FAR EASTERN BANK LIMITED

(A SUBSIDIARY OF UNITED OVERSEAS BANK LIMITED)

ANNUAL REPORT 2003

GROWING with you

Supportive
Proactive Open
Thorough

Supportive We work as a team to create winning solutions for our customers and colleagues.

Proactive We go the extra mile to exceed the expectations of our customers and colleagues.

Open We value feedback and ideas and maintain open channels of communication.

Thorough We leave no stone unturned in our quest for excellence and quality service.

GROWING with you

In 2003, United Overseas Bank (UOB) launched its SPOT value drivers. SPOT – the acronym for Supportive, Proactive, Open and Thorough – is the driving force that will deliver the UOB Group's promise to help our customers grow their wealth, our shareholders grow their returns, and our employees grow their aspirations.

FAR EASTERN BANK LIMITED
(INCORPORATED IN SINGAPORE)
AND ITS SUBSIDIARIES

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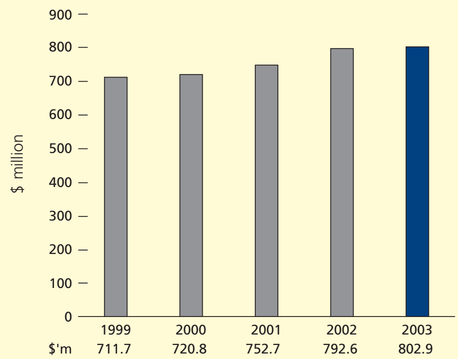
All figures in this Annual Report are in Singapore dollars unless otherwise specified.

FINANCIAL HIGHLIGHTS (CONSOLIDATED)

Total assets

2003: $802.9 million + 1.3%

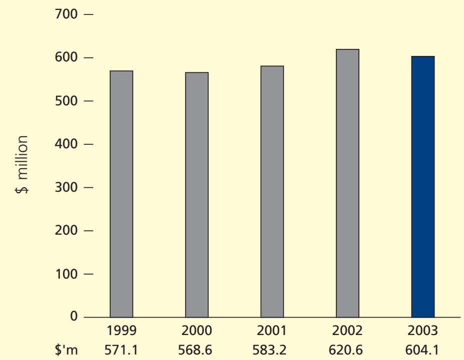
2002: $792.6 million



Customer deposits

2003: $604.1 million – 2.7%

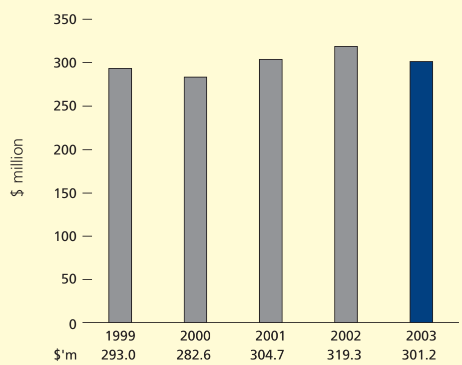
2002: $620.6 million



Customer loans

2003: $301.2 million – 5.7%

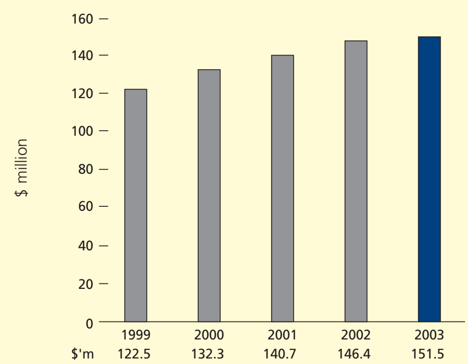
2002: $319.3 million



Shareholders' funds

2003: $151.5 million + 3.5%

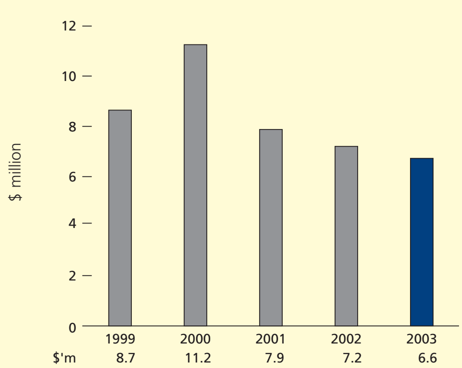
2002: $146.4 million



Net profit after tax

2003: $6.6 million – 7.9%

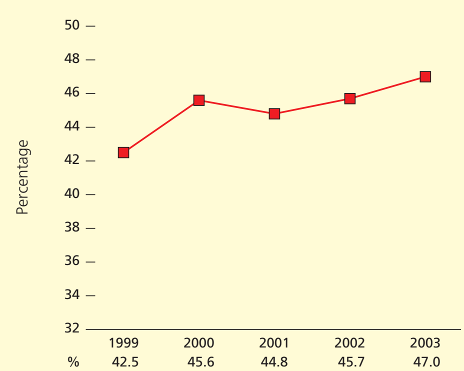
2002: $7.2 million



Capital adequacy ratio

2003: 47.0% + 1.3% points

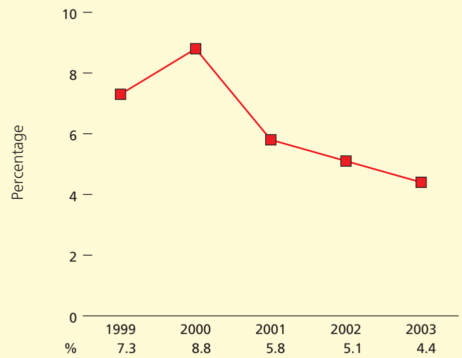
2002: 45.7%



Return on average shareholders' funds

2003: 4.4% ■ – 0.7% point

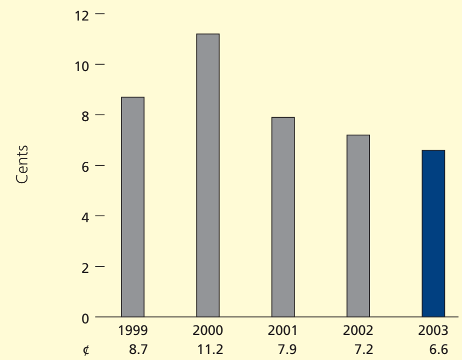
2002: 5.1%



Earnings per share

2003: 6.6 cents ■ – 7.9%

2002: 7.2 cents



Total non-performing loans (NPLs)

NPLs

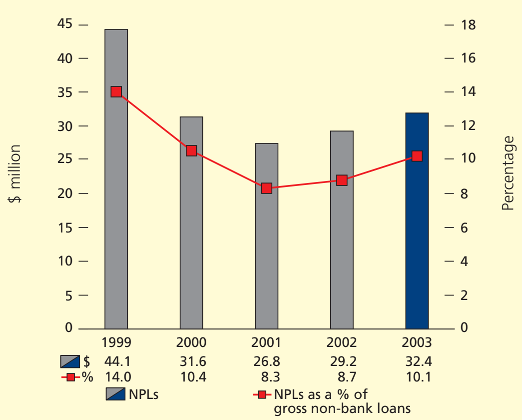
2003: $32.4 million ■ + 10.7%

2002: $29.2 million

NPLs as a % of gross non-bank loans

2003: 10.1% ■ + 1.4% points

2002: 8.7%



Total cumulative provisions

Cumulative specific provisions

2003: $6.7 million ■ + 16.2%

2002: $5.8 million

Cumulative general provisions

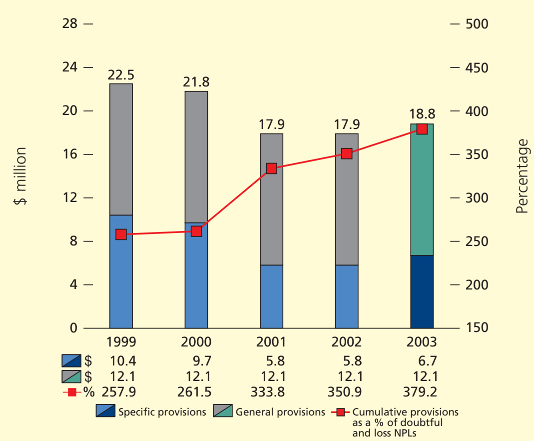
2003: $12.1 million ■ –

2002: $12.1 million

Total cumulative provisions as a % of doubtful and loss NPLs

2003: 379.2% ■ + 28.3% points

2002: 350.9%



Note:
Certain figures in this report may not add up to the relevant totals due to rounding.
Figures/ratios have been adjusted for impact of change in accounting policy.

Wee Cho Yaw

Chairman & Chief Executive Officer

The Severe Acute Respiratory Syndrome (SARS) outbreak and the war in Iraq impacted on Singapore's economy in 2003. GDP growth dropped from 2.2% in 2002 to 1.1%. As a consequence of the difficult business conditions, the FEB Group's after-tax profit decreased from $7.2 million to $6.6 million.

While total assets improved by 1.3% to $802.9 million during the year, non-bank loans decreased by 5.7% to $301.2 million. Non-bank deposits also declined, from $620.6 million in 2002 to $604.1 million in 2003. Reflecting the poor business climate, Non-Performing Loans (NPLs) increased from $29.2 million to $32.4 million during the year.

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 2003. Total dividend paid out would be $1.6 million.

Economic indicators suggest that 2004 should be a better year for the world and Singapore. The American economy is likely to be buoyed by the presidential election, while China continues to be fuelled by foreign investments and domestic consumption. Asia and Singapore should benefit from these positive trends.

The FEB Group intends to maximise the opportunities offered by the better business environment. We will continue to focus on providing support to the small and medium-sized enterprises, and to draw on the resources of the United Overseas Bank Group to expand our services and products.

I take this opportunity to thank the Board of Directors for their guidance and counsel, and management and staff members for their contributions. I also thank our customers for their support.

Wee Cho Yaw

Chairman & Chief Executive Officer

March 2004

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Wee Cho Yaw
Chairman

Mr Wee Ee Cheong
Mr Koh Beng Seng
Mr Lee Chin Chuan
Mr Ong Chu Meng
Mr Wong Meng Meng
Mr Sim Wong Hoo
Mr Philip Yeo Liat Kok
Prof Cham Tao Soon

EXECUTIVE COMMITTEE

Mr Wee Cho Yaw
Chairman

Mr Wee Ee Cheong
Mr Koh Beng Seng

NOMINATING COMMITTEE

Mr Wong Meng Meng
Chairman

Mr Wee Cho Yaw
Mr Koh Beng Seng
Mr Sim Wong Hoo
Prof Cham Tao Soon

REMUNERATION COMMITTEE

Mr Wee Cho Yaw
Chairman

Mr Philip Yeo Liat Kok
Prof Cham Tao Soon

SECRETARY

Mrs Vivien Chan

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GENERAL MANAGEMENT

Mr Wee Cho Yaw
Chairman & Chief Executive Officer

Mr Wee Ee Cheong
Deputy Chairman & President

Mr Koh Beng Seng
Deputy President

Mr Francis Lee Chin Yong
Senior Executive Vice President
International

Mr Terence Ong Sea Eng
Senior Executive Vice President
Global Treasury & Asset Management

Mr Samuel Poon Hon Thang
Senior Executive Vice President
Institutional & Individual Financial Services

Mr Joseph Chen Seow Chan
Managing Director
Global Treasury Trading

Mr Bill Chua Teck Huat
Executive Vice President
Operations

Ms Susan Hwee
Executive Vice President
Information Technology

Mr Kuek Tong Au
Executive Vice President
Corporate Services

Mr Michael Lau Hwai Keong
Executive Vice President
International

Mr David Loh Hong Kit
Executive Vice President
Risk Management & Compliance

Ms Sim Puay Suang
Executive Vice President
Personal Financial Services

Mr Wee Joo Yeow
Executive Vice President
Corporate Banking – Singapore

Mr Wong Chong Fatt
Executive Vice President
High Networth Banking

Mr Yeo Eng Cheong
Executive Vice President
Commercial Credit

Mr Larry Lam
Senior Vice President & Head
Internal Audit

BRANCH NETWORK

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CORRESPONDENTS
In all principal cities of the world

GROUP FINANCIAL REVIEW

Certain figures in this report may not add up to the relevant totals due to rounding.

Certain comparative figures have been restated to conform with the current year's presentation.

Certain comparative figures for 2002 have been restated for impact of change in accounting policy for investments.

