

## Group Financial Review

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*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 (%)
<b>Key indicators</b>				
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		–
<b>Other indicators</b>				
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 Financial Review

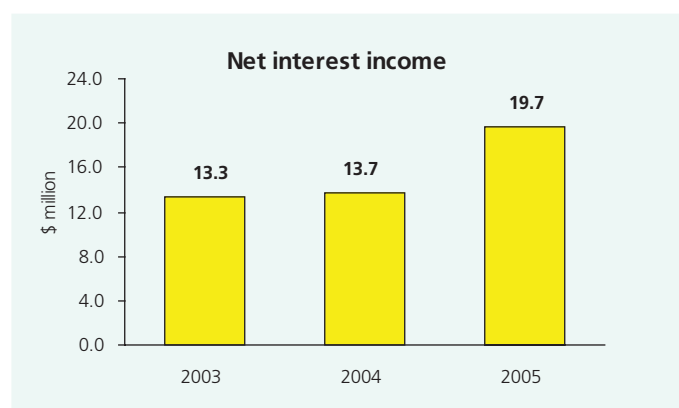
### Group profits

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).

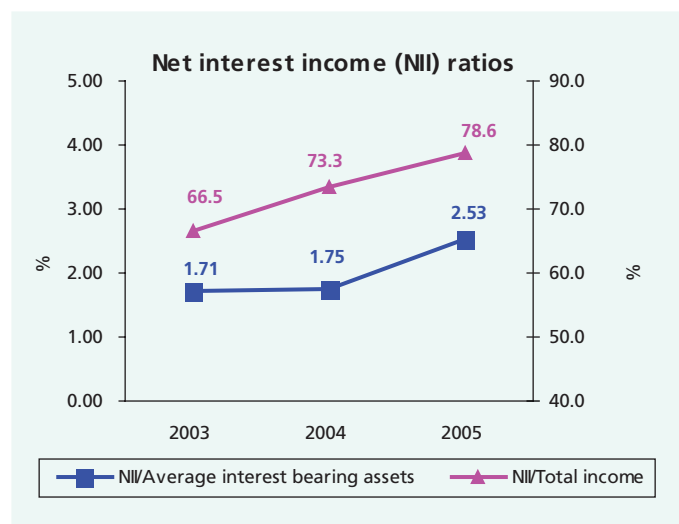
### Net interest income



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.



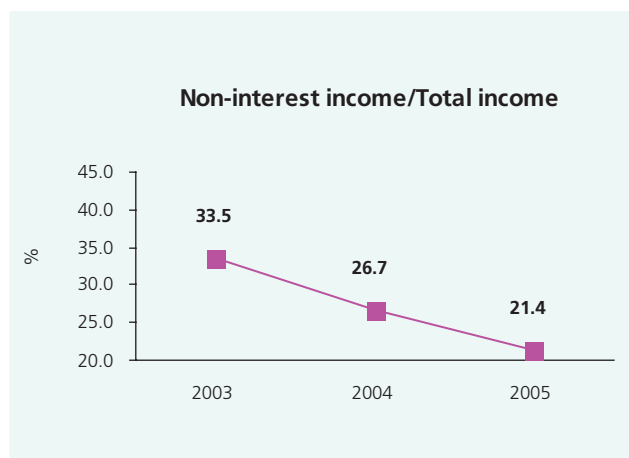
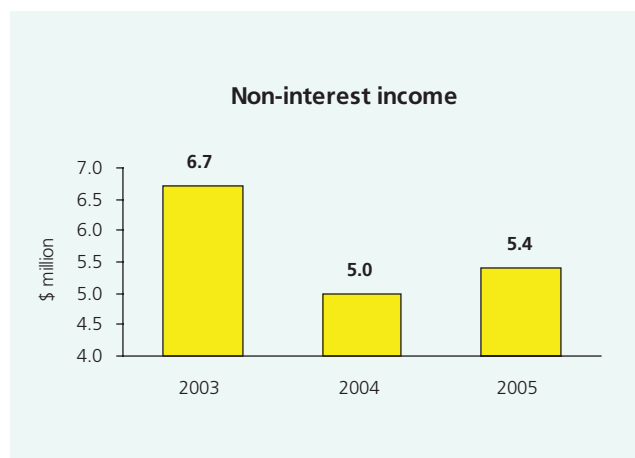
### Average interest rates and margin

	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		<u>19,744</u>			<u>13,742</u>	
Average interest margin +			<u>2.53</u>			<u>1.75</u>

+ 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.



