RIGHT ON COURSE

FAR EASTERN BANK LIMITED

(A SUBSIDIARY OF UNITED OVERSEAS BANK LIMITED)

Annual Report 2007

FAR EASTERN BANK LIMITED

(INCORPORATED IN SINGAPORE)

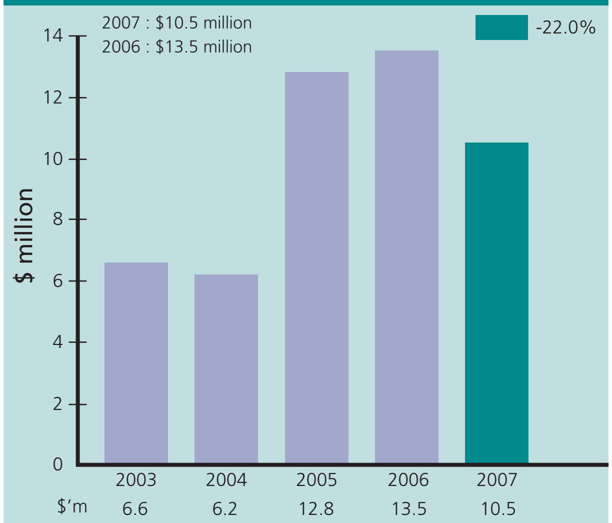
AND ITS SUBSIDIARIES

CONTENTS

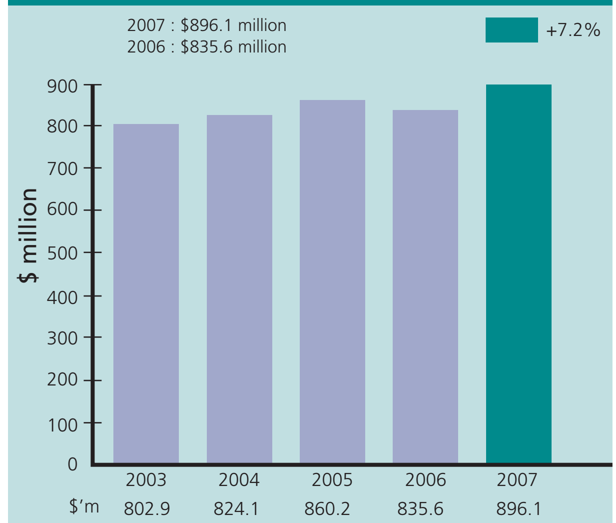
All figures in this Annual Report are in Singapore Dollars unless otherwise specified.

FINANCIAL HIGHLIGHTS (CONSOLIDATED)