REVIEW OF FINANCIAL PERFORMANCE

Highlights and performance indicators

	2003	2002	Increase/ decrease	(%)
Key indicators				
Net interest income (NII) ($ million)	**13.3**	13.8	–	3.0
Non-interest income ($ million)	**6.7**	6.6	+	1.7
Total income ($ million)	**20.0**	20.4	–	1.5
Total expenses ($ million)	**10.0**	9.7	+	3.2
Operating profit before provisions ($ million)	**10.0**	10.7	–	5.7
Net profit after tax (NPAT) ($ million)	**6.6**	7.2	–	7.9
Income mix:				
Net interest income/Total income (%)	**66.5**	67.6	–	1.1% points
Non-interest income/Total income (%)	**33.5**	32.4	+	1.1% points
	100.0	100.0		–
Return on average shareholders' funds (ROE) (%)	**4.4**	5.1	–	0.7% point
Basic earnings per share (EPS) (cents)	**6.6**	7.2	–	7.9
Return on average total assets (ROA) (%)	**0.8**	0.9	–	0.1% point
NII/Average interest-bearing assets (%)	**1.71**	1.70	+	0.01% point
Expense/Income ratio (%)	**50.0**	47.7	+	2.3% points
Other indicators				
Customer loans (net) ($ million)	**301.2**	319.3	–	5.7
Customer deposits ($ million)	**604.1**	620.6	–	2.7
Loans/deposits ratio+ (%)	**49.9**	51.5	–	1.6% points
Non-performing loans (NPLs) ($ million)	**32.4**	29.2	+	10.7
Cumulative provisions ($ million)	**18.8**	17.9	+	5.3
NPLs/Gross customer loans (%)	**10.1**	8.7	+	1.4% points
Cumulative provisions/NPLs (%)	**58.2**	61.2	–	3.0% points
Total assets ($ million)	**802.9**	792.6	+	1.3
Shareholders' funds ($ million)	**151.5**	146.4	+	3.5
Unrealised surplus from revaluation* ($ million)	**43.4**	57.0	–	23.9
Net asset value (NAV) per share ($)	**1.51**	1.46	+	3.5
Revalued NAV per share ($)	**1.95**	2.03	–	4.2
Capital adequacy ratio (BIS) (%)	**47.0**	45.7	+	1.3% points
Dividend rates (%)				
Final	**2.0**	2.0		–
Manpower (number)	**40**	34	+	6 number

+ *Loans refer to net customer loans while deposits refer to customer deposits.*

* *Not incorporated into the financial statements.*

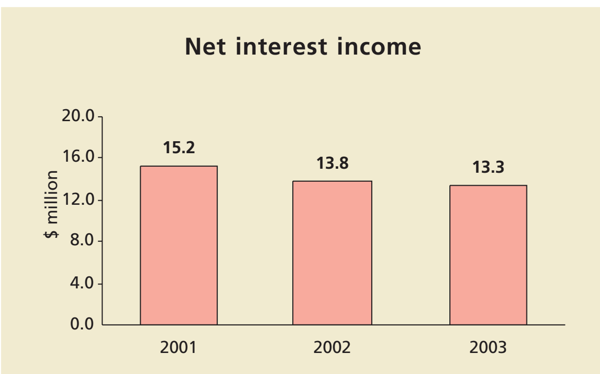
Group profits

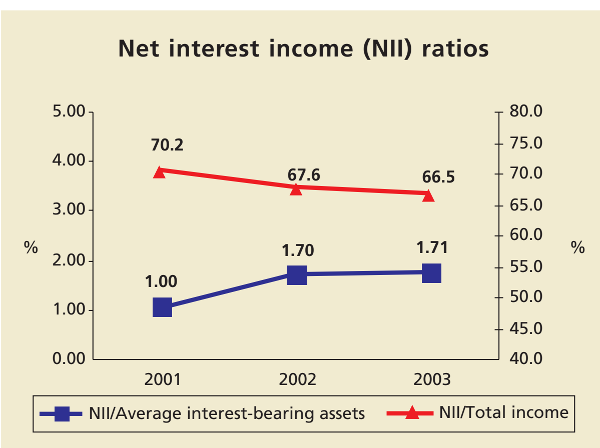
The Group has posted a net profit after tax of $6.6 million for the financial year ended 31 December 2003, down 7.9% from $7.2 million in the previous year. The decline was mainly attributable to higher provisions, lower net interest income, higher operating expenses, lower loan-related fees and rental income, partially offset by higher other operating income and lower tax provision.

Financial ratios

- Earnings per share decreased by 7.9%, from 7.2 cents to 6.6 cents in 2003.
- Return on average shareholders' funds, at 4.4%, decreased by 0.7% point from 5.1% in 2002.
- Net asset value (NAV) per share increased by $0.05 or 3.5%, from $1.46 in 2002 to $1.51 in 2003.
- Total dividend of 2% (2002: 2%) was 4.1 times covered by net profit (2002: 4.6 times).

Net interest income





Net interest income for the Group eased 3.0% or $0.5 million to $13.3 million from $13.8 million in 2002. Net interest income continued to be the major contributor of total income, accounting for 66.5% (2002: 67.6%) of total income.

The decline in net interest income was primarily attributable to a drop in non-bank loans interest margin, partially negated by improved margin from inter-bank money market activities. Despite a drop in net interest income, overall net interest margin on average interest-bearing assets rose marginally by 0.01% point to 1.71% in 2003.

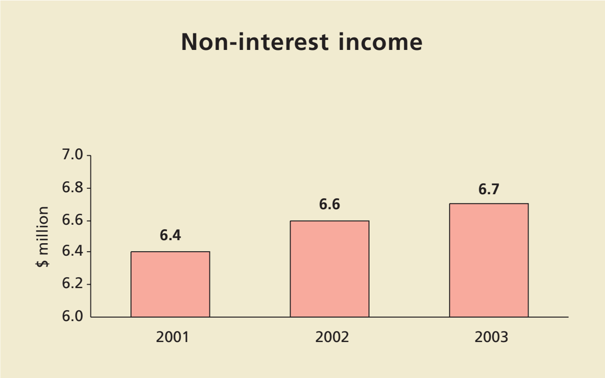
Group average interest margin

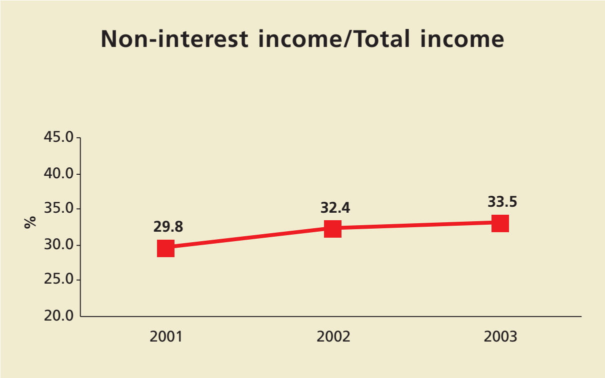
	2003			2002		
	Average balance $'000	**Interest $'000**	**Average interest rate %**	Average balance $'000	Interest $'000	Average interest rate %
Total interest bearing assets	**779,593**	**17,432**	**2.24**	808,185	20,344	2.52
Total interest bearing liabilities	**632,258**	**4,083**	**0.65**	669,386	6,584	0.98
Net interest income		**13,349**			13,760	
Group average interest margin+			**1.71**			1.70

+ *Interest margin represents net interest income as a percentage of average interest bearing assets.*

Non-interest income

The Group's non-interest income for 2003 accounted for 33.5% of total income. Total non-interest income rose by $0.1 million or 1.7% to $6.7 million in 2003.





The increase in non-interest income was derived mainly from profit on sale of property, partially offset by a decrease in loan-related fees and rental income.

Composition of non-interest income

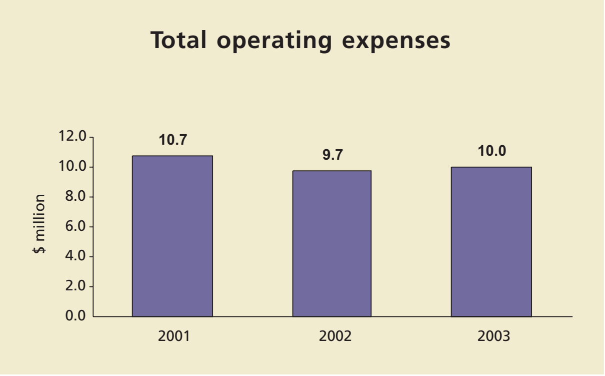
	2003 $'000	2002 $'000	Increase/ (decrease) %
Fee and commission income			
Investment-related	**1**	78	(98.7)
Trade-related	**527**	567	(7.1)
Loan-related	**253**	448	(43.5)
Other	**557**	469	18.8
	1,338	1,562	(14.3)
Dividend and rental income	**3,877**	4,022	(3.6)
Other operating income			
Dealing income	**155**	137	13.1
Other	**1,342**	880	52.5
	1,497	1,017	47.2
Total non-interest income	**6,712**	6,601	1.7

Operating expenses

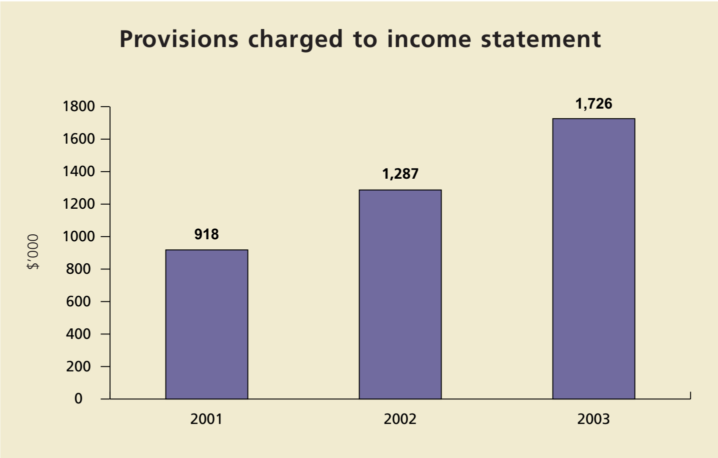
Group's total operating expenses rose 3.2% to $10.0 million from $9.7 million in 2002, arising from an increase in other operating expenses by 7.2%, partially offset by a decline in staff expenses by 15.3%.

Expense to income ratio rose by 2.3% points to 50.0% in 2003 as compared to 47.7% in 2002, resulting mainly from last year's reversal of contingency reserve and property tax rebate, together with a higher donation made this year.

	2003 $'000	2002 $'000	Increase/ (decrease) %
Staff expenses	**1,454**	1,716	(15.3)
Other operating expenses	**8,573**	7,998	7.2
Total operating expenses	**10,027**	9,714	3.2



Provisions charged to income statement



For 2003, the total provision charge was at $1.7 million, up $0.4 million or 34.1% compared with $1.3 million in 2002. The increase was substantially due to higher specific provisions for loans, partially offset by write-back of provision for properties in 2003.

	2003	2002
	$'000	$'000
Specific provisions for loans	**1,752**	1,237
Specific provisions for diminution in value of investments	**4**	–
Specific provisions for impairment of properties	**(30)**	50
Total provisions	**1,726**	1,287

OVERVIEW OF BALANCE SHEET

Total assets

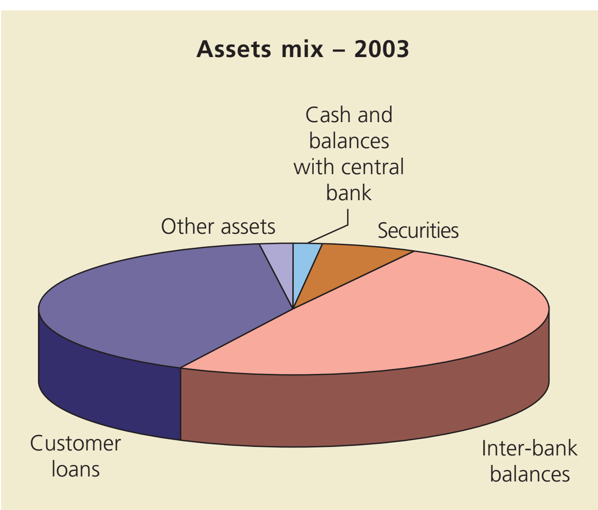
Group total assets increased to $802.9 million as at 31 December 2003, a 1.3% growth compared with $792.6 million previously. The growth was primarily from inter-bank balances, partially offset by lower securities and customer loans.

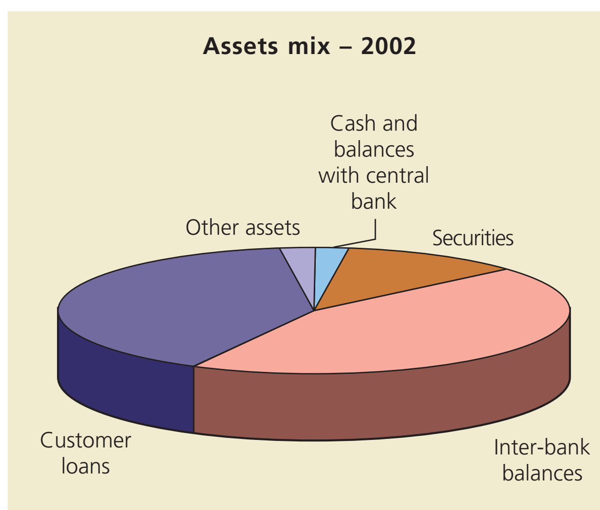
Assets mix

	2003		2002	
	$'000	**%**	$'000	%
Cash and balances with central bank	**17,140**	**2.1**	18,444	2.3
Securities*	**65,231**	**8.1**	91,654	11.6
Inter-bank balances	**403,443**	**50.3**	346,303	43.7
Customer loans	**301,234**	**37.5**	319,294	40.3
Other assets	**15,866**	**2.0**	16,918	2.1
Total assets	**802,914**	**100.0**	792,613	100.0

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

As at 31 December 2003, all securities were non-dealing assets and mainly in Singapore Government treasury bills and securities amounting to $64.7 million.





Customer loans

The Group's net loans and advances to customers dropped from $319.3 million to $301.2 million as at 31 December 2003. The decrease of $18.1 million or 5.7% was mainly from overdraft portfolio.

Customer loans analysed by product group

	2003		2002	
	$'000	**%**	$'000	%
Housing loans	**121,729**	**38.0**	124,692	37.0
Term loans	**83,882**	**26.2**	82,272	24.4
Trade financing	**14,639**	**4.6**	15,907	4.7
Overdrafts	**99,825**	**31.2**	114,316	33.9
Total gross customer loans	**320,075**	**100.0**	337,187	100.0
Less: General provisions	**(12,059)**		(12,059)	
Specific provisions and interest-in-suspense	**(6,782)**		(5,834)	
Net customer loans	**301,234**		319,294	

Gross customer loans analysed by industry

	2003		2002	
	$'000	**%**	$'000	%
Manufacturing	**18,667**	**5.8**	23,935	7.1
Building and construction	**14,476**	**4.5**	15,441	4.6
Housing	**121,729**	**38.0**	124,692	37.0
General commerce	**72,000**	**22.5**	70,379	20.9
Transport, storage and communications	**3,305**	**1.0**	11,994	3.5
Non-bank financial institutions	**14,260**	**4.5**	13,738	4.1
Professionals and private individuals (excluding housing loans)	**58,568**	**18.3**	59,133	17.5
Other	**17,070**	**5.4**	17,875	5.3
Group Total	**320,075**	**100.0**	337,187	100.0

Gross customer loans analysed by currency and fixed/variable rates

	2003			2002		
	Fixed rate	**Variable rate**	**Total**	Fixed rate	Variable rate	Total
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Singapore Dollars	**141,671**	**170,392**	**312,063**	123,694	203,247	326,941
US Dollars	**2,247**	**751**	**2,998**	3,118	1,911	5,029
Japanese Yen	**3,184**	**632**	**3,816**	3,563	397	3,960
Other	**1,184**	**14**	**1,198**	1,044	213	1,257
Group Total	**148,286**	**171,789**	**320,075**	131,419	205,768	337,187

Gross customer loans analysed by remaining maturity

	2003		2002	
	$'000	**%**	$'000	%
Within 1 year	**139,053**	**43.4**	155,839	46.2
Over 1 year but within 3 years	**27,123**	**8.5**	28,401	8.4
Over 3 years but within 5 years	**24,215**	**7.6**	23,467	7.0
Over 5 years	**129,684**	**40.5**	129,480	38.4
Group Total	**320,075**	**100.0**	337,187	100.0

Credit facilities to related parties

As at 31 December 2003, there were no outstanding loans or advances granted to related parties except for letters of credit and guarantees that were given by the Group to related parties in the ordinary course of business on normal terms and conditions. The outstanding amount of the credit facilities at 31 December were as follows:

	2003	2002
	$'000	$'000
Off-balance sheet credit facilities		
Directors of the Bank and director-related parties+	**540**	585

\+ *Director-related parties include the immediate family members of the directors of the Bank, entities in which a director of the Bank or his family members have a substantial shareholding, and individuals, companies or firms whose credit facilities are guaranteed by the directors of the Bank.*

Deposits

Total Group deposits went up by 0.8% or $5.1 million to $644.7 million as at 31 December 2003, mainly attributable to higher deposits from the holding company.