## Group Financial Review

### *Composition of non-interest income*

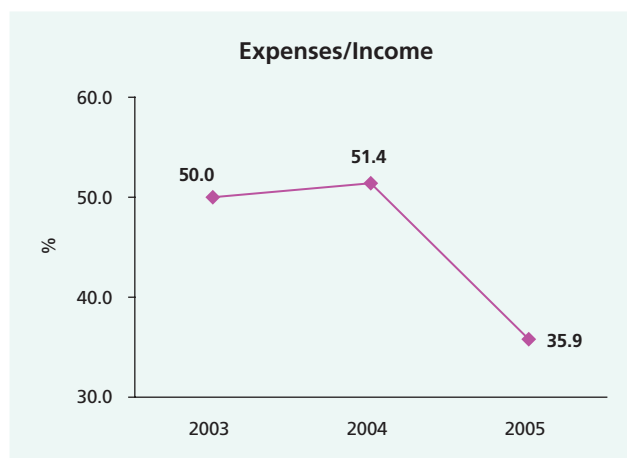
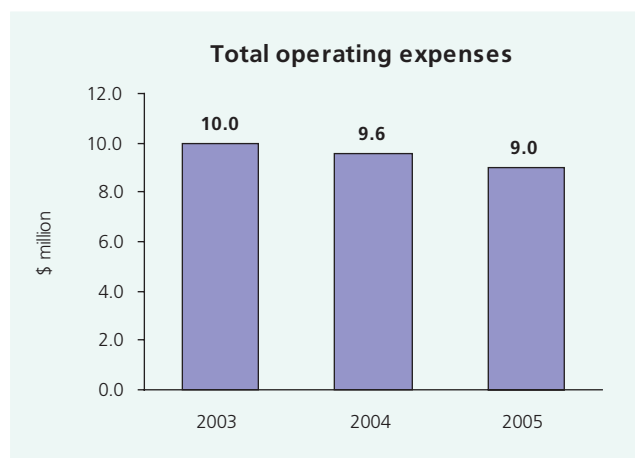
	2005 \$'000	2004 \$'000	Variance %
Fee and commission income			
Investment-related	3	2	50.0
Trade-related	557	665	(16.2)
Loan-related	132	156	(15.4)
Other	559	595	(6.1)
	1,251	1,418	(11.8)
Dividend and rental income	2,703	2,492	8.5
Other operating income			
Net profit/(loss) from:			
Investment and government 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.

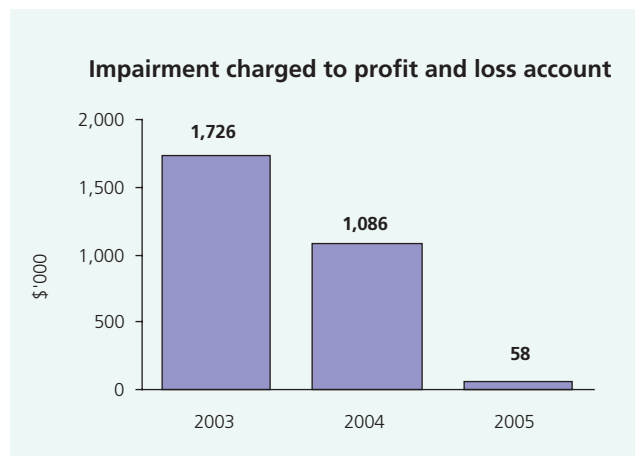
With the decrease in total operating expenses, coupled with the increase in total income, the expense to income ratio of the Group improved by 15.5% points to 35.9% in 2005 from 51.4% in 2004.

	2005 \$'000	2004 \$'000	Variance %
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)



## Group Financial Review

### 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.

#### Individual impairment on

Loans
Investments
Properties & other fixed assets
Total

2005 \$'000	2004 \$'000	Variance %
129	1,098	(88.3)
(41)	(82)	50.0
(30)	70	(142.9)
<b>58</b>	<b>1,086</b>	<b>(94.7)</b>

## Overview of balance sheet

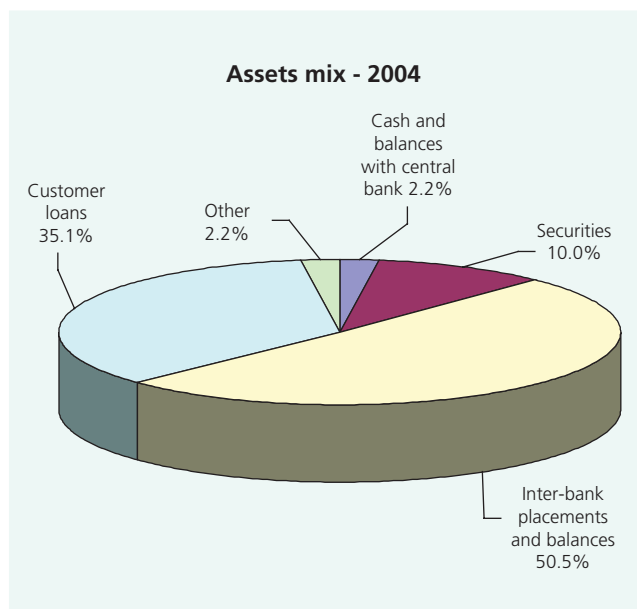
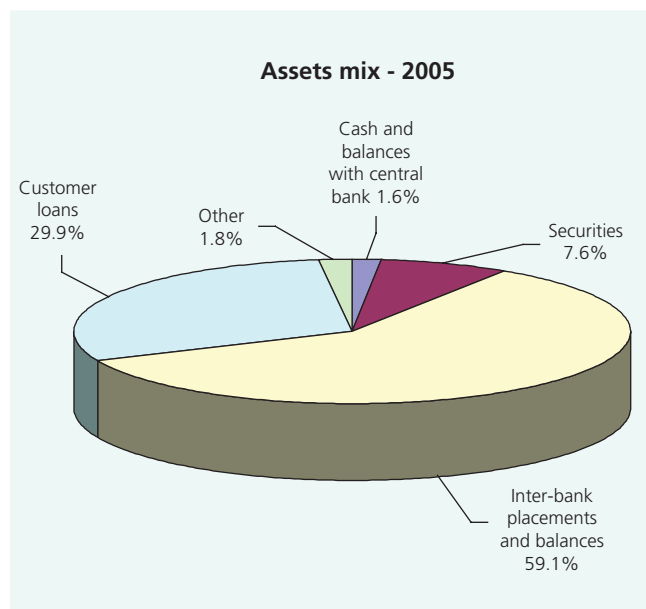
### Total assets

