600	2,943	9,543
Net profit for the financial year	**–**	**12,810**	**12,810**	–	6,219	6,219
Transfer to general reserve	**2,550**	**(2,550)**	**–**	2,850	(2,850)	–
Transfer to statutory reserve (Note 14)	**–**	**(6,450)**	**(6,450)**	–	(3,150)	(3,150)
Final dividend in respect of the financial year ended 31 December 2004 (2004: 31 December 2003) of 2 cents (2004: 2 cents) per share paid, net of tax at 20% (2004: 20%)	**–**	**(1,600)**	**(1,600)**	–	(1,600)	(1,600)
Balance at 31 December	**12,000**	**3,115**	**15,115**	9,450	1,562	11,012

(b) The Bank

	2005			2004		
	General reserve $'000	**Retained profits $'000**	**Total $'000**	General reserve $'000	Retained profits $'000	Total $'000
Balance at 1 January						
As previously reported	**9,450**	**1,557**	**11,007**	6,600	2,937	9,537
Adjustments due to FRS39	**–**	**(657)**	**(657)**	–	–	–
As restated	**9,450**	**900**	**10,350**	6,600	2,937	9,537
Net profit for the financial year	**–**	**12,810**	**12,810**	–	6,220	6,220
Transfer to general reserve	**2,550**	**(2,550)**	**–**	2,850	(2,850)	–
Transfer to statutory reserve (Note 14)	**–**	**(6,450)**	**(6,450)**	–	(3,150)	(3,150)
Final dividend in respect of the financial year ended 31 December 2004 (2004: 31 December 2003) of 2 cents (2004: 2 cents) per share paid, net of tax at 20% (2004: 20%)	**–**	**(1,600)**	**(1,600)**	–	(1,600)	(1,600)
Balance at 31 December	**12,000**	**3,110**	**15,110**	9,450	1,557	11,007

16. Revenue reserves (continued)

(c) In each financial year, a certain amount of retained profits is transferred 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.

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

(a)

	The Group		The Bank	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Analysed by remaining maturity:				
Within 1 year	**654,573**	642,007	**654,687**	642,120
Over 1 year but within 3 years	**6,893**	7,006	**6,893**	7,006
Over 3 years but within 5 years	**21,191**	11,932	**21,191**	11,932
	682,657	660,945	**682,771**	661,058

(b)

	The Group and The Bank	
	2005	2004
	$'000	$'000
Deposits of non-bank customers comprise:		
Fixed deposits	**304,823**	292,362
Current, savings and other deposits	**342,866**	344,810
	647,689	637,172

18. Other liabilities

	The Group		The Bank	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Accrued interest payable	**1,535**	1,154	**1,536**	1,154
Accrued operating expenses	**203**	287	**201**	286
Unclaimed balances	**486**	472	**486**	472
Gold savings accounts	**469**	514	**469**	514
Other	**994**	735	**991**	733
	3,687	3,162	**3,683**	3,159

19. Singapore Government treasury bills and securities

(a)

	The Group and The Bank	
	2005	2004
	$'000	$'000
Available-for-sale	**64,792**	
Not held for trading, at cost adjusted for premium and discount		82,297
Market value at 31 December	**64,792**	83,342

(b) Movements of provision for impairment

	The Group and The Bank	
	2005	2004
	$'000	$'000
At 1 January	**–**	4
Credited to profit and loss accounts	**–**	(4)
At 31 December	**–**	–

20. Placements and balances with banks and agents

	The Group and The Bank	
	2005	2004
	$'000	$'000
Analysed by remaining maturity:		
Within 1 year	**13,247**	12,417

21. Trade bills and advances to customers

(a)

	The Group and The Bank	
	2005	2004
	$'000	$'000
Gross trade bills	**794**	1,399
Gross advances to customers	**269,653**	308,704
Individual impairment	**(1,202)**	(5,112)
Interest-in-suspense	**–**	(3,330)
Collective impairment	**(12,059)**	(12,059)
	256,392	288,203
Total gross trade bills and advances to customers	**270,447**	310,103

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

	The Group and The Bank	
	2005	2004
	$'000	$'000
Within 1 year	**92,368**	121,730
Over 1 year but within 3 years	**27,347**	26,568
Over 3 years but within 5 years	**23,606**	25,681
Over 5 years	**127,126**	136,124
	270,447	310,103