Deposits analysed by product group

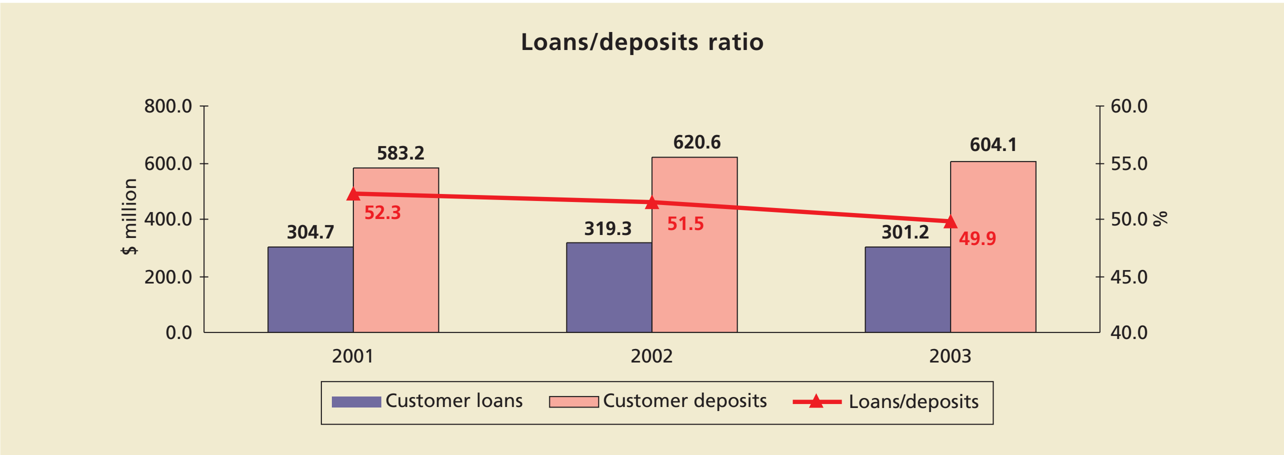
	2003		2002	
	$'000	**%**	$'000	%
Customer deposits				
Fixed deposits	**283,254**	**43.9**	304,419	47.6
Savings and other	**320,875**	**49.8**	316,159	49.4
	604,129	**93.7**	620,578	97.0
Fellow subsidiaries' deposits	**3,338**	**0.5**	3,140	0.5
Holding company's deposits	**37,252**	**5.8**	15,881	2.5
Total deposits	**644,719**	**100.0**	639,599	100.0

Deposits analysed by remaining maturity

	2003		2002	
	$'000	**%**	$'000	%
Within 1 year	**635,010**	**98.5**	634,571	99.2
Over 1 year but within 3 years	**5,824**	**0.9**	5,028	0.8
Over 3 years but within 5 years	**3,885**	**0.6**	–	–
Total deposits	**644,719**	**100.0**	639,599	100.0

Loans/deposits ratio

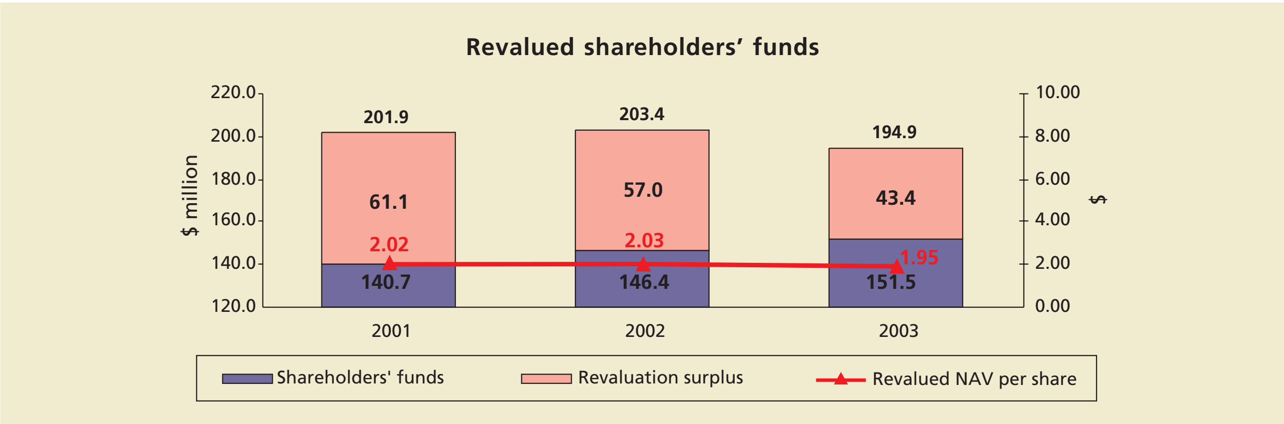
As a result of negative growth in customer deposits and net customer loans of 2.7% and 5.7% respectively, the loans-to-deposits ratio declined 1.6% points from 51.5% in 2002 to 49.9% in 2003.



Shareholders' funds

Group shareholders' funds stood at $151.5 million as at 31 December 2003 as compared to $146.4 million as at 31 December 2002.

Unrealised revaluation surpluses in properties and long-term investments amounting to $43.4 million as at 31 December 2003, were not incorporated into the Group's financial statements.



	2003	2002
	$'000	$'000
Shareholders' funds per book	**151,454**	146,376
Add: Surplus on revaluation (not incorporated in the financial statements)	**43,413**	57,038
Shareholders' funds including revaluation surplus	**194,867**	203,414
Net asset value (NAV) per share (in $)		
NAV per book	**1.51**	1.46
Revaluation surplus	**0.44**	0.57
Total revalued NAV	**1.95**	2.03

CAPITAL ADEQUACY RATIO (CAR)

The Capital Adequacy Ratio (CAR) of the Group was computed in accordance with the guidelines issued by the Basel Committee on Banking Supervision. As at 31 December 2003, the Group maintained a strong Total Capital ratio of 47.0%, which is well above the minimum of 8% and 12% as required by the Bank for International Settlements (BIS) and the Monetary Authority of Singapore respectively.

	2003	2002
	$'000	$'000
Capital		
Tier 1 – Core capital		
Share capital	**100,011**	100,011
Disclosed reserves	**50,029**	44,868
	150,040	144,879
Tier 2 – Supplementary capital		
Revaluation reserves on investments and properties*	**8,992**	11,989
General loan loss provisions+	**4,345**	4,412
	13,337	16,401
Total capital	**163,377**	161,280
Risk-weighted assets		
Total risk-weighted assets including market risk	**347,564**	352,961
Capital adequacy ratio		
Tier 1	**43.2%**	41.0%
Total capital	**47.0%**	45.7%

* *After discount of 55% in accordance with BIS guidelines.*

\+ *Excluding specific and earmarked provisions.*

CREDIT AND COUNTRY RISK MANAGEMENT

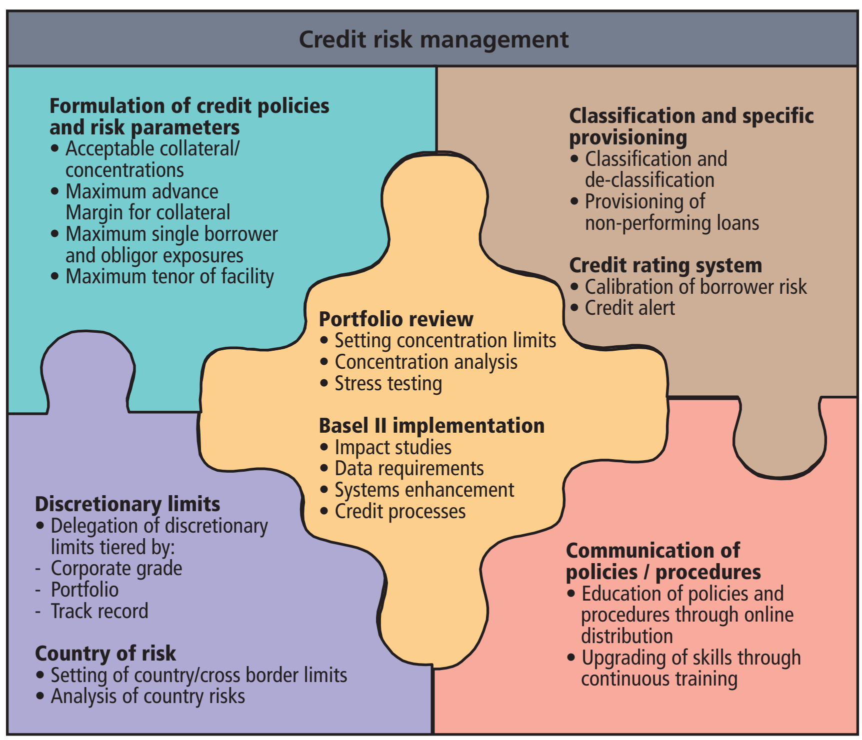
Credit risk

Counter-party and credit risk is defined as the potential loss arising from any failure by customers to fulfill their obligations, as and when they fall due. All credit exposures, whether on-balance sheet or off-balance sheet, are assessed. These obligations may arise from lending, trade finance, investments, receivables under derivative and foreign exchange contracts and other credit-related activities undertaken by the Group.

The Credit Committee, under delegated authority from the Board of Directors, approves credit policies, guidelines and procedures to control and monitor such risks. It has the day-to-day responsibility of identifying and managing portfolio and risk concentration issues, including country exposure and industry sector exposure. The risk parameters for accepting credit risk are clearly defined and complemented by policies and processes to ensure that the Group maintains a well-diversified and high quality credit portfolio.

Credit discretionary limits are delegated to officers of individual business units depending on their levels of experience. Approval of all credit is granted in accordance with credit policies and guidelines. Defined credit risk parameters include single borrower, obligor, collateral concentrations, identified high-risk areas, maximum tenor, acceptable structures and collateral types.

Policies are also in place to govern the approval of 'Related Parties' credit facilities. 'Related Parties' means individuals or companies with whom the authorised credit approving authority and/or his/her immediate family members have a relationship, whether as director, partner, shareholder or any other relationship which would give rise to a potential conflict of interest.



Credit relationships with 'Related Parties' must be established on a strictly arm's length commercial basis. An approving authority shall abstain and absent himself/herself from the deliberation and approval of credit cases where the borrower is a 'Related Party' except if the 'Related Party' is a:

- company of the Far Eastern Bank (FEB) Group;
- public listed company or company related to a public listed company;
- company formed by professional bodies, trade or clan associations or societies.

The Board of Directors must be informed immediately in the event that any 'Related Party' borrower is in default of payment and/or in breach of any material term of the credit facility and such default or breach is not rectified within seven days of notice from the Group.

A comprehensive set of limits (country, regional, industry and counter-party) is in place to address concentration issues in the Bank's portfolio and a rigorous process is established to regularly review and report asset concentrations and portfolio quality so that risks are accurately assessed, properly monitored and approved. These cover large credit exposures by obligor group, collateral type, industry, product, country, level of non-performing loans (NPLs) and adequacy of provisioning requirements.

In particular, the trends and composition of exposures to property-related loans are closely monitored, analysed and reported on an ongoing basis to ensure exposures are kept within regulatory limits and internal guidelines. The exposure concentrations and NPLs by industry type are reported to the Credit Committee and Executive Committee on a monthly basis and Board of Directors on a quarterly basis.

Credit audits and reviews are regularly carried out to proactively identify and address potential weaknesses in the credit process and to pre-empt any unexpected deterioration in the credit quality.

FEB's parent bank, United Overseas Bank Limited (UOB) has intensified its preparation for the New Basel Capital Accord (Basel II), which is scheduled to be implemented in 2007, by beefing up its resources and infrastructure to put in place the changes that will be brought about by the new credit risk requirements. UOB intends to adopt the Standardised Approach in 2007, but is working towards incorporating the best credit risk practices spelt out in the Advanced Internal Rating Based (IRB) Approach.

To this end, a steering committee has been set up comprising senior management of UOB from business, risk management and information technology areas to oversee the progress of the Basel II efforts. A number of working groups have been organised to identify requirements and progressively implement changes to systems and processes so as to meet the requirements under the Advanced IRB Approach. UOB has also engaged consultants with expertise in the relevant fields to provide advice on best practices in advanced credit risk management.

Customer loans

Loans and advances are made to customers in various industry segments and business lines.

Obligor groups are defined in accordance with the Monetary Authority of Singapore (MAS) Notice 623 to comply with Section 29 (1)(a) of the Banking Act. Where the parent company is a borrower, exposures to the parent company and companies that it has 20% or more shareholding or power to control are aggregated into a single obligor group.

As at 31 December 2003, about 56.3% of the exposure to customers resided in the personal financial services portfolio, which comprised mainly housing loans and other mortgage loans.

