

CHAIRMAN'S STATEMENT



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