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

	The Group		The Bank	
	2005	**2005**	2004	2004
	$'000	**%**	$'000	%
Manufacturing	**20,256**	**7**	18,302	6
Building and construction	**10,846**	**4**	11,161	4
Housing loans	**99,439**	**37**	116,573	37
General commerce	**67,017**	**25**	81,598	26
Transport, storage and communication	**3,197**	**1**	2,877	1
Non-bank financial institutions	**10,190**	**4**	11,245	4
Professionals and private individuals				
(excluding housing loans)	**55,567**	**21**	61,932	20
Other	**3,935**	**1**	6,415	2
	270,447	**100**	310,103	100

(d) Non-performing loans

Non-performing loans are graded as Substandard, Doubtful and Loss in accordance with MAS Notice 612. Provision for impairment is made where the carrying amount of the loans is less than their recoverable amount.

	The Group and The Bank	
	2005	2004
	$'000	$'000
Substandard	**6,855**	15,429
Doubtful	**105**	–
Loss	**857**	6,704
	7,817	22,133

21. Trade bills and advances to customers (continued)

(e) Movements of provision for impairment

	The Group and The Bank							
	2005				2004			
	Individual impairment $'000	**Interest-in-suspense $'000**	**Collective impairment $'000**	**Total $'000**	Individual impairment $'000	Interest-in-suspense $'000	Collective impairment $'000	Total $'000
Balance at 1 January								
As previously reported	**5,112**	**3,848**	**12,059**	**21,019**	4,231	3,237	12,059	19,527
Adjustments due to FRS39	**821**	**(3,848)**	**–**	**(3,027)**	–	–	–	–
As restated	**5,933**	**–**	**12,059**	**17,992**	4,231	3,237	12,059	19,527
Write-off	**(4,189)**	**–**	**–**	**(4,189)**	(137)	(49)	–	(186)
Net charge/(write-back) to profit and loss account	**(542)**	**–**	**–**	**(542)**	1,018	–	–	1,018
Interest suspended	**–**	**–**	**–**	**–**	–	660	–	660
Balance at 31 December	**1,202**	**–**	**12,059**	**13,261**	5,112	3,848	12,059	21,019

22. Investment securities

	The Group and The Bank	
	2005 $'000	2004 $'000
Quoted equity shares		
Available-for-sale	**758**	
At cost		441
Market value at 31 December	**758**	811

23. Other assets

	The Group and The Bank	
	2005	2004
	$'000	$'000
Interest receivable	**2,170**	1,886
Interest-in-suspense	**–**	(518)
	2,170	1,368
Other	**976**	3,481
	3,146	4,849

24. Investment in an associate of holding company

(a)

	The Group and The Bank	
	2005	2004
	$'000	$'000
Unquoted equity shares		
At cost	**1,250**	1,250
Provision for impairment	**(452)**	(493)
	798	757

(b) Movements of provision for impairment

	The Group and The Bank	
	2005	2004
	$'000	$'000
Balance at 1 January	**493**	571
Credited to profit and loss accounts	**(41)**	(78)
Balance at 31 December	**452**	493

25. Investment in a fellow subsidiary

(a)

	The Group and The Bank	
	2005	2004
	$'000	$'000
Unquoted equity shares, at cost	**129**	129

(b) The details of the fellow subsidiary are as follows:

Name of fellow subsidiary	Principal activities	Country of incorporation and place of business	Percentage of paid-up capital held by the Bank	
			2005	2004
			%	%
UOBT (2003) Limited	Dormant	Singapore	**20**	20

26. Investment in subsidiaries

(a)

	The Bank	
	2005	2004
	$'000	$'000
Unquoted equity shares, at cost	**105**	105

(b) 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	
			2005	2004
			$'000	$'000
FEB Realty Company Pte Ltd	Dormant	Singapore	**100**	100
Far Eastern Bank Nominees Private Limited	Nominee services	Singapore	**5**	5
			105	105

27. Fixed assets

(a)