The composition of loans and advances to customers, contingent liabilities and corresponding non-performing portions are as follows:

	Loans and advances		Contingent liabilities		Non-performing loans	
By industry type (%)	**2003**	2002	**2003**	2002	**2003**	2002
Manufacturing	**5.8**	7.1	**4.9**	2.6	**–**	4.2
Building and construction	**4.5**	4.6	**5.7**	4.3	**0.9**	2.5
Housing loans	**38.0**	37.0	**–**	–	**24.2**	20.4
General commerce	**22.5**	20.9	**47.9**	23.0	**47.9**	45.6
Transport, storage and communication	**1.0**	3.5	**8.5**	8.9	**–**	–
Non-bank financial institutions	**4.5**	4.1	**12.6**	48.2	**4.4**	–
Professionals and private individuals	**18.3**	17.5	**5.3**	3.1	**19.3**	23.4
Others	**5.4**	5.3	**15.1**	9.9	**3.3**	3.9
Total (%)	**100.0**	100.0	**100.0**	100.0	**100.0**	100.0
Total gross loans ($ million)	**320.0**	337.2	**19.4**	28.6	**32.4**	29.2

Classification and provision of loans

The Bank classifies its loan portfolios according to the borrower's ability to repay the loan from its normal source of income. All loans and advances to customers are classified into the categories of 'Pass', 'Special Mention' or 'Non-performing'. Non-performing loans are further classified as 'Substandard', 'Doubtful' or 'Loss' in accordance with MAS Notice 612. The Bank also practises split classifications of 'Substandard – Doubtful' and 'Substandard – Loss', whereby 'Substandard' is the secured portion. Interest income on all non-performing loans is suspended and has ceased to accrue. Such loans will remain classified until servicing of the account is satisfactory. Where appropriate, classified loans are transferred to in-house recovery specialists to maximise recovery prospects.

Loan classification	**Description**
Pass	All payments are current and full repayment of interest and principal from normal sources is not in doubt.
Special Mention	There is some potential weakness in the borrower's creditworthiness, but the extent of any credit deterioration does not warrant its classification as a Non-performing loan.
Non-Performing: Substandard	There is weakness in the borrower's creditworthiness that jeopardises normal repayment. Default has occurred or is likely to occur. The loan is more than 90 days past due, the repayment schedule has been restructured.
Non-Performing: Substandard – Doubtful	The loan is partially secured by tangible collateral and the recovery rate on the unsecured portion is expected to be more than 50%.
Non-Performing: Substandard – Loss	The loan is partially secured by tangible collateral and the recovery rate on the unsecured portion is expected to be less than 50%.
Non-Performing: Doubtful	There is severe weakness in the borrower's creditworthiness, full repayment is highly questionable, and no collateral is available.
Non-Performing: Loss	The chance of recovery from the loan is insignificant and no collateral is available.

The Bank's provisions for credit losses are intended to cover probable credit losses through charges against profit. The provisions consist of an element that is specific to the individual loan and also a general element that has not been specifically applied. The Bank constantly reviews the quality of its loan portfolio based on its knowledge of the borrowers and where applicable, of the relevant industry and country of operation.

A specific provision is made when the Bank believes that the creditworthiness of a borrower has deteriorated to such an extent that the recovery of the whole outstanding loan is in doubt. The amount of specific provision to be made is based on the difference between the discounted cash flows (or collateral value) of an impaired loan and the carrying value of that loan. A general provision is made to cover possible losses and could be used to cushion any unforeseen losses in the loan portfolio.

Specific provisions are made for each loan grade in the following manner:

Loan classification	**Recovery expectation**	**Provision**
Substandard	> 90% to 100%	10% to 50% of any unsecured loan outstanding
Doubtful	50% to 90%	50% to 100% of any unsecured loan outstanding
Loss	< 50%	100% of any unsecured loan outstanding

Write-off

A classified account is written off where there is no realisable tangible collateral securing the account and all feasible avenues of recovery have been exhausted or the borrower and guarantors have been bankrupted, wound-up, and/or proof of debt filed. Approval from MAS must be obtained before accounts that fall within the list of MAS Notice 606 such as director-related loans, can be written off.

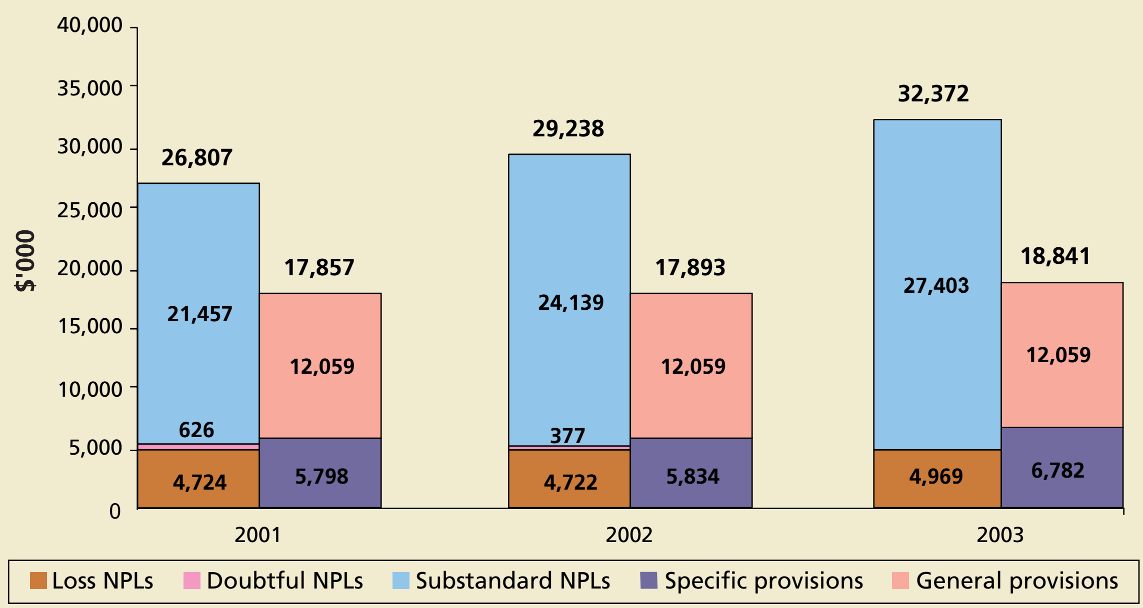
Non-performing loans (NPLs) and cumulative provisions

The Bank's non-performing loans (NPLs) increased 10.7% or $3.2 million from $29.2 million as at end 2002 to $32.4 million as at end 2003. The increase was in the Substandard category which amounted to 84.7% of the total NPLs.

Correspondingly, NPLs as a percentage of gross customer loans rose to 10.1% as compared to 8.7% as at end 2002.

In tandem with higher NPLs, total cumulative specific and general provisions for the Bank as at end 2003 increased by about $0.9 million or 5.3% to $18.8 million as compared to $17.9 million as at end 2002. As at 31 December 2003, general provisions were at $12.1 million or 64.0% of total cumulative provisions. The total cumulative provisions provided 58.2% cover against the Bank's NPLs and 379.2% of NPLs classified as Doubtful and Loss.

Group non-performing loans and cumulative provisions

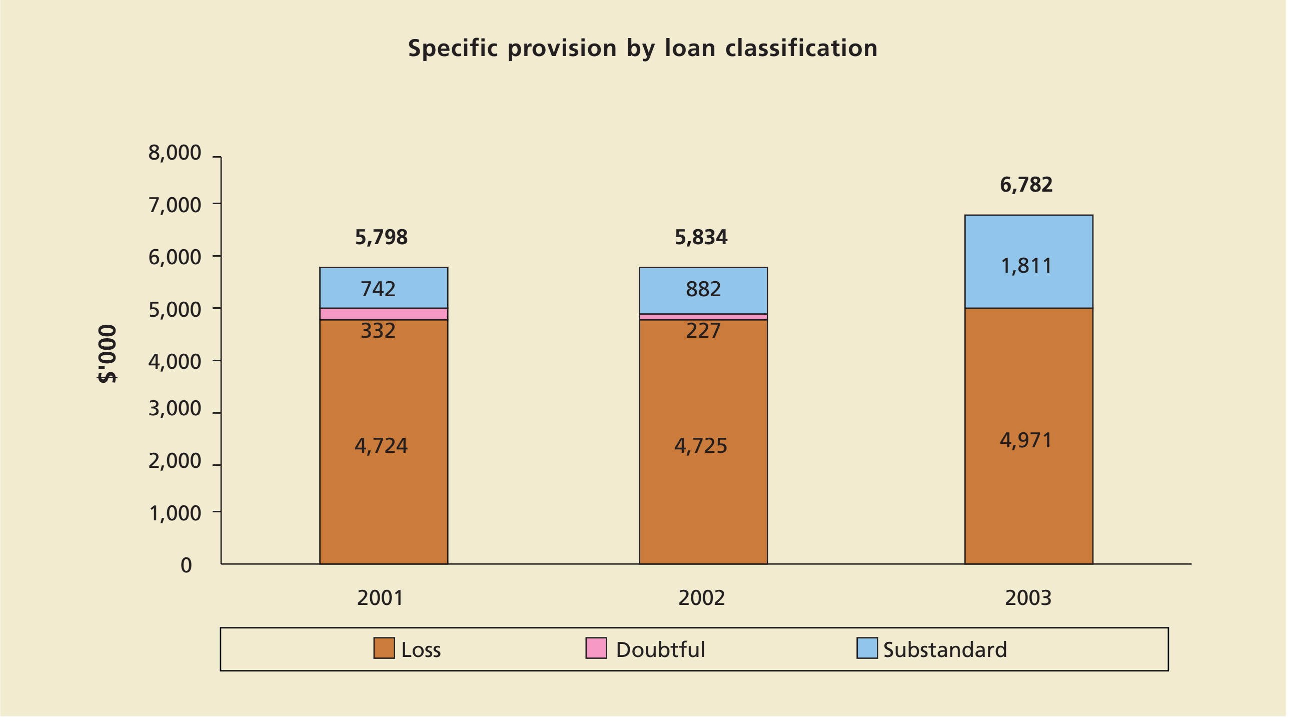


Ratios (%)	**2003**	2002	2001
NPLs/Gross customer loans	**10.1**	8.7	8.3
Cumulative provisions/NPLs	**58.2**	61.2	66.6
Cumulative provisions/Doubtful and Loss NPLs	**379.2**	350.9	333.8
Cumulative provisions/Unsecured NPLs	**312.6**	281.9	350.6
Cumulative provisions /Gross customer loans	**5.9**	5.3	5.5
General provisions/Gross customer loans (net of specific provisions)	**3.8**	3.6	3.8
NPLs/Total assets	**4.0**	3.7	3.6

Specific provisions

The Bank's specific provisions increased to $6.8 million as at end 2003. About 73.3% of specific provisions made for expected loan losses is for 'Loss' accounts.

The specific provisions for each classified loan grade are shown in the following chart:



Rescheduled and restructured accounts

A rescheduled account is one where repayment terms have been modified, but the principal terms and conditions of the original contract have not changed significantly. This is done to alleviate a temporary cash flow difficulty experienced by a borrower. It is expected that the problem is short-term and not likely to recur. The full amount of the debt is still repayable and no loss of principal or interest is expected.

When an account has been rescheduled three months before it meets the criteria for auto classification, the account can be graded as 'Performing'. However, if the rescheduling takes place after the account has been graded as 'Non-performing', it remains as such and is upgraded to 'Pass' after six months, provided there are no excesses and past dues.

A restructured account is one where the original terms and conditions of the facilities have been modified significantly to assist the borrower to overcome financial difficulties where the longer-term prospect of the business or project is still deemed to be viable. A restructuring exercise could encompass a change in the credit facility type or in the repayment schedule including moratorium or extension of interest and/or principal payments and reduction of accrued interest, including forgiveness of interest and/or reduction in interest rate charged.

When an account has been restructured based on financial consideration, the account will be graded as 'Non-Performing'. It can only be upgraded to 'Pass' after six months when all payments are current in terms of the restructured terms and conditions and there is no reasonable doubt as to the ultimate collectability of principal and interest.

Loans that were classified and restructured during the year were as follows:

Loan classification	**2003** Amount ($'000)	**2003** Specific provisions ($'000)	2002 Amount ($'000)	2002 Specific provisions ($'000)
Substandard	**–**	**–**	–	–
Doubtful	**–**	**–**	–	–
Loss	**111**	**111**	127	127
Total	**111**	**111**	127	127

Ageing of NPLs

The full outstanding balance of an account is deemed non-current and aged when there are arrears in interest servicing or principal repayment. The ageing of NPLs was as follows:

Ageing (Days)	**2003** Amount ($'000)	**2003** % of total NPLs	2002 Amount ($'000)	2002 % of total NPLs
Current	**2,080**	**6.4**	4,661	16.0
⩽ 90	**2,580**	**8.0**	1,955	6.7
91 to 180	**7,145**	**22.1**	6,501	22.2
⩾ 181	**20,567**	**63.5**	16,121	55.1
Total	**32,372**	**100.0**	29,238	100.0

Collateral types

The majority of the classified loans are secured by properties. Properties are valued at forced sale value and such valuations are updated semi-annually. Other types of collateral include marketable securities such as listed stocks and shares, cash and deposits, and bankers' standby letters of credit/guarantees.

The secured NPLs of the Bank by collateral type were as follows:

	2003 $'000	2002 $'000
Property	**25,815**	22,376
Marketable securities	**290**	227
Cash and deposits	**239**	288
Total	**26,344**	22,891

BALANCE SHEET RISK MANAGEMENT

Balance sheet risk is defined as the potential change in earnings arising from the effect of movements in interest rates and foreign exchange rates on the structural banking book of the Group that is not of a trading nature.

The Group's Asset Liability Committee (ALCO) approves the policies and limits for balance sheet risk. This risk is monitored and managed through the framework of approved policies and limits and reported regularly to ALCO, the Executive Committee of the Board and the Board of directors.

In carrying out its business activities the Group strives to meet customers' demands and preferences for products with various interest rate structures and maturities. Sensitivity to interest rate movements arises from mismatches in the repricing dates, cash flows and other characteristics of assets and liabilities. As interest rates and yield curves change over time, the size and nature of these mismatches may result in a gain or loss in earnings. In managing balance sheet risk, the primary objective, therefore, is to monitor and avert significant volatility in Net Interest Income (NII) and Economic Value of Equity (EVE). For instance, when there are significant changes in market interest rates, the Group will adjust its lending and deposit rates to the extent necessary to stabilise its NII.