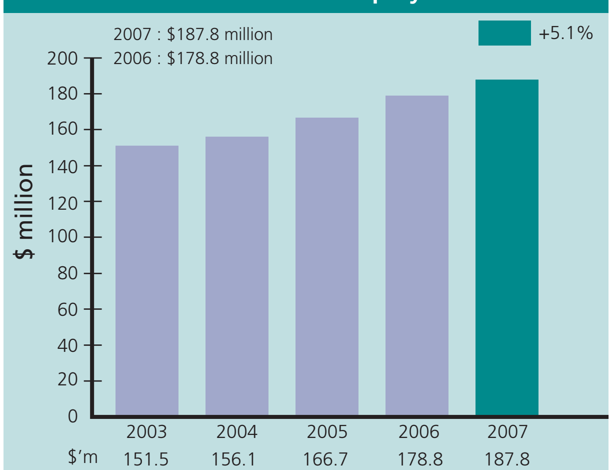
Net profit after tax



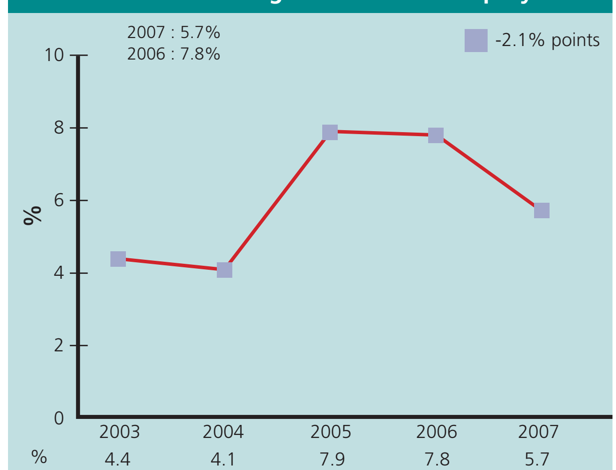
Total assets



Shareholders' equity

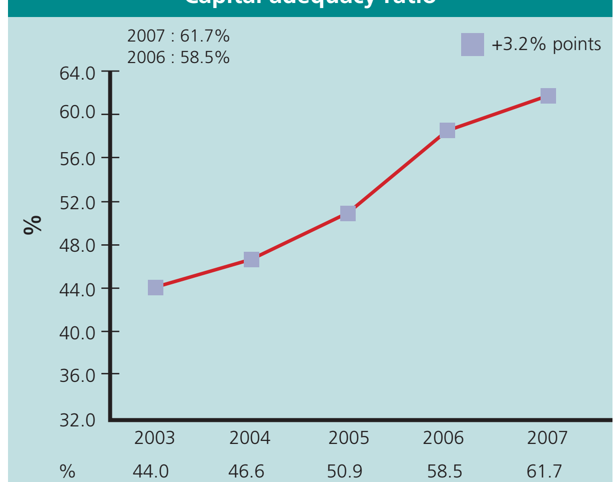


Return on average shareholders' equity

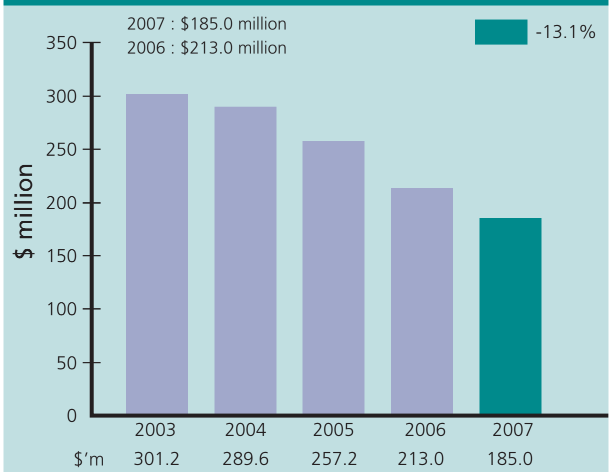


Earnings per share

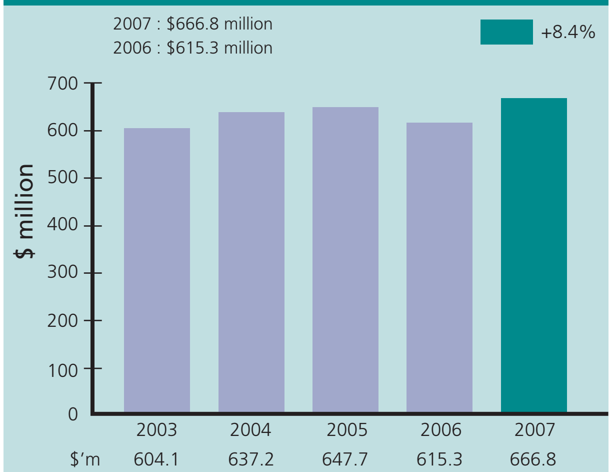
Capital adequacy ratio



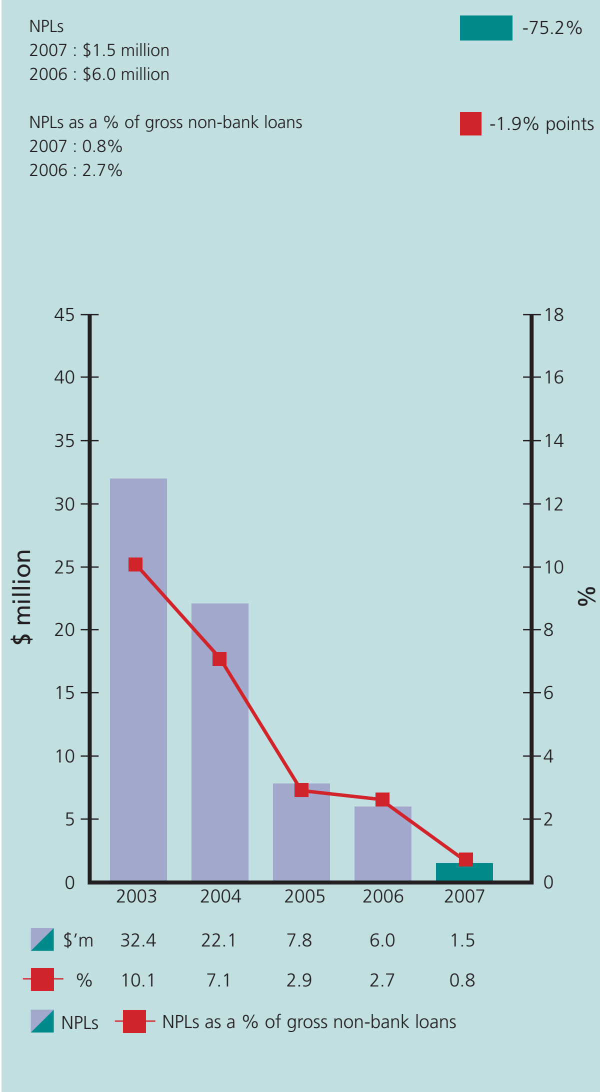
Customer loans



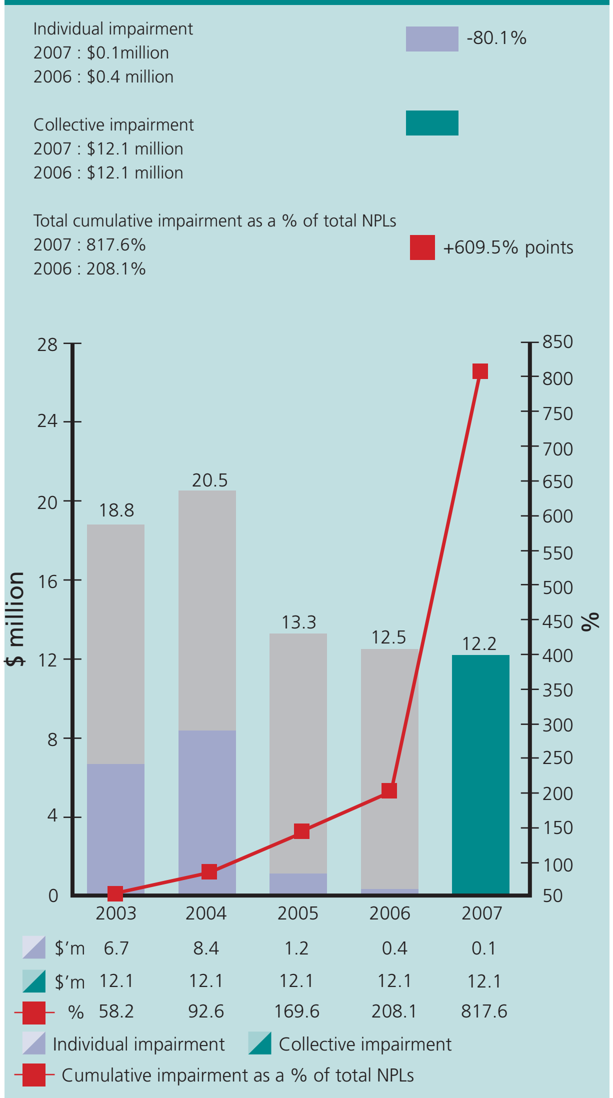
Customer deposits



Total non-performing loans (NPLs)



Total cumulative impairment



CHAIRMAN'S STATEMENT

Wee Cho Yaw
Chairman

In the second half of 2007, the international financial community was wrecked by the US sub-prime mortgage and collateralised debt obligation ("CDO") crisis. The ensuing credit crunch spooked stock markets worldwide.

Bolstered by strong growth in the Asian economies and a sterling performance in the first half of the year, Singapore closed 2007 with GDP growth of 7.7%. As expected, the year saw intense competition for new businesses and customers among the banking fraternity.

As a consequence, the Group's total operating income dropped from $27.1 million to $22.5 million. Total loans fell by 13.1% to $185 million (2006: $213 million) while loan margin fell from 4.26% to 3.86%. Deposits grew by 8.4% to $667 million (2006: $615 million). On the positive side, non-performing loans fell from $6 million to $1.5 million.

The Group's after-tax profit decreased by 22%, from $13.5 million in 2006 to $10.5 million in 2007. However, total assets improved by 7.2% to $896 million (2006: $836 million), while shareholders' equity increased by 5.1% to $188 million (2006: $179 million). Return on assets fell from 1.6% to 1.2% over the year.

The Board proposes to transfer $5 million to reserves and to recommend a first and final dividend of 2 cents per share for the financial year ended 31 December 2007. Total dividend payout would amount to $2 million.

2008 will be a challenging year for the world. The credit crunch triggered by the US sub-prime mortgage and CDO crisis has raised the spectre of an American recession. This would adversely impact many Asian countries with large exports to the US.

The Singapore government has projected a 4% to 6% GDP growth for 2008. Whether we are able to achieve the lower or higher end of this estimate will greatly depend on the extent of the US recession and stability of oil prices.

What is certain is that Singapore's financial institutions will face increasing competition and interest margin pressures. As one of Singapore's smallest banks, Far Eastern Bank would be more vulnerable to such pressures.

Mr Ong Chu Meng, who has been a director since 1976, will not be standing for re-election this year. On behalf of the Board, I would like to express our deep appreciation for his many years of service and contributions to the Bank.

In conclusion, I would like to thank fellow Directors for their wise counsel, management and staff for their dedication and contributions, and our customers for their continuing support.

Wee Cho Yaw
Chairman
February 2008

CORPORATE INFORMATION

Board Of Directors
Mr Wee Cho Yaw
Chairman

Mr Wee Ee Cheong
Deputy Chairman & Chief Executive Officer

Mr Ong Chu Meng
Mr Wong Meng Meng
Mr Yeo Liat Kok Philip
Prof Cham Tao Soon
Mr Ngiam Tong Dow

Executive Committee
Mr Wee Cho Yaw
Chairman

Mr Wee Ee Cheong
Mr Ngiam Tong Dow
Prof Cham Tao Soon
Mr Yeo Liat Kok Philip

Nominating Committee
Mr Wong Meng Meng
Chairman

Mr Wee Cho Yaw
Mr Yeo Liat Kok Philip
Prof Cham Tao Soon
Mr Ngiam Tong Dow
Mr Wee Ee Cheong
(Alternate to Mr Wee Cho Yaw)

Remuneration Committee
Mr Wee Cho Yaw
Chairman

Mr Yeo Liat Kok Philip
Prof Cham Tao Soon

Secretary
Mrs Vivien Chan

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80 Raffles Place
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Singapore 048624
Telephone : (65) 6539 3104
Facsimile : (65) 6536 7712

Auditors
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North Tower, Level 18
Singapore 048583
(Appointed on 29 April 2004)

Registered Office
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UOB Plaza
Singapore 048624
Company Registration No.: 195800116D
Telephone : (65) 6533 9898
Facsimile : (65) 6534 2334
SWIFT: UOVBSGSG
Website: www.uobgroup.com

Main Branch
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Singapore 069544
Telephone : (65) 6221 9055
Facsimile : (65) 6224 2263

Correspondents
In all principal cities of the world

BOARD OF DIRECTORS

Mr Wee Cho Yaw
Chairman

Age 79. Mr Wee has been Chairman & Chief Executive Officer ("CEO") of United Overseas Bank ("UOB") since 1974. He relinquished his position as CEO on 27 April 2007. He was appointed as Chairman of the Far Eastern Bank Board on 17 August 1984 and last re-appointed as Director on 27 April 2007. He is the Chairman of the Executive and Remuneration Committees, and a member of the Nominating Committee.

Mr Wee is the Chairman of UOB subsidiaries, United Overseas Insurance, United Overseas Bank (Malaysia) and United Overseas Bank (Thai) Public Company, President Commissioner of PT Bank UOB Indonesia and PT Bank UOB Buana, and Supervisor of United Overseas Bank (China). He is also the Chairman of United International Securities, Haw Par Corporation, UOL Group, Hotel Plaza, United Industrial Corporation, and Singapore Land and its subsidiary, Marina Centre Holdings. He is the former Chairman of Overseas Union Enterprise.

The Businessman Of The Year award was conferred twice on Mr Wee at the Singapore Business Awards in 2001 and 1990. In 2006, he received the inaugural Credit Suisse-Ernst & Young Lifetime Achievement Award for his outstanding achievements in the Singapore business community. Mr Wee is the Honorary President of Singapore Chinese Chamber of Commerce & Industry and Pro-Chancellor of Nanyang Technological University. He received Chinese high school education.

Mr Wee Ee Cheong
Deputy Chairman & Chief Executive Officer

Age 55. Mr Wee was appointed as Executive Director on 3 January 1990 and last re-elected as Director on 27 April 2007 and is a member of the Bank's Executive Committee.

Mr Wee served as Deputy Chairman & President of United Overseas Bank ("UOB") since 2000 and was appointed as Chief Executive Officer ("CEO") on 27 April 2007. He currently holds the position of Deputy Chairman and CEO in UOB.

He is a director of several UOB subsidiaries and affiliates, including United Overseas Insurance, United Overseas Bank (Malaysia), United Overseas Bank (Thai) Public Company and United International Securities. He is the Chairman of United Overseas Bank (China) and a Commissioner of PT Bank UOB Buana.

Mr Wee serves as a director of the Institute of Banking & Finance, and council member of the Association of Banks in Singapore and Singapore Chinese Chamber of Commerce & Industry. He is a member of the Board of Governors of the Singapore-China Foundation. He is also a member of the India-Singapore CEO Forum and Advisory Board of the INSEAD East Asia Council. He is the former Deputy Chairman of Housing & Development Board, and a former director of Port of Singapore Authority, UOL Group, Hotel Plaza and Visa International (Asia Pacific).

He holds a Bachelor of Science (Business Administration) and a Master of Arts (Applied Economics) from The American University, Washington DC.

Mr Ong Chu Meng

Age 75. Mr Ong was appointed to the Board on 28 June 1976 and last re-appointed as Director on 27 April 2007. Mr Ong is an independent and non-executive director.

Mr Ong is Chairman and Managing Director of Ong Lock Cho & Brothers Pte Ltd, Patrick View Development Pte Ltd and Mengna & Co. Pte Ltd. He is a council member of The Association of Nanyang University Graduates, Singapore China Friendship Association and Ee Hoe Hean Club.

Mr Ong will not be standing for re-election at the forthcoming annual general meeting.

Mr Wong Meng Meng

Age 59. Mr Wong was appointed to the Board on 24 March 2000 and last re-elected as Director on 27 April 2005. An independent and non-executive Director, Mr Wong is Chairman of the Bank's Nominating Committee. He is a director of Mapletree Logistics Trust Management Ltd and the Honorary Legal Advisor to the Real Estate Developers' Association of Singapore.

He is the founder-consultant of Wong Partnership LLP, and a Notary Public and Senior Counsel of the Supreme Court of Singapore.

Mr Wong holds a Bachelor of Law (Hons) from the University of Singapore. He is a member of the Beijing Arbitration Commission's Panel of Arbitrators, International Arbitration Institute (Paris) and Competition Appeal Board, and is an Accredited Adjudicator of the Singapore Mediation Centre.

Mr Yeo Liat Kok Philip

Age 61. Mr Yeo was appointed to the Board on 26 May 2000 and last re-elected as Director on 27 April 2007. An independent and non-executive Director, he is a member of the Bank's Executive, Nominating and Remuneration Committees.