	The Group and The Bank					
	2005			2004		
	Land and buildings $'000	**Office equipment, computers, fixtures and other assets $'000**	**Total $'000**	Land and buildings $'000	Office equipment, computers, fixtures and other assets $'000	Total $'000
Balance at 1 January						
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
Movements during the financial year:						
Additions	**–**	**20**	**20**	–	71	71
Disposals	**–**	**(86)**	**(86)**	–	(2)	(2)
Write-back/(impairment charge)	**30**	**–**	**30**	(70)	–	(70)
Depreciation charge	**(491)**	**(87)**	**(578)**	(490)	(95)	(585)
Net book value at 31 December	**9,883**	**165**	**10,048**	10,344	318	10,662
Balance at 31 December						
Cost	**19,803**	**2,940**	**22,743**	19,803	3,839	23,642
Accumulated depreciation	**(8,836)**	**(2,775)**	**(11,611)**	(8,347)	(3,521)	(11,868)
Provision for impairment	**(1,084)**	**–**	**(1,084)**	(1,112)	–	(1,112)
Net book value	**9,883**	**165**	**10,048**	10,344	318	10,662

(b) Based on directors' valuation, the estimated market value of the land and buildings of the Group and the Bank as at 31 December 2005 was $51 million (2004: $48 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 2005 amounting to $8.4 million (2004: $8.8 million). The remaining property is freehold.

28. Dividends

The directors have proposed a final dividend in respect of the financial year ended 31 December 2005 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 2006. The final dividend in respect of the financial year ended 31 December 2004 was 2 cents per share net of tax at 20% amounting to a total of $1,600,000.

29. Contingent liabilities

	The Group and The Bank	
	2005	2004
	$'000	$'000
Direct credit substitutes	**7,266**	9,349
Transaction-related contingencies	**3,540**	2,683
Trade-related contingencies	**4,767**	5,779
	15,573	17,811

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.

Included in the transaction-related contingencies as at 31 December 2005 were performance guarantees of $356,000 (2004: $341,000) granted to an associate of the holding company.

30. Financial derivatives

The table below shows the Group's and the Bank's financial derivatives at the balance sheet date. The contract/notional amount represents the volume of the outstanding transactions while the positive/negative fair value indicates the fair value of the financial derivatives at the balance sheet date. These amounts do not necessarily represent future cash flows and amounts at risk of the derivatives.

	The Group and The Bank					
	2005			2004		
	Contract or underlying principal amount	**Fair value**		Contract or underlying principal amount	Fair value	
		Assets	**Liabilities**		Assets	Liabilities
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Foreign exchange contracts						
Forwards	**1,936**	**25**	**–**	2,118	20	31
Less: Financial derivatives accounted for on accrual basis		**–**	**–**		20	31
Financial derivatives measured at fair value		**25**	**–**		–	–

31. Commitments

	The Group and The Bank	
	2005	2004
	$'000	$'000
Undrawn credit facilities	**115,186**	137,855
Other	**100**	100
	115,286	137,955

32. Cash and cash equivalents

Cash equivalents are highly liquid assets that are subject to an insignificant risk of changes in value and are readily convertible into known amounts of cash. In the consolidated cash flow statement, cash and cash equivalents comprise the following:

	The Group	
	2005	2004
	$'000	$'000
Cash and balances with central bank	**13,830**	17,733
Singapore Government treasury bills and securities	**64,792**	82,297
	78,622	100,030

33. Financial risk management

The Group's business activities involve 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. As a subsidiary of the UOB Group, financial risks are centrally managed by the various specialist committees of the UOB Group under delegated authority from the Board of Directors. These 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 Risk Management sector of the UOB Group, which is independent of the business units, performs the role of implementing the risk management policies and procedures. Compliance officers of the UOB Group 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 risk assessment audit carried out by the UOB Group Audit.

The main financial risks that the Group is exposed to and how they are being managed are set out below:

(a) ***Credit risk***

Credit risk is defined as the potential loss arising from any failure by a borrower or a counterparty to fulfil their financial obligations as and when they fall due. Credit risk is inherent in lending, trade finance, investments, treasury activities and other credit-related activities undertaken by the Group.

The Credit Committee, under delegated authority from the Board of Directors, deals with all credit, as well as country/transfer risk matters, including approval of credit applications, formulation of credit policies and the review of existing credit facilities.

The Group has in place a disciplined process to regularly monitor, review and report its portfolio risks for the timely recognition of asset impairment, recovery action and the avoidance of undue concentration. These include large credit exposures by obligors, aggregate exposure levels to individual groups and sectors, security types, internal credit ratings, industry exposures, level of non-performing loans, appropriateness of classification, adequacy of provisioning and country risk concentrations.

In respect of other credit risk activities such as money market transactions and financial derivatives, 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 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 advances to customers and trade bills. Note 21c 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 2005 and 31 December 2004.

The Group also has potential credit risk exposure to undrawn credit facilities of $115 million (2004: $138 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 amount of exposure is likely to be less than the total undrawn credit facilities since most of these facilities 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.