The balance sheet interest rate risk exposure is calculated using a combination of dynamic simulation modelling techniques and static analysis tools, such as maturity/repricing schedules. The schedules provide a static indication of the potential impact on interest earnings through gap analysis of the mismatches of interest rate sensitive assets, liabilities and off-balance sheet items by time bands, according to their maturity (for fixed rate items) or remaining period to their next repricing (for floating rate items).

The table in **Note 34(c)** of Notes to the Financial Statements represents the Group's interest rate risk sensitivity based on repricing mismatches as at 31 December 2003. Interest rate risk will arise when more assets/liabilities than liabilities/assets are repriced in a given time band. A positive interest rate sensitivity gap exists when more interest sensitive assets than interest sensitive liabilities reprice during a given time period. This tends to benefit NII when interest rates are rising. Conversely, a negative interest rate sensitivity gap exists when more interest sensitive liabilities than interest sensitive assets reprice during a given time period. This tends to benefit NII when interest rates are falling. Interest rate sensitivity may also vary during repricing periods and among the currencies in which the Group has positions. As at 31 December 2003, the Group had an overall positive interest rate sensitivity gap of $122.8 million, excluding non-interest sensitive items. The actual effect on NII will depend on a number of factors, including variations in interest rates within the repricing periods, variations among currencies, and the extent to which repayments are made earlier or later than the contracted dates. The interest rate repricing profile, which includes lending, funding and liquidity activities, typically leads to a negative interest rate sensitivity gap in the shorter term.

Complementing the static analysis is the dynamic simulation modelling process. In this process, the Group applies both the earnings and the EVE approaches to measuring interest rate risk. The potential effects of changes in interest rates on NII are estimated by simulating the future course of interest rates, expected changes in the Group's business activities over time, as well as the effect of embedded options in the form of loans subject to prepayment and of deposits subject to preupliftment. The changes in interest rates include the simulation of changes in the shape of the yield curve, high and low rates, and implied forward interest rates.

EVE is simply the present value of the Group's assets less the present value of the Group's liabilities, currently held by the Group. In EVE sensitivity simulation modelling, the present values for all the Group's cash flows are computed, with the focus on changes in EVE under various interest rate environments. This economic perspective measures interest rate risk across the entire time spectrum of the balance sheet.

Stress testing is also performed regularly on balance sheet risk to determine the sensitivity of the Group's capital to the impact of more extreme interest rate movements. This stress testing is to show that even under more extreme market movements, for example the Asian financial crisis, its capital will not deteriorate beyond its approved risk tolerance. Such tests are also performed to provide early warning of potential worst-case losses so as to facilitate proactive management of these risks in the rapidly changing financial markets. The results of these stress testing are presented to ALCO, the Executive Committee and the Board of directors.

LIQUIDITY RISK MANAGEMENT

Liquidity risk is defined as the potential loss arising from the Group's inability to meet its contractual obligations when due. Liquidity risk arises in the general funding of the Group's activities and in the management of its assets. The Group maintains sufficient liquidity to fund its day-to-day operations, meet customer deposit withdrawals either on demand or at contractual maturity, meet customers' demand for new loans, participate in new investments when opportunities arise, and repay borrowings as they mature. Hence, liquidity is managed to meet known as well as unanticipated cash funding needs.

Liquidity risk is managed in accordance with a framework of liquidity policies, controls and limits approved by ALCO. These policies, controls and limits ensure that the Group maintains well diversified sources of funding, as well as sufficient liquidity to meet all its contractual obligations when due. The distribution of sources and maturities of deposits is managed actively in order to ensure cost effective and continued access to funds and to avoid a concentration of funding needs from any one source. Important factors in assuring liquidity are competitive pricing in interest rates and the maintenance of customers' confidence. Such confidence is founded on the Bank's good reputation, the strength of its earnings, and its strong financial position and credit rating.

The management of liquidity risk is carried out throughout the year by a combination of cash flow management, maintenance of high quality marketable securities and other short-term investments that can be readily converted to cash, diversification of the funding base, and proactive management of the Group's 'core deposits'. 'Core deposits' is a major source of liquidity for the Group. These 'core deposits' are generally stable non-bank deposits, like current accounts, savings accounts and fixed deposits. The Group monitors the stability of its 'core deposits' by analysing their volatility over time.

In accordance with the regulatory liquidity risk management framework, liquidity risk is measured and managed on a projected cash flow basis. The Group is required to monitor liquidity under "business as usual" and "bank-specific crisis" scenarios. Liquidity cash flow mismatch limits have been established to limit the Group's liquidity exposure. The Group has also identified certain early warning indicators and established the trigger points for possible contingency situations. These early warning indicators are monitored closely so that immediate action can be taken. On a tactical daily liquidity management level, Global Treasury – Asset Liability Management is responsible for effectively managing the overall liquidity cash flows in accordance with the Group's approved liquidity risk management policies and limits.

Liquidity contingency funding plans have been drawn up to ensure that alternative funding strategies are in place and can be implemented on a timely basis to minimise the liquidity risks that may arise upon the occurrence of a bank-specific crisis or dramatic change in market conditions. Under the plans, a team comprising senior management and representatives from all relevant units will direct the business units to take certain specified actions to create liquidity and continuous funding for the Group's operations.

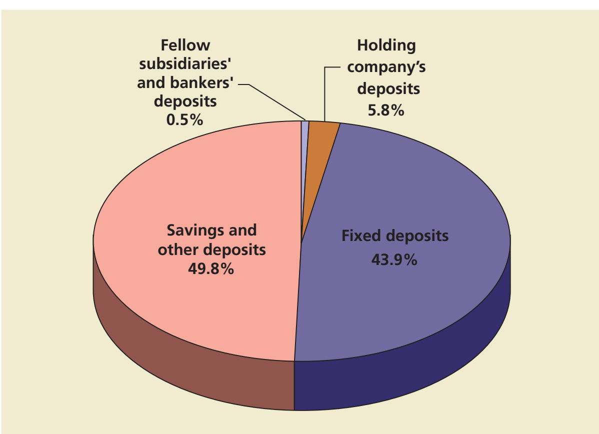
LIQUIDITY RISK MANAGEMENT (continued)

The table in **Note 34(d)** of Notes to the Financial Statements shows the maturity mismatch analysis of the Bank's nearer and longer-term time bands relating to the cash inflows and outflows based on contractual classifications arising from business activities. The projected net cash outflow in the 'Up to 7 Days' time band of $149.9 million comprises mainly customers' current accounts and savings accounts that are repayable on demand. However, when these customer deposits are adjusted for behavioural characteristics, the projected net cash outflow in the 'Up to 7 Days' time band is very much reduced as they are adjusted out to the longer-term time bands due to the stable nature of these customer deposits.

Sources of deposits

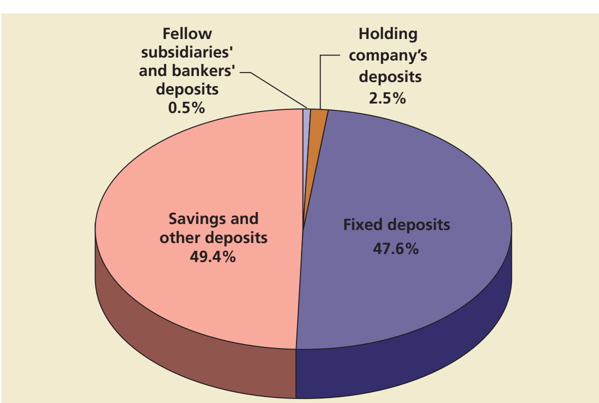
The Group has access to diverse funding sources. Liquidity is provided by a variety of both short-term and long-term instruments. The diversity of funding sources enhances funding flexibility, limits dependence on any one source of funds, and generally lowers the overall cost of funds. In making funding decisions, management considers market conditions, prevailing interest rates, liquidity needs, and the desired maturity profile of its liabilities.

Non-bank customers' fixed deposits, savings and other deposits continued to form a significant part of the Group's overall funding base in the year under review. As at 31 December 2003, customer deposits amounted to $604.1 million and accounted for 93.7% of total Group deposits. Fellow subsidiaries', bankers' and holding company's deposits on the other hand amounted to only $40.6 million and formed the remaining 6.3% of total Group deposits. In terms of deposits' mix, savings and other deposits comprised the majority of the funding base at 49.8% followed by fixed deposits at 43.9%.



Sources of deposits – 2003

	$ '000	%
Customer deposits		
Fixed deposits	**283,254**	**43.9**
Savings and other deposits	**320,875**	**49.8**
Fellow subsidiaries' and bankers' deposits	**3,338**	**0.5**
Holding company's deposits	**37,252**	**5.8**
Total deposits	**644,719**	**100.0**



Sources of deposits – 2002

	$ '000	%
Customer deposits		
Fixed deposits	304,419	47.6
Savings and other deposits	316,159	49.4
Fellow subsidiaries' and bankers' deposits	3,140	0.5
Holding company's deposits	15,881	2.5
Total deposits	639,599	100.0

OPERATIONAL RISK MANAGEMENT

Operational risk is defined as the potential loss arising from a breakdown in the Group's internal control or corporate governance that results in error, fraud, failure/delay to perform, or compromise of the Group's interests by employees. Operational risk also includes the potential loss arising from a major failure of computer systems and from disasters, for example, a major fire. Potential loss may be in the form of financial loss or other damages, for example, loss of reputation and public confidence that will impact the Group's credibility and ability to transact, maintain liquidity and obtain new business.

Operational risk is managed through a framework of policies, techniques and procedures as approved by the Group's Management Committee (MC).

This framework of techniques and procedures encompasses the building of Operational Risk Profiles (ORPs), the conduct of Operational Risk Self Assessment (ORSA) based on the ORPs, the development of an Operational Risk Action Plan (ORAP), the monitoring of Key Operational Risk Indicators (KORIs), the collection and analysis of risk events/loss data and the process for monitoring and reporting operational risk issues.

The building of ORPs involves risk identification, the assessment of inherent or absolute risks, as well as the identification and classification of management controls. The methodology provides the tool for the profiling of significant operational risks to which business and support units are exposed. These units then define the key management policies/procedures/controls that have been established to address the identified operational risks.

As part of the continual assessment, ORSA provides the business/support heads with an analytical tool to identify the wider operational risks, assesses the adequacy of controls over these risks, and identifies control deficiencies at an early stage so that timely action can be taken.

Where actions need to be taken, these are documented in the form of an ORAP for monitoring and reporting to top management.

KORIs are statistical data that are collected and monitored regularly by business units on an on-going basis for the early detection of potential areas of operational control weakness. Trend analysis is carried out to determine whether there are systemic issues to be addressed.

A Group policy and framework on incident reporting was established during the year to ensure consistent and accurate loss data collection. The loss database is being built and will facilitate the conduct of root cause analysis, thereby strengthening the operational risk management capability of the business units.

Included in the overall framework of operational risk is the disciplined product programme process. This process aims to ensure that the risks associated with each new product/service are identified, analysed and managed.

For the implementation of all online products and services, extra care and precautionary measures are taken to address and protect customers' confidentiality and interests. Clear instructions are also posted on the Group's website to advise and educate customers on the proper use and safekeeping of their access identification and passwords.

As part of the Group's comprehensive operational risk framework, an enhanced Group-wide Business Contingency Plan has been developed. In addition, in line with the increasing need to outsource internal operations in order to achieve cost efficiency, a Group policy has been established to regulate the outsourcing of services to third parties.

OPERATIONAL RISK MANAGEMENT (continued)

Risk transfer mechanisms, such as insurance, also form part of this framework. Identified operational risks with relatively high residual risk assessment ratings and new risks that are beyond the control of the Group will be scrutinised for insurability.

Legal risk is part of operational risk. Legal risk arises from inadequate documentation, legal or regulatory incapacity or insufficient authority of customers and uncertainty in the enforcement of contracts. This is managed through consultation with the Group's legal counsel and external counsel to ensure that legal advice is appropriately taken where necessary.

As part of preparations to comply with Basel II, the Group has started mapping all its business activities to the eight Business Lines as defined by the Basel Committee on Banking Supervision. The Group is expected to provide capital for operational risk using the Standardised Approach by 2007.

GROUP COMPLIANCE

The Group operates in an environment that is subject to a significant number of regulatory and operational compliance requirements. Risk Management & Compliance sector – Group Compliance is primarily responsible for ascertaining whether the appropriate control measures are in place for the Group to be reasonably assured that its businesses and operations are conducted in accordance with the relevant laws, regulations, policies and procedures. Where there are no explicit requirements, the Group adopts policies and procedures that are in line with best practices in the industry.

Group Compliance achieves its objectives through a team of dedicated Compliance Officers in key business lines and support units, including the Group's overseas branches and subsidiaries. These Compliance Officers monitor and enforce compliance with the relevant laws, regulations, policies and procedures in their respective areas, and report to the Head of Group Compliance who provides them with independent support and guidance to perform their tasks.

Group Compliance also spearheads the Group's efforts in ensuring that its businesses are not involved with money laundering and terrorist financing activities by issuing guidelines for business units to follow and by conducting reviews of compliance with these guidelines. Training sessions are also held to create and heighten staff awareness on the prevention of money laundering and terrorist financing activities.

During the year, there were many new developments in relation to the Securities and Futures Act and the Financial Advisers Act (FAA). A 'Customer Suitability Policy' was drawn up by Group Compliance to address compliance with these regulatory requirements. The Policy further includes a standard methodology to assess the risks of each investment product that the Group sells to its customers. The main intention is to guide customers in arriving at suitable investment decisions.

The directors present their report to the members together with the audited consolidated financial statements of the Group for the financial year ended 31 December 2003 and the balance sheet of the Bank at 31 December 2003.

Directors

The directors holding office at the date of this report are:

Mr Wee Cho Yaw
Mr Wee Ee Cheong
Mr Koh Beng Seng
Mr Lee Chin Chuan
Mr Ong Chu Meng
Mr Wong Meng Meng
Mr Sim Wong Hoo
Mr Philip Yeo Liat Kok
Prof Cham Tao Soon

Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Bank a party to any arrangement whose object was to enable the directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate, other than those issued in connection with the UOB 1999 Share Option Scheme as set out in this report.

