Statement by Directors

for the financial year ended 31 December 2004

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

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

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

On behalf of the Board of Directors,

Wee Cho Yaw
Chairman

Wee Ee Cheong
Deputy Chairman

Singapore, 24 February 2005

Auditors' Report to the Members of Far Eastern Bank Limited

for the financial year ended 31 December 2004

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

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

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

In our opinion,

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

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

ERNST & YOUNG
Certified Public Accountants

Singapore, 24 February 2005

Profit and Loss Accounts

for the financial year ended 31 December 2004

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

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

Balance Sheets
as at 31 December 2004

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

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

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

Statement of Changes in Equity

for the financial year ended 31 December 2004

The Group

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

The Bank

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

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

Consolidated Cash Flow Statement

for the financial year ended 31 December 2004

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

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

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

1. Corporate information

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

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

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

2. Summary of significant accounting policies

(a) **Basis of preparation**

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

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

(b) **Basis of accounting**

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

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

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

(c) **Basis of consolidation**

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

(d) **Subsidiaries**

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

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

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

(f) **Investments**

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

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

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

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

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

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

(g) **Cash and cash equivalents**

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

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

(h) **Revenue recognition**

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

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

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

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

2. Summary of significant accounting policies (continued)

(i) **Fixed assets and depreciation**

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

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

(j) **Tax**

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

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

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

(k) **Foreign currencies**

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

(l) **Derivative financial instruments**

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

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

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

(m) **Impairment**

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

(n) **Provisions**

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

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

(o) **Employee benefits**

Equity compensation benefits

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

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

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

Post employment benefits

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

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

(p) **Dividends**

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

3. Interest income

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

4. Interest expense

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

5. Dividend income

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

6. Fee and commission income

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

7. Rental income

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

8. Other operating income

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

9. Staff costs

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

10. Other operating expenses

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

11. Provisions

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

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

12. Tax

(a) Tax expense

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

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

(b) Tax reconciliation

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

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

(c) **Deferred tax**

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

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

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

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

13. Share capital

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

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

14. Statutory reserve

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

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

15. Revenue reserves

(a) **The Group**

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

(b) **The Bank**

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

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

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

(a)

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

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

(b)

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

17. Other liabilities

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

18. Singapore Government treasury bills and securities

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

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

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

19. Placements and balances with banks and agents

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

20. Trade bills and advances to customers

(a)

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

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

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

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

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

20. Trade bills and advances to customers (continued)

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

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

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

(e) The movements in provisions are as follows:

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

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

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

21. Other assets

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

22. Investment securities

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

23. Investment in an associate of holding company

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

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

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

24. Investment in a fellow subsidiary

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

The details of the fellow subsidiary are set out below:

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

25. Investments in subsidiaries

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

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

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

26. Fixed assets

(a)

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

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

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

27. Dividends

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

28. Contingent liabilities

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

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

29. Derivative financial instruments

(a)

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

29. Derivative financial instruments (continued)

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

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

30. Commitments

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

31. Cash and cash equivalents

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

32. Financial risk management

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

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

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

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

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

(a) **Credit risk**

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

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

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

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

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

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

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

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

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

32. Financial risk management (continued)

(b) **Foreign exchange risk**

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

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

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

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

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

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

(c) **Interest rate risk**

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

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

32. Financial risk management

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

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

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

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

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

(d) **Liquidity risk**

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

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

32. Financial risk management

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

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

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

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

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

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

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

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

33. Fair values of financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

34. Related party transactions

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

35. Authorisation of financial statements

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