

Chairman's Statement



Wee Cho Yaw
Chairman & Chief Executive Officer

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

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

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

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

The Board proposes to transfer \$6 million to reserves and to recommend a first and final dividend of 2%

(2 cents per share) less 20% income tax for the financial year ended 31 December 2004. Total dividend to be paid out would amount to \$1.6 million.

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

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

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

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

Wee Cho Yaw
Chairman & Chief Executive Officer
March 2005