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
<b>Total assets</b>	<b>860,217</b>	<b>100.0</b>	<b>824,126</b>	<b>100.0</b>

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





## Group Financial Review

### 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	<b>64,792</b>	<b>98.8</b>	82,297	99.5
Quoted equity shares	<b>758</b>	<b>1.2</b>	441	0.5
Total securities	<b>65,550</b>	<b>100.0</b>	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	<b>99,439</b>	<b>36.8</b>	116,573	37.6
Term loans	<b>95,586</b>	<b>35.3</b>	96,056	31.0
Trade financing	<b>16,317</b>	<b>6.0</b>	18,449	5.9
Overdrafts	<b>59,105</b>	<b>21.9</b>	79,025	25.5
Total gross customer loans	<b>270,447</b>	<b>100.0</b>	310,103	100.0
Less: Collective impairment	<b>(12,059)</b>		(12,059)	
Individual impairment	<b>(1,202)</b>		(5,112)	
Interest-in-suspense	<b>—</b>		(3,330)	
Total net customer loans	<b>257,186</b>		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

## Group Financial Review

### ***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***

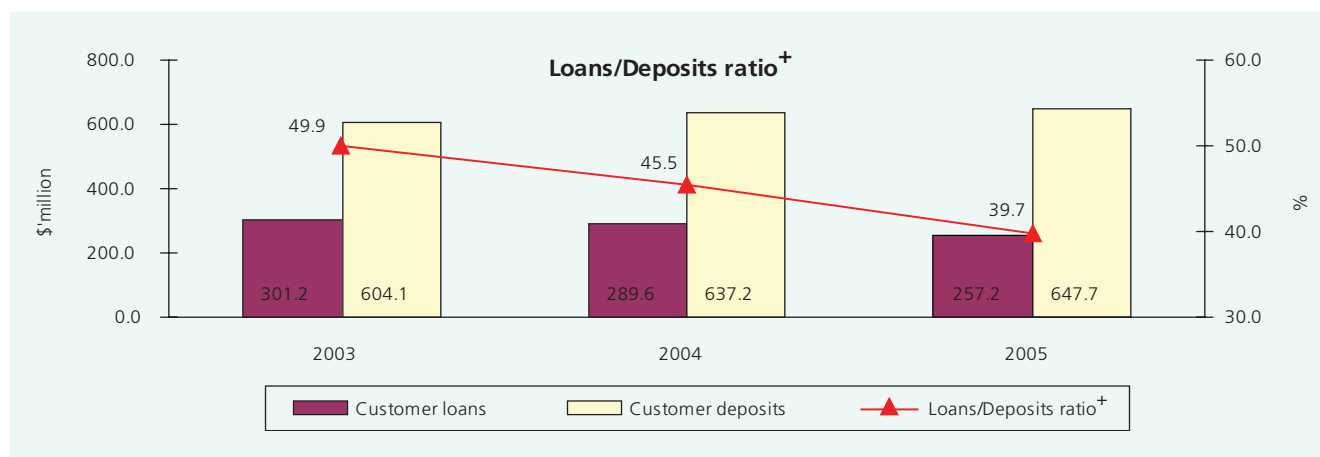
	2005		2004	
	\$'000	%	\$'000	%
Customer deposits				
Fixed deposits	<b>304,823</b>	<b>44.7</b>	292,362	44.2
Savings and other deposits	<b>342,866</b>	<b>50.2</b>	344,810	52.2
	<b>647,689</b>	<b>94.9</b>	637,172	96.4
Fellow subsidiaries' deposits	<b>1,833</b>	<b>0.3</b>	2,463	0.4
Holding company's deposits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

### ***Deposits analysed by remaining maturity***

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

### Loans/Deposits ratio<sup>+</sup>

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 \$'000	2004 \$'000	Variance %
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

## Group Financial Review

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