Mr Yeo is Special Advisor for Economic Development in the Prime Minister's Office and Senior Advisor for Science & Technology to the Minister for Trade and Industry. Recognised for his contributions to Singapore's economic development and pioneering role in promoting and developing the country's information technology, semiconductor, chemical and pharmaceutical industries, Mr Yeo brings to the Bank wide government and private sector experience over a 35-year career. He is the Chairman of Standards, Productivity and Innovation for Growth ("SPRING") Singapore. Mr Yeo is Chairman of Accuron Technologies Pte Ltd, MTIC Holdings Pte Ltd, Dornier MedTech GmbH, Ascendas Property Fund Trustee Pte Ltd and Hexagon Development Advisors. He is the former Chairman of the Agency for Science, Technology & Research ("A*STAR").

Mr Yeo holds a Bachelor of Applied Science (Industrial Engineering) and an honorary Doctorate in Engineering from the University of Toronto, an honorary Doctorate in Medicine from the Karolinska Institutet, Sweden, a Master of Science (Systems Engineering) from the University of Singapore, a Master of Business Administration from Harvard University, USA and a Doctor of Science from Imperial College, London.

BOARD OF DIRECTORS

Prof Cham Tao Soon

Age 68. Prof Cham was appointed to the Board on 6 April 2001 and last re-elected as Director on 27 April 2006. An independent and non-executive Director, he is a member of the Bank's Executive, Nominating and Remuneration Committees. Prof Cham is a director of United Overseas Bank (China), a UOB subsidary. He is the Chairman of NATSTEEL, MFS Technology, Singapore Symphonia Company and Singapore-China Foundation, and Deputy Chairman of Singapore Press Holdings. Prof Cham is a director of WBL Corporation, Soup Restaurant Group, Land Transport Authority and Singapore International Foundation. He is a former director of Adroit Innovations, Keppel Corporation, TPA Strategic Holdings and Robinson & Company.

Prof Cham is Chancellor and Chairman of SIM University and founding President of Nanyang Technological University (1981-2002). He serves as a member of the Council of Presidential Advisers.

He holds a Bachelor of Engineering (Civil, Hons) from the University of Malaya, a Bachelor of Science (Mathematics, Hons) from the University of London and a Doctor of Philosophy (Fluid Mechanics) from the University of Cambridge, UK. He is also a Fellow of the Institution of Engineers, Singapore and Institution of Mechanical Engineers, UK.

Mr Ngiam Tong Dow

Age 70. Mr Ngiam was appointed to the Board on 3 February 2005 and last re-elected as Director on 27 April 2005. An independent and non-executive Director, he is a member of the Bank's Executive and Nominating Committees.

Mr Ngiam is the Chairman of Surbana Corporation Pte Ltd and a director of Singapore Press Holdings and Yeo Hiap Seng. He served as Chairman of Housing & Development Board from 1998 to 2003. He has a distinguished public service career, having held the post of Permanent Secretary in the Prime Minister's Office, Ministries of Finance, Trade & Industry, National Development, and Communications. He was the Chairman of Central Provident Fund Board, Development Bank of Singapore, Economic Development Board and Telecommunication Authority of Singapore, and Deputy Chairman of Board of Commissioners of Currency, Singapore.

He holds a Bachelor of Arts (Economics, Hons) from the University of Malaya, Singapore, and a Master of Public Administration from Harvard University, USA.

CORPORATE GOVERNANCE

The Bank is committed to the highest standards in corporate governance. The Bank is guided by the Banking (Corporate Governance) Regulations 2005 ("Banking Regulations 2005") and the Guidelines On Corporate Governance For Banks, Financial Holding Companies and Direct Insurers issued by the Monetary Authority of Singapore ("MAS Guidelines on Corporate Governance").

This statement describes the Bank's corporate governance policies and practices.

Board's Conduct of its Affairs

Besides providing entrepreneurial leadership and strategic direction for the Bank, the main duties of the Board are to:

- review and approve business plans and budgets;
- monitor financial performance;
- determine capital structure;
- set dividend policy/declare dividends;
- approve major acquisitions and divestments;
- review the risk management framework;
- set company values and standards; and
- perform succession planning for itself and the CEO.

The Board is assisted by three board committees, namely the Executive Committee, Nominating Committee and Remuneration Committee. The composition and functions of these committees are set out in the subsequent pages of this report.

Board Composition and Independence

Five of the Board's seven members are considered independent directors by the Nominating Committee ("NC"). The names of the Board members are:

Wee Cho Yaw *(Chairman)*	Non-independent
Wee Ee Cheong *(Deputy Chairman & CEO)*	Executive & Non-independent
Ong Chu Meng	Independent
Wong Meng Meng	Independent
Yeo Liat Kok Philip	Independent
Prof Cham Tao Soon	Independent
Ngiam Tong Dow	Independent

The Board considers its current size of seven members adequate having regard to the scale of the Bank's operations.

The NC is of the view that all the directors are well-qualified and have the necessary skills for the Bank's business. Detailed information on the directors' experience and qualifications can be found on pages 6 to 8.

Directors may keep themselves abreast of industry practices through courses and seminars. The Bank sets aside an annual budget for directors' educational needs. The Bank provides guidance to new directors on their legal duties and responsibilities of directors.

Where necessary, directors may obtain independent professional advice on any matter concerning the Bank's business.

The NC has reviewed whether there is a need for a lead independent director. The NC is of the view that such an appointment is not necessary because shareholders may approach any director with their concerns and the Bank has an established process for handling complaints.

Board Meetings

The Board meets at least four times a year. Directors may also meet to discuss specific matters in between scheduled meetings where necessary. The table on page12 sets out the directors' meeting attendance record for the year.

The Chairman ensures that directors are provided with comprehensive financial and operational reports for discussion at meetings. Whenever directors need additional information or wish to seek clarification on any matter, they may obtain them directly from management. All directors have direct access to management.

The Company Secretary keeps the Board abreast of relevant laws and regulations and corporate governance matters.

Board Committees

The functions performed by the three board committees are set out below:

<u>The Executive Committee ("EXCO")</u> is delegated certain discretionary limits and authority for granting loans and other credit facilities, capital expenditure and budgeting. The EXCO assists the Board in reviewing the Bank's annual budget and business plans drawn up by the senior management. The EXCO also oversees the risk profile of the Bank. In 2007, the EXCO met eleven times.

The members of the EXCO are:

Wee Cho Yaw *(Chairman)*	Non-independent
Wee Ee Cheong	Executive & Non-independent
Ngiam Tong Dow	Independent
Prof Cham Tao Soon	Independent
Yeo Liat Kok Philip	Independent

<u>The Nominating Committee ("NC")</u> reviews nominations of directors for appointment to the Board and board committees, and the key positions of CEO, President and Chief Financial Officer. The NC's duties include assessing the independence and performance of the directors and the Board. The NC's assessment of directors is based on criteria such as attendance record, overall preparedness, participation, candour, and clarity in communication, maintenance of relevant expertise, strategic insight, financial literacy, business judgement and sense of accountability. The NC meets at least once a year. Membership of the NC is reviewed by the Board annually.

Nominations for appointment of directors are also reviewed by the NC which assesses candidates against a range of criteria including background, experience, professional skills, personal qualities and their availability to commit themselves to the Board's activities.

Mr Wong Meng Meng, an independent director, is the chairman of the NC. The names of the NC members are:

Wong Meng Meng *(Chairman)*	Independent
Wee Cho Yaw	Non-independent
Yeo Liat Kok Philip	Independent
Prof Cham Tao Soon	Independent
Ngiam Tong Dow	Independent
Wee Ee Cheong *(Alternate to Wee Cho Yaw)*	Executive & Non-independent

The Remuneration Committee ("RC") reviews the directors' fees, allowances and remuneration of the CEO. The Board recommends a total sum to be paid as directors' fees for shareholders' approval at every annual general meeting. The sum is divided among the directors with those having additional responsibilities as chairman or members of board committees receiving a higher portion of the approved fees. Directors' fees and remuneration are disclosed in the Directors' Report.

The Bank's parent, United Overseas Bank ("UOB"), shares its network, infrastructure and management expertise with the Bank and manages the Bank's operations. In return, the Bank pays UOB an annual management fee. The senior management functions of the Bank are performed by the senior management of UOB whose salaries are paid by UOB. As the Bank does not have senior executives of its own, the requirement to disclose the top five executives' remuneration is not applicable to the Bank. There is no immediate family member of a director in the employ of the Bank whose annual remuneration exceeds $150,000.

The MAS Guidelines on Corporate Governance recommend that the RC should be chaired by an independent and non-executive director. The Banking Regulations 2005 also requires the chairman of the RC to be independent but makes an exception for an incumbent. The Board is of the view that Mr Wee Cho Yaw, the incumbent RC Chairman, is the best person to chair the RC.

The members of the RC are:

Wee Cho Yaw *(Chairman)*	Non-independent
Yeo Liat Kok Philip	Independent
Prof Cham Tao Soon	Independent

The RC meets at least once a year.

The UOB Audit Committee ("UOB AC") provides oversight of the Bank's audit matters as the Bank does not have an audit committee of its own. Matters reviewed by the UOB AC include the Bank's financial statements, the internal and external audit plans and audit reports, the external auditors' evaluation of the system of internal accounting controls, the scope and results of the internal and external audit procedures, the adequacy of internal audit resources and the cost effectiveness, independence and objectivity of the external auditors. The UOB AC has nominated Messrs Ernst & Young for re-appointment as the Bank's auditors. The UOB AC also reviews with the internal and external auditors their evaluation of the Bank's internal control systems and risk management processes, and reports the results of its review to the Board. The Board is reasonably assured from reports submitted to it that the internal control systems, including financial, operational and compliance controls and risk management processes are adequate.

Internal Audit

UOB Group Internal Audit ("Group Audit") provides internal audit services to the Bank. Group Audit reviews all the Bank's units and operations. The review covers a wide area such as lending practices, financial controls, management directives, regulatory compliance, information technologies and the risk management processes. A risk priority approach is adopted by the Group Audit in scheduling its work.

CORPORATE GOVERNANCE

Risk Management

The Board is responsible for the overall risk management process of the Bank. Risks are identified, measured, monitored and managed within a robust risk management framework so that no excessive risk is taken for any given expected return.

The Bank's EXCO assists the Board in overseeing the Bank's risk profile and various management committees of UOB provide oversight of the Bank's policies and limits on monitoring and managing of risk exposures. The Bank's EXCO reviews major policy decisions and proposals on risk exposures set by these committees. UOB Group Risk Management and Group Compliance perform independent checks on the Bank's risk management processes and compliance with all applicable laws and regulatory standards.