Directors' interests in shares and share options

(a) The interests of the directors holding office at the end of the financial year in the share capital of the Bank and related corporations according to the register of directors' shareholdings were as follows:

	Number of ordinary shares of $1 each			
	Shareholdings registered in the name of directors		Shareholdings in which directors are deemed to have an interest	
	At 31.12.2003	At 1.1.2003	**At 31.12.2003**	At 1.1.2003
The Bank				
Mr Lee Chin Chuan	**538,178**	538,178	**4,455,443**	4,455,443
Mr Ong Chu Meng	**302,185**	302,185	**1,969,850**	1,969,850
United Overseas Bank Limited				
Mr Wee Cho Yaw	**16,390,248**	16,390,248	**210,608,142**	209,258,142
Mr Wee Ee Cheong	**2,794,899**	2,794,899	**144,985,251**	143,985,251
Mr Lee Chin Chuan	**–**	–	**83,727**	73,727
Prof Cham Tao Soon	**–**	–	**6,520**	4,520
United Overseas Insurance Limited				
Mr Wee Cho Yaw	**25,400**	25,400	**–**	–
Overseas Union Securities Limited				
Mr Ong Chu Meng	**3,125**	3,125	**–**	–

Directors' interests in shares and share options (continued)

(b) According to the register of directors' shareholdings, none of the directors holding office at 31 December 2003 had any interest in the share options in, or debentures of the Bank and related corporations, except as follows:

	Number of unissued ordinary shares of $1 each under option held by director	
	At 31.12.2003	At 1.1.2003
United Overseas Bank Limited		
Share Options		
Mr Koh Beng Seng	**50,000**	–

The share options which were granted pursuant to the UOB 1999 Share Option Scheme carry the right to subscribe for new ordinary shares of United Overseas Bank Limited. The exercise price of the share options outstanding at 31 December 2003 is $11.67 per share.

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than as disclosed in the consolidated financial statements and in this report) by reason of a contract made by the Bank or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except that certain directors received remuneration from related corporations in their capacity as directors and/or executives of those corporations.

Share options

(a) No options were granted by the Bank or any of its subsidiaries during the financial year to subscribe for unissued shares of the Bank or its subsidiaries.

(b) No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Bank or its subsidiaries.

(c) There were no unissued shares under option in respect of the Bank or its subsidiaries as at 31 December 2003.

On behalf of the directors

Wee Cho Yaw
Chairman

Wee Ee Cheong
Deputy Chairman

20 February 2004

STATEMENT BY DIRECTORS

for the financial year ended 31 December 2003

In the opinion of the directors, the balance sheet of the Bank and the financial statements of the Group as set out on pages 35 to 65 are drawn up so as to give a true and fair view of the state of affairs of the Bank and of the Group at 31 December 2003 and of the results of the business, and changes in equity and cash flows of the Group for the financial year then ended, and 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 directors

Wee Cho Yaw
Chairman

Wee Ee Cheong
Deputy Chairman

20 February 2004

AUDITORS' REPORT TO THE MEMBERS OF FAR EASTERN BANK LIMITED

for the financial year ended 31 December 2003

We have audited the balance sheet of Far Eastern Bank Limited and the consolidated financial statements of the Group for the financial year ended 31 December 2003 set out on pages 35 to 65. 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.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform our audit to obtain reasonable assurance 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 accompanying balance sheet of the Bank and 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 2003, and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and

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

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Bank are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and in respect of subsidiaries incorporated in Singapore did not include any comment made under Section 207(3) of the Act.

PricewaterhouseCoopers
Certified Public Accountants

Singapore, 20 February 2004

CONSOLIDATED INCOME STATEMENT

for the financial year ended 31 December 2003

	Note	The Group 2003 $'000	The Group 2002 $'000
Interest income	3	**17,432**	20,344
Less: Interest expense	4	**4,083**	6,584
Net interest income		**13,349**	13,760
Dividend income	5	**360**	385
Fee and commission income	6	**1,338**	1,562
Rental income	7	**3,517**	3,637
Other operating income	8	**1,497**	1,017
Income before operating expenses		**20,061**	20,361
Less:			
Staff costs	9	**1,454**	1,716
Other operating expenses	10	**8,573**	7,998
		10,027	9,714
Operating profit before provisions		**10,034**	10,647
Less: Provisions	11	**1,726**	1,287
Profit before tax		**8,308**	9,360
Less: Tax	12(a)	**1,670**	2,150
Net profit for the financial year attributable to members		**6,638**	7,210

The accompanying notes form an integral part of these financial statements.

Auditors' Report – Page 34.

BALANCE SHEETS

as at 31 December 2003

		The Group		The Bank	
	Note	**2003**	2002	**2003**	2002
		$'000	$'000	**$'000**	$'000
Share capital and reserves					
Share capital	13	**100,011**	100,011	**100,011**	100,011
Statutory reserve	14	**41,900**	38,500	**41,900**	38,500
Revenue reserves	15	**9,543**	7,865	**9,537**	7,858
		151,454	146,376	**151,448**	146,369
Liabilities					
Current, fixed, savings accounts and other deposits of non-bank customers	16(b)	**604,129**	620,578	**604,129**	620,578
Deposits and balances of banks and agents		**–**	–	**–**	–
Deposits of and amounts owing to fellow subsidiaries		**3,338**	3,140	**3,338**	3,140
Deposits from subsidiaries		**–**	–	**114**	115
Deposits from holding company		**37,252**	15,881	**37,252**	15,881
	16(a)	**644,719**	639,599	**644,833**	639,714
Bills and drafts payable		**2,077**	1,194	**2,077**	1,194
Provision for current tax		**1,599**	1,977	**1,599**	1,977
Other liabilities	17	**3,065**	3,467	**3,062**	3,464
		651,460	646,237	**651,571**	646,349
		802,914	792,613	**803,019**	792,718
Off-balance sheet items					
Contingent liabilities	29	**19,442**	28,553	**19,442**	28,553
Derivative financial instruments	30	**2,450**	1,640	**2,450**	1,640
Commitments	31	**160,441**	177,802	**160,441**	177,802

	Note	The Group 2003 $'000	The Group 2002 $'000	The Bank 2003 $'000	The Bank 2002 $'000
Assets					
Cash and balances with central bank		**17,140**	18,444	**17,140**	18,444
Singapore Government treasury bills and securities	18	**64,712**	91,060	**64,712**	91,060
Placements and balances with banks and agents	19	**7,023**	6,784	**7,023**	6,784
Trade bills	20	**860**	898	**860**	898
Advances to customers	20	**300,374**	318,396	**300,374**	318,396
Placements with fellow subsidiaries		**233**	237	**233**	237
Deferred tax asset	12(c)	**1,418**	1,439	**1,418**	1,439
Other assets	21	**2,159**	2,004	**2,159**	2,004
Placements with and net amount owing by holding company	22	**396,420**	339,519	**396,420**	339,519
		790,339	778,781	**790,339**	778,781
Investment securities	23	**519**	594	**519**	594
Investments in associates of holding company	24	**679**	679	**679**	679
Investment in fellow subsidiary	25	**129**	189	**129**	189
Investments in subsidiaries	26	**–**	–	**105**	105
Fixed assets	27	**11,248**	12,370	**11,248**	12,370
		802,914	792,613	**803,019**	792,718

The accompanying notes form an integral part of these financial statements.

Auditors' Report – Page 34.

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

for the financial year ended 31 December 2003

(a) **Recognised gains and losses**

There are no gains and losses that are recognised directly in the reserves of the Group for the financial years ended 31 December 2003 and 31 December 2002. The total recognised gains and losses of the Group for both the financial years are the same as their respective net profits for the financial year attributable to members.

(b) **Prior year adjustment**

	The Group
	2002
	$'000
Prior year adjustment arising from a change in accounting policy for investments as set out in Note 2(e)	
Decrease in retained profits at 31 December 2002	356

(c) **Changes in shareholders' equity**

Changes in shareholders' equity for the Group and the Bank are set out in Notes 13 to 15.

The accompanying notes form an integral part of these financial statements.

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CONSOLIDATED CASH FLOW STATEMENT

for the financial year ended 31 December 2003

	2003	2002
	$'000	$'000
Cash flows from operating activities		
Profit before tax	**8,308**	9,360
Adjustments for:		
Depreciation	**549**	575
(Write-back of provision)/provision for impairment of land and buildings	**(30)**	50
Operating profit before working capital changes	**8,827**	9,985
Working capital changes:		
Deposits	**(16,449)**	37,250
Bills and drafts payable	**883**	250
Other liabilities	**(402)**	(1,420)
Placements and balances with banks and agents	**(239)**	1,339
Trade bills and advances to customers	**18,060**	(14,570)
Other assets	**(155)**	(684)
Net balance of related companies	**(35,328)**	24,373
Cash (used in)/generated from operations	**(24,803)**	56,523
Income tax paid	**(2,027)**	(3,205)
Net cash (used in)/from operating activities	**(26,830)**	53,318
Cash flows from investing activities		
Net decrease in fixed assets	**603**	21
Net decrease in investment securities	**135**	10
Net cash from investing activities	**738**	31
Cash flows from financing activities		
Dividend paid by the Bank	**(1,560)**	(1,560)
Net cash used in financing activities	**(1,560)**	(1,560)
Net (decrease)/increase in cash and cash equivalents	**(27,652)**	51,789
Cash and cash equivalents at beginning of the financial year	**109,504**	57,715
Cash and cash equivalents at end of the financial year (Note 32)	**81,852**	109,504

The accompanying notes form an integral part of these financial statements.

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

1 General

The Bank is incorporated and domiciled in Singapore. The address of its registered office is as follows:

80 Raffles Place
UOB Plaza
Singapore 048624

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 26 to the financial statements.

2 Significant accounting policies

(a) **Effect of changes in Singapore Companies Legislation**

Pursuant to the Singapore Companies (Amendment) Act 2002, with effect from the financial year commencing on or after 1 January 2003, Singapore-incorporated companies are required to prepare and present their statutory financial statements in accordance with Singapore Financial Reporting Standards ("FRS"). Hence, these financial statements, including the comparative figures, have been prepared in accordance with FRS.

Previously, the Group and the Bank prepared their statutory financial statements in accordance with the Singapore Statements of Accounting Standard. The adoption of FRS does not have a material impact on the accounting policies and figures presented in the statutory financial statements for the financial years ended 31 December 2002 and 2003.

(b) **Basis of accounting**

These financial statements are presented in Singapore dollars, the measurement currency of the Group and the Bank.

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 Singapore Financial Reporting Standards 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 those 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) **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.

(e) **Investments**

(i) Following the revision of Notice to Banks, MAS 605 – Revaluation of Assets, issued by the Monetary Authority of Singapore, which allows banks to mark to market their trading portfolios, the Group and the Bank have changed their accounting policy as follows:

– Singapore Government treasury bills, other than those held for trading, are stated at the lower of cost and market value, determined on an aggregate basis.

– Singapore Government securities, other than those held for trading, are stated at cost (adjusted for amortisation of premium or discount) and provisions are made for diminution in value, other than temporary, determined on an individual basis.

– Dealing securities are initially recognised in the balance sheets at amounts paid and are subsequently remeasured to fair value. The resultant profits and losses are taken up in the income statements.

Prior to 1 January 2003:

– Singapore Government treasury bills and securities were stated at the lower of cost (without adjustment for amortisation of premium or discount) and market value determined on an aggregate basis.

– Dealing securities were stated at the lower of cost and market value determined on an aggregate basis.

The new accounting policy has been applied retrospectively, with the financial statements, including prior-year comparatives, being presented as if the new accounting policy had always been in use. The comparatives have been restated to conform to the changed policy as follows:

	2002 The Group and The Bank $'000
Balance sheet	
Decrease in Singapore Government treasury bills and securities	(396)
Decrease in provision for current tax	40
Decrease in retained profits	(356)
Income statement	
Decrease in profit after tax for the year	(356)

Had the accounting policy for investment not been changed, the effects on the financial statements for the financial year ended 31 December 2003 would have been as follows:

	2003 **The Group and The Bank** **$'000**
Balance sheet	
Increase in Singapore Government treasury bills and securities	**388**
Increase in provision for current tax	**(39)**
Increase in retained profits	**349**
Income statement	
Decrease in profit after tax for the year	**(7)**

2 Significant accounting policies

(e) **Investments** (continued)

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

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

(iii) Investments in associates, fellow subsidiaries and subsidiaries are stated at cost and provisions are made for impairment, determined on an individual basis.

(f) **Cash and cash equivalents**

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.

(g) **Revenue recognition**

(i) Interest income is recognised on an accrual basis.

(ii) Dividend income from investments is taken up gross in the income statements of the accounting period in which the dividend is received.

(iii) Profits and losses on disposal of investments are taken up in the income statements.

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

(h) **Fixed assets and depreciation**

Fixed assets are stated at cost less accumulated depreciation. 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.

(i) **Tax**

Deferred income tax is determined on the basis of tax effect accounting using the liability method. Deferred tax is provided in full on significant temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred income tax.

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

Deferred income tax is provided on significant temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(j) **Foreign currencies**

Foreign currency monetary assets and liabilities are translated to Singapore dollars at the rates of exchange ruling at the balance sheet date. Foreign currency transactions during the year are converted to Singapore dollars at the rates of exchange ruling on the transaction dates. All exchange differences are taken up in the income statements.

(k) **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 remeasured at fair value and the resultant profits or losses are taken up in the income statements.

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

(l) **Impairment**

Investments in associates, fellow subsidiaries, 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.

(m) **Provisions**

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

Provisions for possible loan losses, diminution in value or 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.

(n) **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 Executives' Share Option Scheme and the UOB 1999 Share Option Scheme (hereinafter called "the Schemes"), subject to certain restrictions.

Pursuant to these Schemes, options have been awarded 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 these Schemes as a charge to the income statements.

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 income statements as and when they arise and are included as part of staff costs.

(o) **Dividends**

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

(p) **Comparatives**

Where necessary, comparative figures have been adjusted to conform with changes in the current presentation. Where applicable, the comparatives have been adjusted or extended to take into account the change in accounting policy for investments [see Note 2 (e)].