(b) ***Foreign exchange risk***

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

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.

33. Financial risk management (continued)

(b) ***Foreign exchange risk*** *(continued)*

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

The following table sets out the Group's assets, liabilities and financial derivatives by currency as at the balance sheet date. The off-balance sheet gap represents the net contract or notional amount of derivatives which is used principally to reduce the Group's exposure to foreign exchange rate movements:

	The Group 2005		
	Singapore dollars $'000	**Other $'000**	**Total $'000**
Assets			
Cash and balances with central bank	**13,713**	**117**	**13,830**
Singapore Government treasury bills and securities	**64,792**	**–**	**64,792**
Placements and balances with banks, agents and related companies	**485,723**	**22,477**	**508,200**
Trade bills and advances to customers	**248,634**	**8,552**	**257,186**
Fixed assets	**10,048**	**–**	**10,048**
Other	**6,108**	**53**	**6,161**
	829,018	**31,199**	**860,217**
Liabilities			
Deposits of non-bank customers	**634,967**	**12,722**	**647,689**
Deposits and balances of related companies	**18,608**	**16,360**	**34,968**
Bills and drafts payable	**3,756**	**–**	**3,756**
Other	**4,954**	**2,119**	**7,073**
	662,285	**31,201**	**693,486**
Shareholders' funds	**166,731**	**–**	**166,731**
	829,016	**31,201**	**860,217**
Net on-balance sheet position	**2**	**(2)**	**–**
Net off-balance sheet position	**1,416**	**(1,416)**	**–**
Net foreign currency gap	**1,418**	**(1,418)**	**–**

	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			
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	–

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

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

Interest rates exposure 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.

33. Financial risk management (continued)

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

The table below shows the interest rate sensitivity gap by time band based on the earlier of contractual repricing date and maturity date. Actual repricing dates may differ from contractual dates due to prepayments.

	The Group									
	2005									
	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	**13,830**	**13,830**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Singapore Government treasury bills and securities	**64,792**	**–**	**17,995**	**2,996**	**24,956**	**4,968**	**13,877**	**–**	**64,792**	**2.58**
Placements and balances with banks, agents and related companies	**508,200**	**–**	**508,200**	**–**	**–**	**–**	**–**	**–**	**508,200**	**2.56**
Trade bills and advances to customers	**257,186**	**2,977**	**193,518**	**2,793**	**13,176**	**13,678**	**31,039**	**5**	**254,209**	**4.62**
Other	**16,209**	**16,209**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	860,217	**33,016**	**719,713**	**5,789**	**38,132**	**18,646**	**44,916**	**5**	**827,201**	**–**
Liabilities										
Deposits of non-bank customers	**647,689**	**107,848**	**251,927**	**30,324**	**118,226**	**120,599**	**6,893**	**11,872**	**539,841**	**1.22**
Deposits and balances of related companies, and bills and drafts payable	**38,724**	**3,756**	**34,968**	**–**	**–**	**–**	**–**	**–**	**34,968**	**2.66**
Other	**7,073**	**7,073**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	693,486	**118,677**	**286,895**	**30,324**	**118,226**	**120,599**	**6,893**	**11,872**	**574,809**	**–**
Shareholders' funds	**166,731**	**166,731**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	860,217	**285,408**	**286,895**	**30,324**	**118,226**	**120,599**	**6,893**	**11,872**	**574,809**	**–**
Net interest rate sensitivity gap	**–**	**(252,392)**	**432,818**	**(24,535)**	**(80,094)**	**(101,953)**	**38,023**	**(11,867)**	**252,392**	**–**

	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										
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	–

(d) ***Liquidity risk***

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

33. Financial risk management (continued)

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

The Group manages liquidity risk in accordance with a framework of liquidity policies, controls and limits approved by the Asset Liability Committee. The main objectives are honouring all cash outflow commitments on an on-going basis, satisfying statutory liquidity and reserve requirements, and avoiding raising funds at market premiums or through forced sale of assets. These controls and policies include setting of cash flow mismatch limits, monitoring of liquidity early warning indicators, stress test analysis of cash flows in liquidity crisis scenarios and establishment of a comprehensive contingency funding plan. The Group is also required by the respective local regulators 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 following table shows the maturity analysis of the Group's assets and liabilities based on contractual terms:

	The Group							
	2005							
	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	**13,830**	**13,830**	**–**	**–**	**–**	**–**	**–**	**–**
Singapore Government treasury bills and securities	**64,792**	**17,995**	**2,996**	**24,956**	**4,968**	**13,877**	**–**	**–**
Placements and balances with banks, agents and related companies	**508,200**	**508,200**	**–**	**–**	**–**	**–**	**–**	**–**
Trade bills and advances to customers	**257,186**	**62,112**	**1,754**	**14,082**	**12,751**	**26,634**	**139,853**	**–**
Other	**16,209**	**591**	**16**	**133**	**118**	**254**	**1,334**	**13,763**
	860,217	**602,728**	**4,766**	**39,171**	**17,837**	**40,765**	**141,187**	**13,763**
Liabilities								
Deposits of non-bank customers	**647,689**	**359,775**	**30,324**	**111,343**	**118,163**	**6,893**	**21,191**	**–**
Deposits and balances of related companies, and bills and drafts payable	**38,724**	**38,724**	**–**	**–**	**–**	**–**	**–**	**–**
Other	**7,073**	**852**	**72**	**263**	**281**	**17**	**51**	**5,537**
	693,486	**399,351**	**30,396**	**111,606**	**118,444**	**6,910**	**21,242**	**5,537**
Shareholders' funds	**166,731**	**–**	**–**	**–**	**–**	**–**	**–**	**166,731**
	860,217	**399,351**	**30,396**	**111,606**	**118,444**	**6,910**	**21,242**	**172,268**
Net maturity mismatch	**–**	**203,377**	**(25,630)**	**(72,435)**	**(100,607)**	**33,855**	**119,945**	**(158,505)**

	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								
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 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.

33. Financial risk management (continued)

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

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 29 and 31. 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.

34. Fair values of financial instruments

Fair values of government and investment securities and financial derivatives are determined based on prices quoted in the market or by the brokers/issuers.

Fair values of cash, balances and placements, trade bills and advances to customers, deposits and bills and drafts payable measured at amortised costs are deemed approximation of their carrying amounts due to their short-term nature or frequent repricing.

Fair value information for non-financial assets and liabilities is excluded as they do not fall within the scope of FRS32. These include 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.

35. Related party transactions

Related party transactions entered into by the Group are in the ordinary course of its business and have been disclosed in the relevant notes to the financial statements.

36. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2005 were authorised for issue in accordance with a resolution of the directors on 23 February 2006.

Notice Of Annual General Meeting

Notice is hereby given that the **Forty-Seventh 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 Thursday, 27 April 2006 at 11.30 a.m. 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 2005.

Resolution 2 To declare a first and final dividend of 2 cents per share less 20% income tax for the year ended 31 December 2005.

Resolution 3 To approve Directors' fees of $63,125 for 2005 (2004: $62,500).

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

Resolution 5 To re-elect Professor Cham Tao Soon as a Director.

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, Mr ____________________ 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 6 Mr Wee Cho Yaw

Resolution 7 Mr Lee Chin Chuan

Resolution 8 Mr Ong Chu Meng

As Special Business

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

Resolution 9

"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 shares in the capital of the Company for the time being."

Note to Resolution 9

Resolution 9 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 shares in the 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, 3 April 2006

Notes:

(1) A member 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 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.

PROXY FORM

Number of Shares Held

FAR EASTERN BANK LIMITED

(Incorporated in the Republic of Singapore)
Company Registration No. 195800116D

I/We ____ (Name)

of ____ (Address)

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

Name		**Proportion of shareholdings**	
NRIC/Passport No		**No. of shares**	**%**
Address			

and/or *

Name		**Proportion of shareholdings**	
NRIC/Passport No		**No. of shares**	**%**
Address			

* *Please delete as appropriate.*

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-Seventh 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 Thursday, 27 April 2006 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.)

		For	**Against**
Resolution 1	Financial Statements, Directors' Report & Auditors' Report		
Resolution 2	First and final dividend		
Resolution 3	Directors' Fees		
Resolution 4	Auditors & their remuneration		
Resolution 5	Re-election (Professor Cham Tao Soon)		
Resolution 6	Re-appointment (Mr Wee Cho Yaw)		
Resolution 7	Re-appointment (Mr Lee Chin Chuan)		
Resolution 8	Re-appointment (Mr Ong Chu Meng)		
Resolution 9	Authority to issue shares (General)		

Dated this __________ day of ____________________ 2006.

____

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

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.

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