Communication with Shareholders

The Bank keeps its shareholders informed of the Bank's relevant activities by either publishing in the press or sending to shareholders information and notices, including annual reports. At general meetings, shareholders have the opportunity to raise relevant questions and communicate their views.

Ethical Standards

The Bank has adopted the Code of Conduct issued by the Association of Banks in Singapore on standards of good banking practice and its own Code of Conduct for staff. The Bank also has a Code on Dealings in Securities for directors and officers. A whistle-blowing policy has been established for employees to bring to the attention of Management, Internal Audit or Group Compliance, any concern, suspected breach or fraud, or activity or behaviour that may not accord with the law, Code of Conduct or the Bank's policies.

Directors' Attendance for 2007

Name of Director	Number of Meetings Attended in 2007			
	Board of Directors	**Executive Committee**	**Nominating Committee**	**Remuneration Committee**
Wee Cho Yaw	4	11	1	1
Wee Ee Cheong	4	9	NA	NA
Lee Chin Chuan *(retired on 27.4.2007)*	1	NA	NA	NA
Ong Chu Meng	4	NA	NA	NA
Wong Meng Meng	4	NA	1	NA
Yeo Liat Kok Philip	3	8	1	1
Prof Cham Tao Soon	4	10	1	1
Ngiam Tong Dow	3	11	1	NA
Number of Meetings Held in 2007	**4**	**11**	**1**	**1**

NA: Not Applicable

GROUP FINANCIAL REVIEW

Review of Financial Performance

Overview of Balance Sheet

Note

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

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

GROUP FINANCIAL REVIEW

Review of Financial Performance

Highlights and performance indicators

	2007	2006	+/(-) %
Summarised profit and loss ($ million)			
Net interest income (NII)	**17.3**	21.4	(19.1)
Non-interest income (Non-NII)	**5.2**	5.7	(8.7)
Total income	**22.5**	27.1	(16.9)
Less: Total expenses	**10.5**	9.4	12.0
Operating profit before impairment charges	**12.0**	17.7	(32.1)
Less: (Write-back)/Impairment charges	**(0.9)**	1.2	(172.6)
Less: Tax	**2.4**	3.0	(20.7)
Net profit after tax	**10.5**	13.5	(22.0)
Key indicators			
Income mix (%):			
NII/Total income	**76.9**	79.0	(2.1)% points
Non-NII/Total income	**23.1**	21.0	2.1 % points
	100.0	100.0	
Return on average shareholders' equity (ROE) (%)	**5.7**	7.8	(2.1)% points
Basic earnings per share (EPS) (cents)	**10.5**	13.5	(22.0)
Return on average total assets (ROA) (%)	**1.2**	1.6	(0.4)% point
Net interest margin (%)	**2.07**	2.79	(0.72)% point
Expense/Income ratio (%)	**46.5**	34.5	12.0 % points
Final dividend per share (cents)	**2.0**	2.0	-
Other indicators			
Customer loans (net) ($ million)	**185.0**	213.0	(13.1)
Customer deposits ($ million)	**666.8**	615.3	8.4
Loans/Deposits ratio+ (%)	**27.7**	34.6	(6.9)% points
Non-performing loans (NPLs) ($ million)	**1.5**	6.0	(75.2)
Cumulative impairment ($ million)	**12.2**	12.5	(2.7)
NPLs/Gross customer loans (%)	**0.8**	2.7	(1.9)% points
Cumulative impairment/NPLs (%)	**817.6**	208.1	609.5% points
Total assets ($ million)	**896.1**	835.6	7.2
Shareholders' equity ($ million)	**187.8**	178.8	5.1
Revaluation surplus* ($ million)	**88.2**	57.8	52.6
Net asset value (NAV) per share ($)	**1.88**	1.79	5.0
Revalued NAV per share ($)	**2.76**	2.37	16.5
Capital adequacy ratio (%)	**61.7**	58.5	3.2% points

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

* *Refer to unrealised revaluation surplus on properties which was not incorporated into the financial statements.*

Review of Group performance

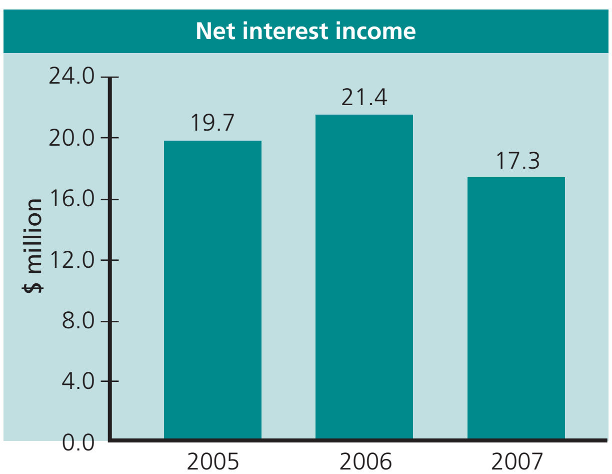
The Group recorded a net profit after tax (NPAT) of $10.5 million for the financial year ended 31 December 2007, representing a decrease of 22.0% over the $13.5 million recorded for the financial year ended 31 December 2006. The decrease in NPAT was mainly attributed to lower net interest income and higher operating expenses, partially offset by write-back of impairment charges.

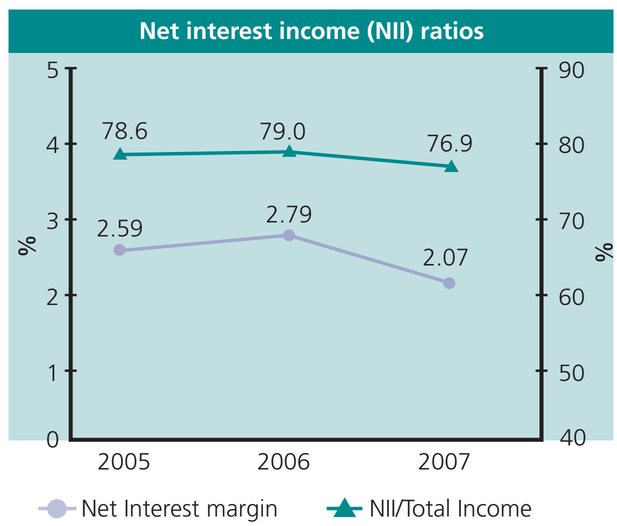
Net interest income

Net interest income for the Group decreased 19.1% to $17.3 million in 2007 from $21.4 million in 2006. Net interest income continued to be the major contributor of total income, accounting for 76.9% (2006: 79.0%) of total income.

The drop in net interest income was mainly from loans and inter-bank money market activities, partially offset by higher contributions from Singapore Government securities.

Net interest margin decreased 72 basis points to 2.07% in 2007 from 2.79% in 2006.





Average interest rates and margin

	2007			2006		
	Average balance $'000	**Interest $'000**	**Average interest rate %**	Average balance $'000	Interest $'000	Average interest rate %
Total interest bearing assets	**835,210**	**23,786**	**2.85**	766,405	28,141	3.67
Total interest bearing liabilities	**651,064**	**6,474**	**0.99**	610,139	6,740	1.10
Net interest income		**17,312**			21,401	
Net interest margin+			**2.07**			2.79

+ *Net interest margin represents net interest income as a percentage of total interest bearing assets.*

Non-interest income

The Group's non-interest income for 2007 accounted for 23.1% of total income. Total non-interest income decreased by 8.7% to $5.2 million in 2007 from $5.7 million in 2006. The decrease was mainly attributed to profit on disposal of property in 2006, partially offset by higher rental and commission income in 2007.

Composition of non-interest income

	2007 $'000	2006 $'000	+/(-) %
Fee and commission income			
Investment-related	**125**	192	(34.9)
Loan-related and trade-related	**721**	535	34.8
Other	**459**	484	(5.2)
	1,305	1,211	7.8
Dividend and rental income	**2,917**	2,587	12.8
Other operating income			
Net profit/(loss) from:			
Government securities	**59**	(40)	247.5
Foreign exchange	**198**	289	(31.5)
Disposal of properties and other fixed assets	**(2)**	948	(100.2)
Other	**714**	689	3.6
	969	1,886	(48.6)
Total non-interest income	**5,191**	5,684	(8.7)

Operating expenses

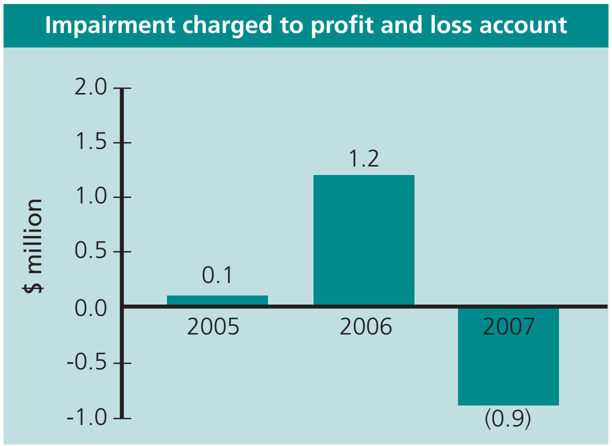
Total operating expenses increased to $10.5 million in 2007 from $9.4 million in 2006, mainly due to higher management fees payable to holding company and staff costs, partially offset by lower insurance expenses.

With the increase in total expenses coupled with the decrease in total income, the expense-to-income ratio of the Group increased 12.0% points to 46.5% in 2007 from 34.5% in 2006.

	2007 $'000	2006 $'000	+/(-) %
Staff costs	**706**	597	18.3
Other operating expenses	**9,764**	8,755	11.5
Total operating expenses	**10,470**	9,352	12.0

Impairment charged to profit and loss account

Total write-back of impairment charges was $0.9 million in 2007 as opposed to impairment charges of $1.2 million in 2006 mainly on loans.