3 Interest income

	The Group	
	2003	2002
	$'000	$'000
Singapore Government treasury bills and securities	**2,046**	1,756
Trade bills and advances to customers	**13,521**	15,719
Inter-bank balances	**1,865**	2,869
	17,432	20,344
Received/receivable from:		
Holding company	**1,791**	2,827
Third parties	**15,641**	17,517
	17,432	20,344

4 Interest expense

	The Group	
	2003	2002
	$'000	$'000
Non-bank deposits	**4,052**	6,548
Inter-bank balances	**31**	36
	4,083	6,584
Paid/payable to:		
Holding company	**17**	36
Fellow subsidiaries	**17**	21
Third parties	**4,049**	6,527
	4,083	6,584

5 Dividend income

	The Group	
	2003	2002
	$'000	$'000
Dividend income from:		
Investment in an unquoted fellow subsidiary	**273**	350
Other quoted investments	**87**	35
	360	385

6 Fee and commission income

	The Group	
	2003	2002
	$'000	$'000
Investment-related	**1**	78
Loan and trade-related	**780**	1,015
Other	**557**	469
	1,338	1,562

7 Rental income

Rental income represents income from the tenanted areas of the buildings owned by the Bank.

8 Other operating income

	The Group	
	2003	2002
	$'000	$'000
Net profit on disposal of investment securities and Singapore Government treasury bills and securities	**61**	1
Net profit on foreign exchange dealings	**127**	136
Net profit/(loss) on sale of fixed assets	**468**	(31)
Other income	**841**	911
	1,497	1,017

9 Staff costs

(a)

	The Group	
	2003	2002
	$'000	$'000
Wages and salaries	**1,150**	1,254
Employer's contribution to the Central Provident Fund	**167**	184
Retrenchment benefits	**–**	179
Other staff-related costs	**137**	99
	1,454	1,716

(b)

	The Group	
	2003	2002
Number of employees at the balance sheet date	**40**	34

10 Other operating expenses

	The Group	
	2003	2002
	$'000	$'000
Included in other operating expenses are the following:		
Depreciation of fixed assets	**549**	575
Rental of premises and equipment	**124**	128
Maintenance of premises and other assets	**400**	407
Other expenses of premises	**597**	607
Auditors' remuneration:		
Audit fees	**54**	54
Other fees	**9**	4
Fees payable to directors of the Bank	**63**	59

11 Provisions

Provisions charged/(credited) to the consolidated income statement during the financial year are as follows:

	The Group	
	2003	2002
	$'000	$'000
Specific provisions for and net write-offs of trade bills and advances to customers	**1,752**	1,237
Provisions for diminution in value of investments	**4**	–
(Write-back of provisions)/provisions for impairment of land and buildings	**(30)**	50
	1,726	1,287

12 Tax

(a) **Tax expense**

The tax charge to the consolidated income statement comprises the following:

	The Group	
	2003	2002
	$'000	$'000
On the profit of the financial year:		
Current tax	**1,683**	2,017
Deferred tax	**21**	(27)
	1,704	1,990
(Over)/underprovision in preceding financial year:		
Current tax	**(34)**	–
Deferred tax resulting from reduction in income tax rate	**–**	160
	1,670	2,150

(b) **Tax reconciliation**

The tax charge on the results of the Group 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	
	2003	2002
	$'000	$'000
Profit before tax	**8,308**	9,360
Tax calculated at a tax rate of 22% (2002: 22%)	**1,828**	2,059
Effects on:		
Singapore statutory stepped income exemption	**(12)**	(12)
Net income not taxable for tax purposes	**(45)**	(32)
Income taxed at a concessionary rate of 10%	**(67)**	(25)
	1,704	1,990

(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

	Accelerated tax depreciation	
	2003	2002
	$'000	$'000
Deferred tax liability		
At 1 January	**418**	496
Charged/(credited) to income statements		
– due to temporary differences	**21**	(27)
– due to reduction in income tax rate	**–**	(51)
At 31 December	**439**	418

	Non-tax deductible general provision	
	2003	2002
	$'000	$'000
Deferred tax asset		
At 1 January	**1,857**	2,068
Charged to income statements		
– due to reduction in income tax rate	**–**	(211)
At 31 December	**1,857**	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	
	2003	2002
	$'000	$'000
Deferred tax asset	**1,857**	1,857
Deferred tax liability	**(439)**	(418)
Deferred tax asset (net) shown in balance sheets	**1,418**	1,439

13 Share capital of the Group and the Bank

(a) **Authorised ordinary share capital**

The total authorised number of ordinary shares is 200,000,000 shares (2002: 200,000,000 shares) with a par value of $1 per share (2002: $1 per share).

(b) **Issued and fully paid ordinary share capital**

The number of issued ordinary shares at 31 December 2003 is 100,010,566 shares (2002: 100,010,566 shares) with a par value of $1 per share. The issued shares were fully paid.

14 Statutory reserve

	The Group and The Bank	
	2003	2002
	$'000	$'000
Balance at 1 January	**38,500**	34,500
Transfer from revenue reserves (Note 15)	**3,400**	4,000
Balance at 31 December	**41,900**	38,500

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**

	2003			2002		
	General reserve	**Retained profits**	**Total**	General reserve	Retained profits	Total
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Balance at 1 January						
As previously reported	**4,000**	**4,221**	**8,221**	2,000	4,215	6,215
Prior year adjustment for change in accounting policy	**–**	**(356)**	**(356)**	–	–	–
As restated	**4,000**	**3,865**	**7,865**	2,000	4,215	6,215
Net profit for the financial year attributable to members	**–**	**6,638**	**6,638**	–	7,210	7,210
Transfer to general reserve	**2,600**	**(2,600)**	**–**	2,000	(2,000)	–
Transfer to statutory reserve (Note 14)	**–**	**(3,400)**	**(3,400)**	–	(4,000)	(4,000)
Final dividend in respect of financial year ended 31 December 2002 (2002: 31 December 2001) of 2 cents per share paid, net of tax at 22%	**–**	**(1,560)**	**(1,560)**	–	(1,560)	(1,560)
Balance at 31 December	**6,600**	**2,943**	**9,543**	4,000	3,865	7,865

(b) **The Bank**

	2003			2002		
	General reserve $'000	**Retained profits $'000**	**Total $'000**	General reserve $'000	Retained profits $'000	Total $'000
Balance at 1 January						
As previously reported	**4,000**	**4,214**	**8,214**	2,000	4,207	6,207
Prior year adjustment for change in accounting policy	**–**	**(356)**	**(356)**	–	–	–
As restated	**4,000**	**3,858**	**7,858**	2,000	4,207	6,207
Net profit for the financial year attributable to members	**–**	**6,639**	**6,639**	–	7,211	7,211
Transfer to general reserve	**2,600**	**(2,600)**	**–**	2,000	(2,000)	–
Transfer to statutory reserve (Note 14)	**–**	**(3,400)**	**(3,400)**	–	(4,000)	(4,000)
Final dividend in respect of financial year ended 31 December 2002 (2002: 31 December 2001) of 2 cents per share paid, net of tax at 22%	**–**	**(1,560)**	**(1,560)**	–	(1,560)	(1,560)
Balance at 31 December	**6,600**	**2,937**	**9,537**	4,000	3,858	7,858

(c) In each financial year, the Group and the Bank transfer a certain amount of retained profits to the general reserve. 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, banks and agents, subsidiaries, fellow subsidiaries and holding company

(a)

	The Group		**The Bank**	
	2003 $'000	2002 $'000	**2003 $'000**	2002 $'000
Analysed by maturity period:				
Within 1 year	**635,010**	634,571	**635,124**	634,686
Over 1 year but within 3 years	**5,824**	5,028	**5,824**	5,028
Over 3 years but within 5 years	**3,885**	–	**3,885**	–
	644,719	639,599	**644,833**	639,714

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

(b)

	The Group and The Bank	
	2003	2002
	$'000	$'000
Included in deposits of non-bank customers are:		
Fixed deposits	**283,254**	304,419
Savings and other	**320,875**	316,159
	604,129	620,578

17 Other liabilities

	The Group		The Bank	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Accrued interest payable	**1,417**	1,873	**1,417**	1,874
Provisions for other liabilities and charges	**276**	274	**275**	273
Other liabilities	**1,372**	1,320	**1,370**	1,317
	3,065	3,467	**3,062**	3,464

18 Singapore Government treasury bills and securities

	The Group and The Bank	
	2003	2002
	$'000	$'000
At cost adjusted for premium and discount	**64,716**	91,060
Provisions for diminution in value	**(4)**	–
	64,712	91,060
Market value at 31 December	**65,104**	92,495

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

	The Group and The Bank	
	2003	2002
	$'000	$'000
At 1 January	**–**	–
Charge to income statement	**4**	–
At 31 December	**4**	–

19 Placements and balances with banks and agents

	The Group and The Bank	
	2003	2002
	$'000	$'000
Analysed by maturity period:		
Within 1 year	**7,023**	6,784

20 Trade bills and advances to customers

(a)

	The Group and The Bank	
	2003	2002
	$'000	$'000
Gross trade bills	**860**	898
Gross advances to customers	**319,215**	336,289
Specific provisions	**(4,231)**	(3,456)
Interest-in-suspense	**(2,551)**	(2,378)
General provisions	**(12,059)**	(12,059)
	300,374	318,396
Total gross trade bills and advances to customers	**320,075**	337,187

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

	The Group and The Bank	
	2003	2002
	$'000	$'000
Within 1 year	**139,053**	155,839
Over 1 year but within 3 years	**27,123**	28,401
Over 3 years but within 5 years	**24,215**	23,467
Over 5 years	**129,684**	129,480
	320,075	337,187

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

	The Group and The Bank			
	2003		2002	
	$'000	**%**	$'000	%
Manufacturing	**18,667**	**6**	23,935	7
Building and construction	**14,476**	**5**	15,441	5
Housing	**121,729**	**38**	124,692	37
General commerce	**72,000**	**23**	70,379	21
Transport, storage and communications	**3,305**	**1**	11,994	4
Non-bank financial institutions	**14,260**	**4**	13,738	4
Professionals and private individuals (excluding housing loans)	**58,568**	**18**	59,133	17
Other	**17,070**	**5**	17,875	5
	320,075	**100**	337,187	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	
	2003	2002
	$'000	$'000
Substandard	**27,403**	24,139
Doubtful	**–**	377
Loss	**4,969**	4,722
Total non-performing loans	**32,372**	29,238

Non-performing loans are those classified as Substandard, Doubtful and Loss in accordance with MAS Notice 612. All foreseeable losses relating to these non-performing loans have been provided for in the financial statements.

(e) The movements in provisions are as follows:

	The Group and The Bank							
	2003				2002			
	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	**3,456**	**2,950**	**12,059**	**18,465**	3,701	2,753	12,059	18,513
Write-off against provisions	**(828)**	**(519)**	**–**	**(1,347)**	(1,404)	(586)	–	(1,990)
Net charge to income statements	**1,603**	**–**	**–**	**1,603**	1,159	–	–	1,159
Interest suspended	**–**	**806**	**–**	**806**	–	783	–	783
Balance at 31 December	**4,231**	**3,237**	**12,059**	**19,527**	3,456	2,950	12,059	18,465

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	
	2003	2002
	$'000	$'000
Interest receivable	**1,696**	1,944
Interest-in-suspense [Note 20(e)]	**(686)**	(572)
	1,010	1,372
Other	**1,149**	632
	2,159	2,004

22 Holding company

The Bank is a member of the United Overseas Bank Group. The immediate and ultimate holding company is United Overseas Bank Limited, a company incorporated in Singapore.

23 Investment securities

	The Group and The Bank	
	2003	2002
	$'000	$'000
Quoted equity investments, at cost	**519**	594
Market value at 31 December	**784**	846

24 Investments in associates of holding company

	The Group and The Bank	
	2003	2002
	$'000	$'000
Unquoted equity investments:		
At cost	**1,250**	1,250
Provisions for impairment	**(571)**	(571)
	679	679
Total investments in associates of holding company	**679**	679

25 Investment in fellow subsidiary

	The Group and The Bank	
	2003	2002
	$'000	$'000
Unquoted equity shares, at cost	**129**	189

The details of the fellow subsidiary are set out below:

Name of fellow subsidiary	Principal activities	Country of incorporation and place of business	Bank's interest therein 2003 and 2002
UOBT (2003) Limited (formerly known as United Overseas Bank Trustee Ltd)	Trustee and investment management services	Singapore	20%

26 Investments in subsidiaries

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

	The Bank	
	2003	2002
	$'000	$'000
Unquoted equity shares, at cost	**105**	105

Subsidiaries	Principal activities	Country of incorporation and place of business	Cost of Bank's investment	
			2003	2002
			$'000	$'000
FEB Realty Company Pte Ltd	Dormant	Singapore	**100**	100
Far Eastern Bank Nominees Private Limited	Nominee services	Singapore	**5**	5
			105	105

27 Fixed assets

(a)

	The Group and The Bank					
	2003			2002		
	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	**20,835**	**3,547**	**24,382**	20,835	4,288	25,123
Accumulated depreciation	**(7,525)**	**(3,415)**	**(10,940)**	(7,016)	(4,069)	(11,085)
Provision for impairment	**(1,072)**	**–**	**(1,072)**	(1,022)	–	(1,022)
Net book value	**12,238**	**132**	**12,370**	12,797	219	13,016
Movements during the financial year:						
Additions	**–**	**257**	**257**	–	21	21
Disposals	**(860)**	**–**	**(860)**	–	(42)	(42)
Write-back/(charge) in provision for impairment	**30**	**–**	**30**	(50)	–	(50)
Depreciation charge	**(504)**	**(45)**	**(549)**	(509)	(66)	(575)
Net book value at 31 December	**10,904**	**344**	**11,248**	12,238	132	12,370
Balance at 31 December:						
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

(b) Based on directors' valuation, the estimated market value of the land and buildings of the Group and the Bank as at 31 December 2003 is $54 milllion (2002: $69 million). The excess of the estimated market values over the net book values 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 at 31 December 2003 amounting to $10.2 million (2002: $10.6 million). The rest of the properties is freehold.

28 Dividends

The directors have proposed a final dividend in respect of the financial year ended 31 December 2003 of 2 cents per share net of tax at 22%, amounting to a total of $1,560,000. 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 2004. The final dividend for 2002 was 2 cents per share net of tax at 22% amounting to a total of $1,560,000.

