

Chairman's Statement



Wee Cho Yaw
Chairman & Chief Executive Officer

The Singapore economy continued its upward trend in 2007. GDP growth improved from 6.4% the year before to 7.7%. The growth was stimulated by strong exports, a rising stock market and surge in the property market. The FEB Group, however, continued to be constrained by its small capital base.

The Group's after tax profit improved by 5% to \$13.5 million in 2006 (2005: \$12.8 million). Return on equity decreased from 7.9% to 7.8%.

Although net interest income improved by 8%, from \$19.7 million to \$21.4 million, total loans outstanding at the end of the year fell to \$213 million (2005: \$257 million). Deposits also dropped from \$648 million to \$615 million. Nevertheless, total income grew by 8% to \$27.1 million (2005: \$25.1 million). This was partially offset by impairment charges, which rose from \$58,000 in 2005 to \$1.2 million in 2006.

Total assets of the Group fell by 3% to \$836 million (2005: \$860 million). While shareholders' equity improved by 7% to \$179 million (2005: \$167 million), return on assets remained at 1.6%.

The Board proposes to transfer \$6 million to reserves and to recommend a first and final dividend of 2 cents per share less 18% income tax for the financial year ended 31 December 2006. Total dividend payout would amount to \$1.6 million.

With almost full employment and a buoyant property market, Singapore is expected to maintain its growth momentum in 2007. Official estimates indicate a GDP growth of 4.5% to 6.5%, underpinned by a positive outlook for the Asian economies.

The banking sector, however, will continue to see intense competition for business as well as professional talents. While management will continue to exert every effort to meet these challenges, the Group will continue to operate at a distinct disadvantage because of its small capital base.

Mr Lee Chin Chuan, who has been a Director since 1978, will not be standing for re-election this year. On behalf of the Board, I would like to record our deep appreciation for his long years of service and contributions to the Bank.

In conclusion, I would like to thank my fellow directors for their wise counsel, and management and staff members for their contributions during the past year.