	2007	2006	+/(-)
	$'000	$'000	%
Individual impairment on			
Loans	**(374)**	1,343	(127.8)
Investments	**(62)**	(18)	(244.4)
Properties and other fixed assets	**(450)**	(104)	(332.7)
Total (write-back)/impairment charges	**(886)**	1,221	(172.6)

Overview of Balance Sheet

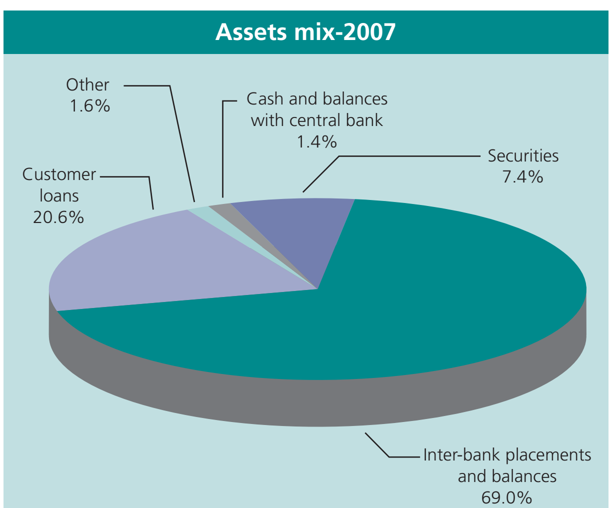
Total assets

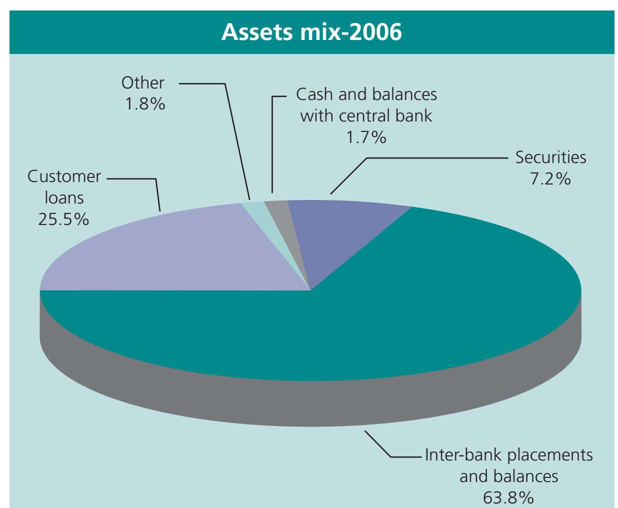
Group total assets increased 7.2% to $896.1 million as at 31 December 2007 from $835.6 million as at 31 December 2006. The increase was primarily from inter-bank placements and balances, partially offset by decrease in customer loans.

Assets mix

	2007		2006	
	$'000	**%**	$'000	%
Cash and balances with central bank	**12,289**	**1.4**	14,076	1.7
Securities*	**65,817**	**7.4**	59,908	7.2
Inter-bank placements and balances	**618,347**	**69.0**	533,293	63.8
Customer loans	**184,998**	**20.6**	212,994	25.5
Other	**14,671**	**1.6**	15,365	1.8
Total assets	**896,122**	**100.0**	835,636	100.0

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





Securities

Securities held by the Group as at 31 December 2007 were $65.8 million (2006: $59.9 million), comprising mainly Singapore Government treasury bills and securities.

	2007		2006	
	$'000	**%**	$'000	%
Singapore Government treasury bills and securities	**65,028**	**98.8**	59,154	98.7
Quoted equity shares	**789**	**1.2**	754	1.3
Total securities	**65,817**	**100.0**	59,908	100.0

Customer loans

Net loans and advances to customers were lower at $185.0 million as at 31 December 2007 compared to $213.0 million as at 31 December 2006. The decrease by $28.0 million or 13.1% was mainly from housing loans and overdrafts, partially offset by increase in trade financing.

Customer loans analysed by product group

	2007		2006	
	$'000	%	$'000	%
Housing loans	**53,677**	**27.2**	75,469	33.5
Term loans	**84,844**	**43.0**	87,475	38.8
Trade financing	**17,497**	**8.9**	13,623	6.0
Overdrafts	**41,122**	**20.9**	48,903	21.7
Total gross customer loans	**197,140**	**100.0**	225,470	100.0
Individual impairment	**(83)**		(417)	
Collective impairment	**(12,059)**		(12,059)	
Total net customer loans	**184,998**		212,994	

Gross customer loans analysed by industry

	2007		2006	
	$'000	%	$'000	%
Manufacturing	**16,123**	**8.2**	16,945	7.5
Building and construction	**9,695**	**4.9**	8,710	3.9
Housing loans	**53,677**	**27.2**	75,469	33.5
General commerce	**54,536**	**27.7**	56,074	24.9
Transport, storage and communication	**2,800**	**1.4**	2,778	1.2
Non-bank financial institutions	**7,077**	**3.6**	9,289	4.1
Professionals and private individuals	**44,976**	**22.8**	52,153	23.1
Other	**8,256**	**4.2**	4,052	1.8
Total gross customer loans	**197,140**	**100.0**	225,470	100.0

Gross customer loans analysed by currency and fixed/variable rates

	2007			2006		
	Fixed Rate $'000	Variable Rate $'000	Total $'000	Fixed Rate $'000	Variable Rate $'000	Total $'000
Singapore dollar	**34,153**	**154,582**	**188,735**	49,811	168,424	218,235
US dollar	**4,951**	**98**	**5,049**	4,152	97	4,249
Japanese yen	**1,454**	**-**	**1,454**	1,026	-	1,026
Other	**1,902**	**-**	**1,902**	1,960	-	1,960
Total gross customer loans	**42,460**	**154,680**	**197,140**	56,949	168,521	225,470

Gross customer loans analysed by remaining maturity

	2007		2006	
	$'000	**%**	$'000	%
Within 1 year	**71,602**	**36.3**	76,410	33.9
Over 1 year but within 3 years	**22,525**	**11.4**	22,747	10.1
Over 3 years but within 5 years	**19,700**	**10.0**	21,671	9.6
Over 5 years	**83,313**	**42.3**	104,642	46.4
Total gross customer loans	**197,140**	**100.0**	225,470	100.0

Deposits

Total deposits increased by 7.9% or $51.1 million to $696.8 million as at 31 December 2007 from $645.7 million as at 31 December 2006, mainly attributed to higher savings and other deposits.

Deposits analysed by product group

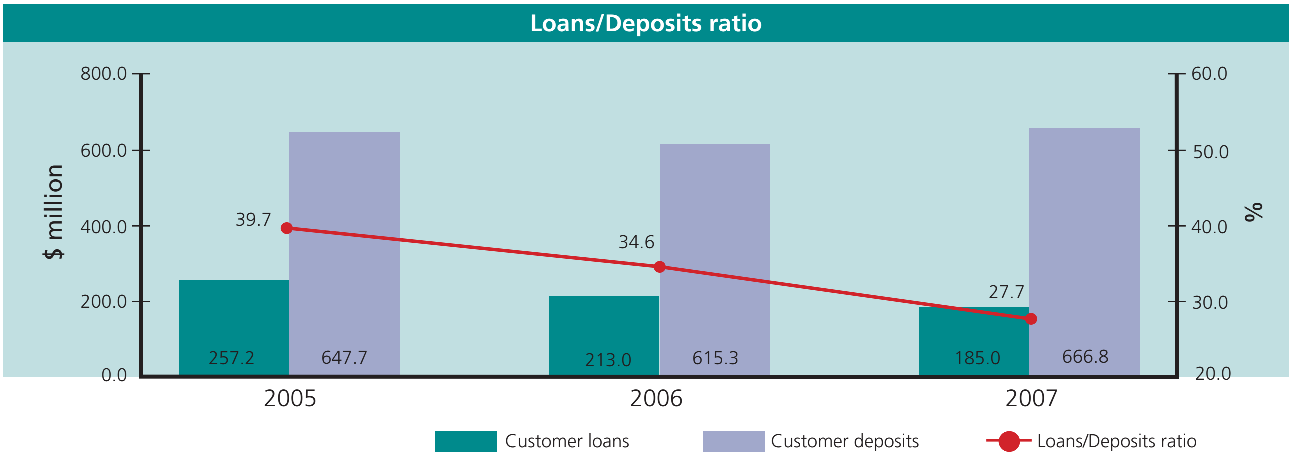
	2007		2006	
	$'000	**%**	$'000	%
Banker deposits	**361**	**0.1**	-	-
Customer deposits				
Fixed deposits	**262,227**	**37.6**	258,705	40.1
Current, savings and other deposits	**404,619**	**58.1**	356,618	55.2
	666,846	**95.7**	615,323	95.3
Fellow subsidiaries' deposits	**2,077**	**0.3**	1,988	0.3
Holding company's deposits	**27,500**	**3.9**	28,376	4.4
Total deposits	**696,784**	**100.0**	645,687	100.0

Deposits analysed by remaining maturity

	2007		2006	
	$'000	**%**	$'000	%
Within 1 year	**665,216**	**95.5**	610,074	94.5
Over 1 year but within 3 years	**11,162**	**1.6**	16,689	2.6
Over 3 years but within 5 years	**16,149**	**2.3**	12,146	1.9
Over 5 years	**4,257**	**0.6**	6,778	1.0
Total deposits	**696,784**	**100.0**	645,687	100.0

Loans/Deposits ratio

With the decrease in net customer loans of 13.1% coupled with the increase in customer deposits of 8.4%, the loans-to-deposits ratio declined 6.9% points to 27.7% in 2007 from 34.6% in 2006.



Shareholders' equity

Shareholders' equity as at 31 December 2007 was $187.8 million, representing a 5.1% increase over the $178.8 million as at 31 December 2006.

As at 31 December 2007, revaluation surplus of $88.2 million (2006: $57.8 million) on properties was not included in the financial statements.

	2007 **$'000**	2006 $'000	+/(-) %
Shareholders' equity	**187,783**	178,755	5.1
Add: Revaluation surplus	**88,192**	57,752	52.7
Shareholders' equity including revaluation surplus	**275,975**	236,507	16.7
Net asset value (NAV) per share ($)	**1.88**	1.79	5.0
Revaluation surplus per share ($)	**0.88**	0.58	51.7
Revalued NAV per share ($)	**2.76**	2.37	16.5

Capital Adequacy Ratios

The Capital Adequacy Ratios ("CAR") of the Group were computed in accordance with the capital framework set by the Monetary Authority of Singapore ("MAS").