29 Contingent liabilities

	The Group and The Bank	
	2003	2002
	$'000	$'000
Direct credit substitutes	**8,083**	8,510
Transaction-related contingencies	**2,624**	2,351
Trade-related contingencies	**8,735**	17,692
	19,442	28,553

In their normal course of business, the Group and the Bank conduct business involving acceptances, guarantees, performance bonds and indemnities. The majority of these facilities is offset by corresponding obligations of third parties.

30 Derivative financial instruments

(a)

	The Group and The Bank					
	2003			2002		
	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)	**2,450**	**23**	**6**	1,640	18	5

(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 its 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 34.

The table above analyse 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 values of the derivatives and, therefore, do not represent total amounts at risk.

31 Commitments

	The Group and The Bank	
	2003	2002
	$'000	$'000
Undrawn credit facilities	**160,341**	177,702
Other	**100**	100
	160,441	177,802

32 Cash and cash equivalents

	The Group	
	2003	2002
	$'000	$'000
Cash and balances with central bank	**17,140**	18,444
Singapore Government treasury bills and securities	**64,712**	91,060
	81,852	109,504

33 Results and total assets by geographical region

The results and total assets of the Group and the Bank arise entirely in Singapore, based on the location where the transactions and assets are booked.

34 Financial risk management

The Group's activities are principally related to transacting in and the use of financial instruments, including derivatives. Transactions in, and the use of, financial instruments 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 policies approved by the directors of the Bank and its holding company. Accordingly, the Group adopts the risk management policies of the UOB Group. These policies not only include the parameters for the risks that the Group may undertake for the various financial instruments, but also directions on the types of business that the Group may engage in, guidelines for accepting customers for all types of financial instruments and the terms under which customer business is conducted.

The various specialist committees of the UOB Group have established processes to identify, measure, monitor and ultimately, mitigate these financial risks. Additionally, the Board of Directors of the Bank and its holding company, and the UOB Group's Risk Management & Compliance Sector provide an independent oversight to ensure that those risk management policies are complied with through a variety of established controls and reporting processes.

Discussions on 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 or counterparties to fulfill 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 off-balance sheet derivatives, the Group adopts the UOB Group's counterparty risk policies that set out approved counterparties with which 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 2003 and 31 December 2002.

The Group also has potential credit risk exposure to undrawn credit facilities of $160 million (2002: $178 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.

(b) **Foreign exchange risk**

Foreign exchange risk is the risk to earnings and value of 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 Business Area Control unit.

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.

34 Financial risk management

(b) **Foreign exchange risk** (continued)

	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 banks, agents and 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)**	**–**

	The Group 2002		
	Singapore dollars $'000	Other $'000	Total $'000
Assets			
Cash and balances with central bank	18,430	14	18,444
Singapore Government treasury bills and securities	91,060	–	91,060
Placements and balances with banks, agents and related companies	335,397	11,143	346,540
Trade bills and advances to customers	309,076	10,218	319,294
Fixed assets	12,370	–	12,370
Other	4,876	29	4,905
	771,209	21,404	792,613
Liabilities			
Current, fixed, savings accounts and other deposits of non-bank customers	611,066	9,512	620,578
Deposits and balances of banks, agents and related companies	8,390	10,631	19,021
Bills and drafts payable	1,191	3	1,194
Other	4,867	577	5,444
	625,514	20,723	646,237
Shareholders' funds	146,376	–	146,376
	771,890	20,723	792,613
Net on-balance sheet position	(681)	681	–
Net off-balance sheet position	945	(945)	–
Net foreign currency gap	264	(264)	–

(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 policies.

34 Financial risk management

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

The table below shows the interest rate sensitivity gap, by time bands, 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 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 banks, agents and 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	–

	The Group 2002									
	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	18,444	18,444	–	–	–	–	–	–	–	–
Singapore Government treasury bills and securities	91,060	–	–	–	–	18,381	64,424	8,255	91,060	3.82
Placements and balances with banks, agents and related companies	346,540	–	74,540	272,000	–	–	–	–	346,540	0.66
Trade bills and advances to customers	319,294	–	188,251	6,486	11,346	95,393	17,729	89	319,294	4.75
Other	17,275	17,275	–	–	–	–	–	–	–	–
	792,613	35,719	262,791	278,486	11,346	113,774	82,153	8,344	756,894	–
Liabilities										
Current, fixed, savings accounts and other deposits of non-bank customers	620,578	85,496	240,472	51,410	75,031	163,141	5,028	–	535,082	0.75
Deposits and balances of banks, agents and related companies and bills and drafts payable	20,215	6,444	11,510	1,220	1,041	–	–	–	13,771	0.12
Other	5,444	5,444	–	–	–	–	–	–	–	–
	646,237	97,384	251,982	52,630	76,072	163,141	5,028	–	548,853	–
Shareholders' funds	146,376	146,376	–	–	–	–	–	–	–	–
	792,613	243,760	251,982	52,630	76,072	163,141	5,028	–	548,853	–
Net interest rate sensitivity gap	–	(208,041)	10,809	225,856	(64,726)	(49,367)	77,125	8,344	208,041	–

Actual repricing dates may differ from contractual dates because prepayments and contractual terms do not reflect the actual behavioural patterns of assets and liabilities. Therefore, the Group manages its interest rate risk by applying dynamic simulation modeling techniques on the above information, which is based on contractual terms.

(d) **Liquidity risk**

Liquidity risk is the risk that the Group is unable to meet its cash flow obligations as 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.

These controls and policies include the setting of limits on the minimum proportion of maturing funds available to meet withdrawal of funds and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand. The Group also has access to contingency funding assistance from the UOB Group should such a need arise.

34 Financial risk management

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

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 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 banks, agents and 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 Group 2002							
	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	18,444	18,444	–	–	–	–	–	–
Singapore Government treasury bills and securities	91,060	–	–	–	18,381	64,424	8,255	–
Placements and balances with banks, agents and related companies	346,540	74,540	272,000	–	–	–	–	–
Trade bills and advances to customers	319,294	117,338	3,069	6,066	11,473	28,401	152,947	–
Other	17,275	809	28	49	410	76	–	15,903
	792,613	211,131	275,097	6,115	30,264	92,901	161,202	15,903
Liabilities								
Current, fixed, savings accounts and other deposits of non-bank customers	620,578	325,968	51,410	75,031	163,141	5,028	–	–
Deposits and balances of banks, agents and related companies and bills and drafts payable	20,215	17,954	1,220	1,041	–	–	–	–
Other	5,444	984	155	226	453	15	–	3,611
	646,237	344,906	52,785	76,298	163,594	5,043	–	3,611
Shareholders' funds	146,376	–	–	–	–	–	–	146,376
	792,613	344,906	52,785	76,298	163,594	5,043	–	149,987
Net maturity mismatch	–	(133,775)	222,312	(70,183)	(133,330)	87,858	161,202	(134,084)

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 and thus, 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 subject to liquidity requirements to support calls under outstanding contingent liabilities and undrawn credit facility commitments as disclosed in Notes 29 and 31. 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.

35 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, fixed assets and provision for current tax. 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 23 respectively.

The fair values of derivative financial instruments are shown in Note 30. The fair values of financial instrument 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. The Group and the Bank assess that their respective fair values are unlikely to be significant.

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

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 values 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 banks, agents and 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.

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 include 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.

36 Related party transactions

All related party transactions entered into by the Bank are in the ordinary course of its banking 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 are performance guarantee of $540,000 (2002: $585,000). The estimated value of collateral for these credit facilities are $3,750,000 (2002: $3,750,000).

37 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in the current presentation.

38 Authorisation of financial statements

On 20 February 2004, the Board of Directors of Far Eastern Bank Limited authorised these financial statements for issue.

Auditors' Report – Page 34,

Notice is hereby given that the **Forty-Fifth Annual General Meeting** of members of the Company will be held at the Penthouse of United Overseas Bank Limited, 80 Raffles Place, 61st Storey, UOB Plaza 1, Singapore 048624 on Thursday, 29 April 2004 at 11.30 am to transact the following business:

As Ordinary Business

Resolution 1 To receive the Financial Statements, the Directors' Report and the Auditors' Report for the year ended 31 December 2003.

Resolution 2 To declare a first and final dividend of 2% (2 cents per share) less 20% income tax for the year ended 31 December 2003.

Resolution 3 To approve Directors' fees of $62,500 for 2003 (2002: $58,750).

Resolution 4 To appoint Messrs Ernst & Young as auditors of the Company in place of the retiring auditors, Messrs PricewaterhouseCoopers and authorise the Directors to fix their remuneration.

To re-elect the following Directors:

Resolution 5 Mr Koh Beng Seng.

Resolution 6 Mr Philip Yeo Liat Kok.

To pass the following resolution under Section 153(6) of the Companies Act, Cap. 50:

"THAT pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr ______________________________ be and is hereby re-appointed as a Director of the Company to hold such office until the next Annual General Meeting of the Company."

in respect of:-

Resolution 7 Mr Wee Cho Yaw.

Resolution 8 Mr Lee Chin Chuan.

Resolution 9 Mr Ong Chu Meng.

As Special Business

To consider and, if thought fit, pass the following ordinary resolution:

Resolution 10 "THAT pursuant to Section 161 of the Companies Act, Cap. 50, approval be and is hereby given to the Directors to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this resolution shall not exceed 10 per cent of the issued share capital of the Company for the time being."

Notes to Resolution 4 and 10

Resolution 4 – A shareholder has nominated Messrs Ernst & Young as auditors in place of the retiring auditors, Messrs PricewaterhouseCoopers. A copy of the shareholder's notice is reproduced on the page following this Notice of Annual General Meeting.

Resolution 10 is to enable the Directors to issue shares in the Company (other than on a bonus or rights issue) up to an amount not exceeding 10 per cent of the issued share capital of the Company for the time being. This approval will expire at the conclusion of the next Annual General Meeting. The Directors would only issue shares under this resolution where they consider it appropriate and in the interest of the Company to do so.

By Order of the Board

Mrs Vivien Chan
Secretary
Singapore, 5 April 2004

Notes:

1 *A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a member of the Company.*

2 *To be effective, the instrument appointing a proxy, must be deposited at 80 Raffles Place, 4th Storey, UOB Plaza 1, Singapore 048624 (Attention: The Company Secretary), not less than 48 hours before the time set for holding the Meeting.*

大華銀行
UNITED OVERSEAS BANK

United Overseas Bank Limited, Head Office
80 Raffles Place, UOB Plaza, Singapore 048624
Tel (65) 65339898 **Fax** (65) 65342334
www.uobgroup.com

6 February 2004

The Board of Directors
Far Eastern Bank Limited
Singapore

Dear Sirs

NOTICE OF NOMINATION OF AUDITORS

Pursuant to Section 205 of the Companies Act, Chapter 50 we, United Overseas Bank Limited of 80 Raffles Place, UOB Plaza, Singapore 048624, being a shareholder of Far Eastern Bank Limited ("FEB") hereby nominate Messrs Ernst & Young, Certified Public Accountants, Singapore, of 10 Collyer Quay, #21-01 Ocean Building, Singapore 049315 for appointment as auditors of FEB in place of the retiring auditors, Messrs PricewaterhouseCoopers, at the forthcoming Annual General Meeting of FEB.

Yours faithfully
for UNITED OVERSEAS BANK LIMITED

Kuek Tong Au
Executive Vice President
Corporate Services

SINGAPORE MALAYSIA THAILAND BRUNEI PHILIPPINES INDONESIA HONG KONG BEIJING GUANGZHOU SHANGHAI SHENZHEN XIAMEN CHENGDU
YANGON HO CHI MINH CITY TAIPEI SEOUL TOKYO SYDNEY LONDON PARIS NEW YORK LOS ANGELES VANCOUVER

Proxy Form

FAR EASTERN BANK LIMITED
(INCORPORATED IN THE REPUBLIC OF SINGAPORE)
Company Registration Number: FEB 195800116D

Number of Shares Held

I/We ______________________________ (Name)

of ______________________________ (Address)

being a member/members of Far Eastern Bank Limited (the "Company"), hereby appoint:

Name	NRIC/Passport Number	Proportion of Shareholdings	
		No. of Shares	(%)
Address			

and/or *(delete as appropriate)*

Name	NRIC/Passport Number	Proportion of Shareholdings	
		No. of Shares	(%)
Address			

or failing him/her, the Chairman of the Meeting as my/our proxy, to attend and vote for me/us on my/our behalf at the **Forty-Fifth Annual General Meeting** of members of the Company, to be held at the Penthouse of United Overseas Bank Limited, 80 Raffles Place, 61st Storey, UOB Plaza 1, Singapore 048624 on Thursday, 29 April 2004 at 11.30am and at any adjournment thereof.

(Please indicate with an "X" in the space provided how you wish your proxy to vote. In the absence of specific directions, the proxy will vote as the proxy deems fit.)

No.	Ordinary Resolutions	For	Against
1	Financial Statements, Directors' Report and Auditors' Report		
2	First and final dividend		
3	Directors' fees		
4	Auditors and their remuneration		
5	Re-election (Mr Koh Beng Seng)		
6	Re-election (Mr Philip Yeo Liat Kok)		
7	Re-appointment (Mr Wee Cho Yaw)		
8	Re-appointment (Mr Lee Chin Chuan)		
9	Re-appointment (Mr Ong Chu Meng)		
10	Authority to issue shares		

Dated this ____________ day of ____________ 2004

____
Signature(s) or Common Seal of Shareholder(s)

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1 This Proxy, to be effective, must be deposited at 80 Raffles Place, 4th Storey, UOB Plaza 1, Singapore 048624 (Attention: The Company Secretary), not less than 48 hours before the time set for holding the Meeting. A proxy need not be a member of the Company.

2 Please indicate with an "X" in the appropriate box how you wish your proxy to vote. If this Proxy is returned without any indication as to how the proxy shall vote, the proxy shall vote or abstain at his discretion.

3 If the member is a corporation, this Proxy must be executed under its common seal or the hand of its duly authorised officer or attorney.

4 Any alteration made in this form should be initialled by the person who signs it.

1st FOLD

2nd FOLD

FEB

Postage will be paid by addressee.
For posting in Singapore only.

BUSINESS REPLY SERVICE
PERMIT NO. 07399

The Company Secretary
Far Eastern Bank Limited
80 Raffles Place, 4th Storey, UOB Plaza 1
Singapore 048624

FOLD AND GLUE OVERLEAF. DO NOT STAPLE.

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