

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

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