As at 31 December 2007, the Group's total CAR was 61.7%, well above the minimum total CAR of 10% set by MAS. Compared to the total CAR of 58.5% as at 31 December 2006, it had increased 3.2% points attributed to higher retained profits and lower risk-weighted assets mainly from non-bank loans.

	2007	2006
	$'000	$'000
Tier 1 Capital		
Share capital	**100,011**	100,011
Disclosed reserves/other	**86,060**	77,172
	186,071	177,183
Upper Tier 2 Capital		
Cumulative collective impairment/other	**4,009**	4,011
Total capital	**190,080**	181,194
Risk-weighted assets (including market risk)	**308,152**	309,615
Capital adequacy ratios (%)		
Tier 1 capital	**60.4**	57.2
Total capital	**61.7**	58.5

RISK MANAGEMENT

Increasing enterprise value through the careful understanding and management of risk

The assumption of financial and non-financial risks is an integral part of the Group's business. Group's risk management strategy is targeted at ensuring on-going effective risk discovery and achieving effective capital management. Risks are managed within levels established by the management committees, and approved by the Board of Directors (the "Board") and its committees. A comprehensive framework of measurement, monitoring and control policies and procedures are established to enhance the Group's discovery and management of such risks. This framework and its antecedent processes are reviewed by the Executive Committee ("EXCO") of the Board.

The Group applies the following risk management principles:

- Promotion of sustainable long-term growth through embracing sound risk management principles and business practices;
- Continual improvement of risk discovery capabilities and establishment of appropriate value-creating risk controls;
- Focus on facilitating business development within a prudent, consistent and efficient risk management framework that balances risks and returns.

The Risk Management function is independent of the business units it monitors. Several divisions within Risk Management Sector contribute to the independent management of risk.

The Balance Sheet Risk Management Division ("BSRM") establishes and facilitates an integrated approach to monitor and manage the interest rate risk in the banking book and liquidity risk of the Group. BSRM implements and communicates a consistent liquidity and interest rate management framework, which includes policies, limits and reports, for the Group. It performs independent interest rate and liquidity risk analyses which are discussed at the Interest Rate Working Group where asset and liability management tactical strategies are formulated. These tactical strategies are then recommended to the Asset & Liability Committee ("ALCO") for their approval.

The Credit and Country Risk Management Division ("CCRM") provides independent oversight of credit risks and is responsible for the reporting and analysis of all elements of credit risk. CCRM develops Group-wide credit policies and guidelines for all credit-related activities. It actively engages business units on credit-related matters, focusing on facilitating business development within a prudent, consistent and efficient credit risk management framework. It aims to achieve value creation through congruent credit risk methodologies and consistent credit policies and processes across the Group. In addition, CCRM provides independent oversight for the Group's Basel II Internal Ratings-Based Approach ("IRBA") implementation and credit risk capital management.

The Market Risk Management Division ("MRM") is responsible for the independent oversight of market risks. The key accountability of MRM includes the development, implementation, maintenance, enhancement, and communication of a consistent market risk framework. Apart from the responsibility of providing a timely assessment of the overall market risk profile, the division also participates in the development and implementation of an infrastructure that will support the use of internal models for regulatory capital and economic capital computations.

The Operational Risk Management Division ("ORM") develops and maintains the Group's operational risk management framework, policies, processes and procedures, and supports the business units in their implementation. ORM also monitors and submits regular operational risk reports to the Management Committee, EXCO and the Board.

The Middle Office Division ("MO") provides independent valuation of products traded by the Global Markets & Investment Management Sector ("GMIM"). The team is also responsible for the monitoring and control of the profit/loss and risk of GMIM against limits approved by the ALCO.

Basel II

On 1 January 2008, a new capital management framework, Basel II, came into effect. This framework is designed to improve the risk sensitivity of regulatory capital. Under this framework, a capital charge would be included for operational risk. This framework requires greater transparency in the disclosure of risk and capital adequacy information.

Credit Risk Management

Credit risk is defined as the risk of loss arising from any failure by a borrower or a counterparty to fulfil its financial obligations as and when they fall due.

Credit risk is the single largest risk faced by the Group. It is inherent in the activities of the Group such as loans and lending-related commitments, treasury and capital market operations, and investments. Business units have primary responsibilities for the day-to-day and active management of credit risks.

The Group's Credit Committee is delegated the authority by the Board to deal with all credit matters. It also oversees the implementation of the Group's Basel II IRBA framework and the respective IRBA models and risk estimates.

Credit Risk Measurement

The Group firmly believes that a disciplined approach towards credit risk measurement is essential to the effective management of credit risk. Advancements in quantitative risk management methodologies have made it possible to accurately measure and understand credit risk. The Group intends to continuously harness best practices in credit risk management techniques for risk-based pricing and capital allocation. Apart from the methodologies developed to satisfy Basel II regulatory capital computation, the Group has an on-going programme to develop its credit risk economic capital framework.

There is pervasive use of risk rating in the Group's credit decision process with the development and implementation of an internal credit rating system. This system incorporates both statistical models and expert-judgement scorecards, and is used as part of the credit approval process for non-retail exposures. The system ensures that ratings are assigned to borrowers in a consistent manner and systematically captures the rating history for future model back-testing and validation.

Generally, non-retail borrowers are assigned a Customer Risk Rating ("CRR") and a Facility Risk Rating ("FRR"). The CRR is a borrower's standalone credit rating and is derived after a comprehensive assessment of its financial strength, quality of management, business risks and the industry it operates in. The FRR of a borrower incorporates transaction-specific dimensions such as availability and type of collateral, seniority of the exposure and facility structure.

In contrast, consumer exposures are managed on a portfolio basis. The Group uses scorecards and stringent product programmes for credit underwriting purposes.

Credit Stress Test

The Group incorporates periodic credit stress testing as an integral part of its portfolio management process. This allows the Group to assess the potential credit losses arising from the impact of plausible adverse events. Remedial actions such as exposure reduction, portfolio rebalancing, hedging and review of credit acceptance guidelines will be taken if necessary.

RISK MANAGEMENT

Credit Approval and Monitoring

To maintain the independence and integrity of the credit approval process, the credit approval function is segregated from credit origination. Credit approval authority is delegated through a risk-based credit discretionary limit ("CDL") structure to ensure that the CDLs are tiered according to a borrower's rating. The Group has a very stringent process for the delegation of CDLs based on the experience, seniority and track record of the officer. All officers with the authority to approve credits are guided by credit policies and guidelines, with distinctions made for institutional and individual borrowers. These credit policies and guidelines, which cover key parameters associated with credit structuring and approval, are periodically reviewed to ensure their continued relevance.

Credit risk exposures are managed through a robust credit underwriting, structuring and monitoring process. This process includes monthly review of all non-performing and special-mention loans, ensure credit quality and the timely recognition of asset impairment. In addition, credit review and audit are performed regularly to proactively manage any delinquency, minimise undesirable concentrations, maximise recoveries, and ensure that credit policies and procedures are complied with. Past dues and credit limit excesses are tracked and analysed by business and product lines. Significant trends are reported to the Credit Committee.

Credit Risk Concentration

A rigorous process is in place to regularly review and report asset concentrations and portfolio quality. These include monitoring the concentration of exposures by obligors, portfolios or borrowers, industry groupings and countries.

Obligor limits ensure that the Group is not over-exposed to a single borrower or groups of borrowers. Limits are set as a percentage of the Group's capital fund.

Portfolio/Borrower limits ensure that lending to customers with weaker credit ratings is confined to acceptable levels. The limits are set based on the borrower's credit-worthiness, measured by the borrower's FRR.

Industry limits ensure that any adverse effect arising from industry-specific risk event is confined to acceptable levels. Industry limits are set taking into account the current economic environment as well as the Group's expertise in a particular industry.

Cross-border limits ensure that the Group is not over-exposed to country-specific risk.

In line with the Group's rigorous risk measurement approach, the Group intends to adopt more risk-sensitive methodologies in the management of credit concentration risk in the future.

Country Risk

Country risk arises where the Group is unable to receive payments from customers as a result of political or economic events in the country. Country risk is defined as the risk in cross-border lending resulting from events in the country. These events include political and social unrests, exchange control, moratoria, currency devaluation, nationalisation and expropriation of assets.

Country risk is managed within an established framework that includes setting of limits for each country based on the country's risk rating, economic potential as measured by its GDP, as well as the Group's business strategy. Country exposures are analysed and significant trends are reported to the Credit Committee.

Credit Exposure from Foreign Exchange and Derivatives

To manage credit risk arising from derivative activities, master agreements such as International Swaps and Derivatives Association agreements are established with counterparties. Such agreements allow the Group to cash-settle transactions in the event of counterparty default, resulting in a single net claim against or in favour of the counterparty.

The Group also establishes bilateral collateral support agreements with selected counterparties. Under such agreements, either party may be required to provide collateral, based on periodic valuations of selected portfolios, when the exposure exceeds a pre-defined threshold.

Settlement Risk

Settlement risk arises in transactions which involve an exchange of payments with counterparties. The Group's foreign exchange-related settlement risk has been significantly reduced, relative to the volume of our business, through our membership in the Continuous Linked Settlement scheme. This scheme allows transactions to be settled irrevocably on a delivery-versus-payment basis.

Classification and Loan Loss Impairment

The Group 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 'Pass', 'Special Mention' or 'Non-Performing' categories. Non-performing loans are further classified as 'Substandard', 'Doubtful' or 'Loss' in accordance with Notice to Banks, MAS 612 (March 2005).

The Group's practice is to provide for impairment for its overseas operations based on local regulatory requirements for local reporting purposes, and where necessary, to provide for additional impairment to comply with the Group's impairment policy and MAS' requirements.

Write-off Policy

Classified accounts are closely monitored to ensure continued efforts are made to improve the Group's position and reduce its exposure. Where appropriate, such loans are transferred to in-house recovery specialists to maximise recovery prospects. A classified account is written off where there is no realisable collateral securing the account, and all feasible avenues of recovery have been exhausted.

Restructured Non-performing Loans

Loans are restructured to assist a borrower in overcoming financial difficulties where the longer-term prospect of the business or project is deemed to be viable. A restructured account is categorised as non-performing and placed on the appropriate classified grade depending on the Group's assessment of the financial condition of the borrower and the ability of the borrower to repay based on the restructured terms. A restructured account can only be upgraded to 'Pass' when all payments are current for six months or one year for credit facilities with monthly repayments or quarterly/semi-annual repayments respectively. Credit facilities with annual or longer repayment bases are only upgraded if the borrower has complied fully with the restructured terms and demonstrated the ability to repay after the end of one repayment period.

Group Special Asset Management

The Group has set up a centralised and independent division named Group Special Asset Management Division ("GSAM") to manage non-performing loan ("NPL") and non-performing asset ("NPA") portfolios. GSAM manages the NPL/NPA portfolio of the Bank in Singapore and oversees the Special Asset Management Division in our regional subsidiaries. GSAM consists of two sub-units, namely the Restructuring Group and the Recovery Group. The role of the Restructuring Group is to proactively manage all the NPL portfolios, with the primary goal of nursing these accounts back to health and transferring them back to the respective business units. The Recovery Group will manage the NPA portfolio to maximise debt recovery.

RISK MANAGEMENT

Balance Sheet Risk Management

Balance sheet risk management is about managing interest rate and liquidity risks that arise out of the Group's core banking activities.

The ALCO, under delegated authority from the Board, approves policies, strategies and limits for the management of structural balance sheet risk exposures. These are monitored by BSRM. ALCO's decisions and its risk management reports are reviewed by the Board and its EXCO. At a tactical level, GMIM's Management Portfolio unit is responsible for the effective management of balance sheet risk in accordance with the Group's approved balance sheet risk management policies.

Interest Rate Risk

In the course of its core banking activities, the Group strives to meet customers' demands and preferences for products with various interest rate structures and maturities. Mismatches in repricing and other characteristics of assets and liabilities give rise to sensitivity to interest rate movements. As interest rates and yield curves change over time, these mismatches may result in a decline in earnings. The primary objective in managing balance sheet risk, therefore, is to manage the volatility in net interest income ("NII") and economic value of equity ("EVE"). EVE is the present value of the Group's assets less the present value of the Group's liabilities.

Balance sheet interest rate risk exposure is quantified using a combination of static analysis tools and dynamic simulation techniques. Static analysis tools such as repricing schedules and sensitivity analysis provide indications of the potential impact of interest rate changes on interest income and price value through the analysis of the sensitivity of assets and liabilities to changes in interest rates. Interest rate sensitivity varies with different repricing periods, currency and embedded optionality. Mismatches in the longer tenor will experience greater change in the price-value of interest rate positions than similar positions in the shorter tenor.

The table in Note 31(c) to the financial statements represents the Group's interest rate risk sensitivity based on contractual repricing mismatches as at 31 December 2007. The Group had an overall positive interest rate sensitivity gap of $348 million, which represented the net difference between interest rate sensitive assets and liabilities. As shown in the table in Note 31(c), the Group's NII at risk sensitivity of the banking book was $1.3 million (2006: $1.4 million) and $5.3 million (2006: $5.8 million) for 50bp and 200bp parallel change in the interest rates. The Group's EVE at risk sensitivity of the banking book was $0.4 million (2006: $0.1 million) and $1.4 million (2006: $0.5 million) for 50bp and 200bp parallel change in the interest rates. The NII and EVE at risk sensitivity were within the tolerable risk appetite of the Group.

In the dynamic simulation process, the Group applies both the earnings and EVE approaches to assess interest rate risk. The potential effects of interest rate change on NII are estimated by simulating the possible future course of interest rates, expected changes in the Group's business activities over time, as well as the effects of embedded options. Embedded options may be in the form of loan prepayment and deposit pre-upliftment. Changes in interest rates are simulated using different interest rate scenarios such as changes in the shape of the yield curve, including high and low rates, positive and negative tilt scenarios.

In EVE sensitivity simulations, the present values of the Group's cash flows are computed, with the focus on changes in EVE under different interest rate scenarios. This economic perspective measures interest rate risks across the full maturity profile of the balance sheet, including off-balance sheet items.

Stress testing is also performed regularly to determine the adequacy of the Group's capital in meeting the impact of extreme interest rate movements on its balance sheet. Such tests are also performed to provide early warnings of potential extreme losses, facilitating the proactive management of interest rate risks in an environment of rapid financial market changes.

Liquidity Risk

Liquidity risk is defined as the risk to the Group's earnings or capital from its inability to meet its financial obligations as they fall due. Liquidity risk arises from the general funding of the Group's banking activities and in the management of its assets and liabilities, including off-balance sheet items. The Group maintains sufficient liquidity to fund its day-to-day operations, meet deposit withdrawals and loan disbursements, participation in new investments, and repayment of borrowings. Hence, liquidity is managed in a manner to address known as well as unanticipated cash funding needs.

Liquidity risk is managed in accordance with a framework of policies, controls and limits approved by ALCO. These policies, controls and limits ensure that the Group monitors and manages liquidity risk in a manner that ensures sufficient sources of funds are available over a range of market conditions. These include minimising excessive funding concentrations by diversifying the sources and terms of funding as well as maintaining a portfolio of high quality and marketable debt securities.

The distribution of deposits is managed actively to ensure a balance between cost effectiveness, continued accessibility to funds, and diversification of funding sources. Important factors in ensuring liquidity are competitive pricing, proactive management of the Group's 'core deposits' and the maintenance of customers' confidence. 'Core deposits' are generally stable non-bank deposits, such as current accounts, savings accounts and fixed deposits. The Group monitors the stability of its 'core deposits' by analysing their volatility over time.

Aligning with the regulatory liquidity risk management framework, liquidity risk is measured and managed on a projected cash flow basis. The Group is monitored under 'business as usual', 'bank-specific crisis' and 'general market crisis' scenarios. Behavioural modelling is carried out regularly to ensure that the cash flow requirements for 'business as usual' and crisis scenarios are realistic. Cash flow mismatch limits are established to limit the Group's liquidity exposure. The Group also employs liquidity early warning indicators and trigger points to signal possible contingency situations. At the tactical level, GMIM's Management Portfolio unit is responsible for effectively managing overall liquidity cash flows in accordance with the Group's approved liquidity risk management policies and limits.

Liquidity contingency funding plans are in place to identify a liquidity crisis through early warning indicators. Crisis escalation processes and various strategies including funding and communication strategies have been developed to minimise the impact of a liquidity crunch.

The table in Note 31(e) to the financial statements presents the maturity mismatch analysis of the Group's near and long-term time bands relating to the cash inflows and outflows based on contractual maturity arising from the Group's activities. Behavioural adjustments were made on significant balance sheet items that have actual maturity dates that differ substantially from their contractual profile.

Behavioural modelling is carried out based on industry-approved methodologies and reviewed regularly. Loans and deposits which do not have maturity dates, and fixed deposits which are rolled over frequently, are generally estimated based on their past statistics or trends.

Operational Risk Management

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. 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.

The Management Committee, under delegated authority from the Board, oversees the establishment of a sound operational risk management framework and monitors the operational risk profile of the Group.

Operational risk is managed through a framework of policies, processes and procedures by which business units identify, assess, monitor and control/mitigate their operational risks. The operational risk management processes and procedures include:

- Operational Risk Self Assessments ("ORSA");
- Operational Risk Action Plans ("ORAP");
- Key Operational Risk Indicators ("KORIs"); and
- Analysis of operational risk events and losses.

ORSA involves identifying and assessing inherent risks as well as assessing the effectiveness of controls to mitigate the identified risks. Action plans to address issues are documented and monitored via the ORAP.

KORIs are statistical data collected and monitored by business and support units on an on-going basis to facilitate early detection of potential operational control weaknesses. Trend analysis is carried out to identify systemic issues that need to be addressed.

A database of operational risk events and losses has been established to facilitate the future use of advanced approaches for quantification of operational risks. Additionally, the analysis of loss trends and root causes of loss events helps in strengthening the internal control environment.

The Group's operational risk management framework also incorporates a new product/service programme process which ensures that risks associated with the introduction of new products and services are identified, analysed and addressed prior to launch.

For online products and services, extra care and precautionary measures are implemented to protect customers' confidentiality and interests. Two-Factor Authentication, which requires online banking customers to provide a one-time password in addition to their login username and password to verify their identity, was implemented in Singapore in December 2006. Security guidelines and alerts are posted on the Group's website to educate customers on the proper use and safekeeping of their usernames and passwords and increase their awareness of fraudulent online activities such as phishing, and viruses.

With the increasing need to outsource internal operations to achieve cost and operational efficiency, the Group's Outsourcing Policy and framework ensure that outsourcing risks are adequately identified and managed prior to entering new arrangements and on an on-going basis.

Effective business continuity and crisis management strategies and plans have been developed and tested to ensure prompt recovery of critical business functions in the event of major business and/or system disruptions.

A Group Insurance Programme is in place to effectively mitigate the risk of high impact operational losses.

Legal risk is part of operational risk and arises from unenforceable or unintended contracts, defective documentation, insufficient authority of customers, lawsuits, and non-compliance with applicable laws. Business units work with the Group's legal counsel and external legal counsel to ensure that legal risks arising from the Group's business activities are effectively managed.

An operational risk management training and awareness programme is in place to facilitate on-going promotion of an effective risk management culture.

DIRECTORS' REPORT

for the financial year ended 31 December 2007

The directors are pleased to present their report to the members together with the audited financial statements of Far Eastern Bank Limited (the "Bank") and its subsidiaries (the "Group") for the financial year ended 31 December 2007.

Directors

The directors of the Bank in office at the date of this report are:

Mr Wee Cho Yaw *(Chairman)*
Mr Wee Ee Cheong *(Deputy Chairman & Chief Executive Officer)*
Mr Ong Chu Meng
Mr Wong Meng Meng
Mr Yeo Liat Kok Philip
Prof Cham Tao Soon
Mr Ngiam Tong Dow

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.

Directors' interests in shares or debentures

(a) The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, an interest in shares of the Bank or related corporations as stated below:

	Direct interest		Deemed interest	
	At 31.12.2007	At 1.1.2007	**At 31.12.2007**	At 1.1.2007
Ordinary shares				
The Bank				
Mr Ong Chu Meng	**302,185**	302,185	**2,020,453**	2,020,453
United Overseas Bank Limited				
Mr Wee Cho Yaw	**16,390,248**	16,390,248	**247,008,142**	245,208,142
Mr Wee Ee Cheong	**2,794,899**	2,794,899	**146,135,251**	146,085,251
Prof Cham Tao Soon	–	–	**9,775**	9,775
Mr Ngiam Tong Dow	–	–	**8,600**	8,600
United Overseas Insurance Limited				
Mr Wee Cho Yaw	**38,100**	25,400	–	–

(b) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the share options of related corporations.

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Bank has received or become entitled to receive a benefit by reason of a contract made by the Bank or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director 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.

Directors' fees and other remuneration

Details of the total fees and other remuneration paid/payable by the Group to the directors of the Bank for the financial year ended 31 December 2007 are as follows:

	Directors' fees %	Base or fixed salary %	Variable performance bonus %	Benefit-in-kind and others %	Total %
Below $250,000					
Mr Wee Cho Yaw	100.0	–	–	–	100.0
Mr Wee Ee Cheong	100.0	–	–	–	100.0
Mr Ong Chu Meng	100.0	–	–	–	100.0
Mr Wong Meng Meng	100.0	–	–	–	100.0
Mr Yeo Liat Kok Philip	100.0	–	–	–	100.0
Prof Cham Tao Soon	100.0	–	–	–	100.0
Mr Ngiam Tong Dow	100.0	–	–	–	100.0

Share Options

There were no options granted by the Bank or any of its subsidiaries during the financial year to subscribe for unissued shares of the Bank or its subsidiaries.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Bank or its subsidiaries.

There were no unissued shares under option in respect of the Bank or its subsidiaries as at 31 December 2007.

Auditors

Messrs Ernst & Young have expressed their willingness to accept reappointment as auditors.

On behalf of the Board of Directors,

Wee Cho Yaw
Chairman

Wee Ee Cheong
Deputy Chairman & Chief Executive Officer

Singapore
27 February 2008

STATEMENT BY DIRECTORS

for the financial year ended 31 December 2007

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

(a) the accompanying profit and loss accounts, balance sheets, statement of changes in equity and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Bank and of the Group as at 31 December 2007, the results of the business and changes in equity of the Bank and the Group and cash flows of the Group for the financial year then ended; and

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

On behalf of the Board of Directors,

Wee Cho Yaw
Chairman

Wee Ee Cheong
Deputy Chairman & Chief Executive Officer

Singapore
27 February 2008

AUDITORS' REPORT

for the financial year ended 31 December 2007

TO THE MEMBERS OF FAR EASTERN BANK LIMITED

We have audited the accompanying financial statements of Far Eastern Bank Limited (the "Bank") and its subsidiaries (the "Group") set out on pages 37 to 75, which comprise the balance sheets of the Bank and the Group as at 31 December 2007, the profit and loss accounts and the statements of changes in equity of the Bank and the Group, and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Bank's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards ("FRS"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion,

(i) the financial statements of the Bank and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Act and FRS, including the modification of the requirements of FRS39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning by Notice to Banks No. 612 'Credit Files, Grading and Provisioning' issued by the Monetary Authority of Singapore, so as to give a true and fair view of the state of affairs of the Bank and the Group as at 31 December 2007, the results of the Bank and of the Group, the changes in equity of the Bank and the changes in equity and cash flows of the Group for the year ended on that date; and

(ii) the accounting and other records 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.

ERNST & YOUNG

Certified Public Accountants

Singapore

27 February 2008

PROFIT AND LOSS ACCOUNTS

for the financial year ended 31 December 2007

	Note	The Group 2007 $'000	The Group 2006 $'000	The Bank 2007 $'000	The Bank 2006 $'000
Interest income	3	**23,786**	28,141	**23,786**	28,141
Less: Interest expense	4	**6,474**	6,740	**6,475**	6,741
Net interest income		**17,312**	21,401	**17,311**	21,400
Dividend income	5	**46**	44	**46**	44
Fee and commission income	6	**1,305**	1,211	**1,305**	1,211
Rental income	7	**2,871**	2,543	**2,871**	2,543
Other operating income	8	**969**	1,886	**969**	1,886
Non-interest income		**5,191**	5,684	**5,191**	5,684
Total operating income		**22,503**	27,085	**22,502**	27,084
Less:					
Staff costs	9	**706**	597	**706**	597
Other operating expenses	10	**9,764**	8,755	**9,763**	8,754
Total operating expenses		**10,470**	9,352	**10,469**	9,351
Operating profit before impairment charges		**12,033**	17,733	**12,033**	17,733
Less: (write-back)/impairment charges	11	**(886)**	1,221	**(886)**	1,221
Profit before tax		**12,919**	16,512	**12,919**	16,512
Less: Tax	12a	**2,419**	3,050	**2,419**	3,050
Profit for the financial year attributable to equity holders of the Bank		**10,500**	13,462	**10,500**	13,462

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

BALANCE SHEETS

as at 31 December 2007

	Note	The Group 2007 $'000	The Group 2006 $'000	The Bank 2007 $'000	The Bank 2006 $'000
Equity					
Share capital	13	**100,011**	100,011	**100,011**	100,011
Statutory reserve	14	**54,900**	54,900	**54,900**	54,900
Fair value reserve	15	**435**	267	**435**	267
Revenue reserves	16	**32,437**	23,577	**32,432**	23,572
		187,783	178,755	**187,778**	178,750
Liabilities					
Deposits of bank & agents		**361**	–	**361**	–
Deposits of non-bank customers	17b	**666,846**	615,323	**666,846**	615,323
Deposits of fellow subsidiaries		**2,077**	1,988	**2,077**	1,988
Deposits of subsidiaries		**–**	–	**114**	114
Deposits of and amounts owing to holding company		**27,500**	28,376	**27,500**	28,376
	17a	**696,784**	645,687	**696,898**	645,801
Bills and drafts payable		**3,360**	3,148	**3,360**	3,148
Derivative financial liabilities	28	**11**	1	**11**	1
Tax payable		**2,571**	3,161	**2,571**	3,161
Other liabilities	18	**5,613**	4,884	**5,609**	4,880
		708,339	656,881	**708,449**	656,991
		896,122	835,636	**896,227**	835,741
Off-balance sheet items					
Contingent liabilities	27	**20,110**	15,156	**20,110**	15,156
Financial derivatives	28	**1,517**	1,592	**1,517**	1,592
Commitments	29	**119,058**	115,911	**119,058**	115,911

		The Group		The Bank	
	Note	**2007**	2006	**2007**	2006
		$'000	$'000	**$'000**	$'000
Assets					
Cash and balances with central bank		**12,289**	14,076	**12,289**	14,076
Singapore Government treasury bills and securities	19	**65,028**	59,154	**65,028**	59,154
Placements and balances with banks and agents	20	**11,179**	14,180	**11,179**	14,180
Loans to non-bank customers	21	**184,998**	212,994	**184,998**	212,994
Placements with fellow subsidiaries		**82**	54	**82**	54
Placements with and amounts owing by holding company		**607,086**	519,059	**607,086**	519,059
Derivative financial assets	28	**16**	19	**16**	19
Investment securities	22	**789**	754	**789**	754
Other assets	23	**3,730**	4,266	**3,730**	4,266
Investment in a fellow associate	24	**878**	816	**878**	816
Investment in subsidiaries	25	**–**	–	**105**	105
Properties and other fixed assets	26	**8,918**	8,987	**8,918**	8,987
Deferred tax assets	12c	**1,129**	1,277	**1,129**	1,277
		896,122	835,636	**896,227**	835,741

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

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2007

		The Group				
	Note	Share capital $'000	Statutory reserve $'000	Fair value reserve $'000	Revenue reserves $'000	Total $'000
2007						
Balance at 1 January 2007		**100,011**	**54,900**	**267**	**23,577**	**178,755**
Change in available-for-sale reserve						
Net change in fair value	15	**–**	**–**	**153**	**–**	**153**
Transferred to profit and loss account on disposal/impairment	15	**–**	**–**	**15**	**–**	**15**
Total gains recognised directly in equity		**–**	**–**	**168**	**–**	**168**
Net profit for the financial year		**–**	**–**	**–**	**10,500**	**10,500**
Total gains recognised for the financial year		**–**	**–**	**168**	**10,500**	**10,668**
Final dividend	16a	**–**	**–**	**–**	**(1,640)**	**(1,640)**
Balance at 31 December 2007		**100,011**	**54,900**	**435**	**32,437**	**187,783**
2006						
Balance at 1 January 2006		100,011	51,500	105	15,115	166,731
Change in available-for-sale reserve						
Net change in fair value	15	–	–	31	–	31
Transferred to profit and loss account on disposal/impairment	15	–	–	131	–	131
Total losses recognised directly in equity		–	–	162	–	162
Net profit for the financial year		–	–	–	13,462	13,462
Total gains recognised for the financial year		–	–	162	13,462	13,624
Transfer to statutory reserve	14,16a	–	3,400	–	(3,400)	–
Final dividend	16a	–	–	–	(1,600)	(1,600)
Balance at 31 December 2006		100,011	54,900	267	23,577	178,755

		The Bank				
	Note	Share capital $'000	Statutory reserve $'000	Fair value reserve $'000	Revenue reserves $'000	Total $'000
2007						
Balance at 1 January 2007		**100,011**	**54,900**	**267**	**23,572**	**178,750**
Change in available-for-sale reserve						
Net change in fair value	15	**–**	**–**	**153**	**–**	**153**
Transferred to profit and loss account on disposal/impairment	15	**–**	**–**	**15**	**–**	**15**
Total gains recognised directly in equity		**–**	**–**	**168**	**–**	**168**
Net profit for the financial year		**–**	**–**	**–**	**10,500**	**10,500**
Total gains recognised for the financial year		**–**	**–**	**168**	**10,500**	**10,668**
Final dividend	16a	**–**	**–**	**–**	**(1,640)**	**(1,640)**
Balance at 31 December 2007		**100,011**	**54,900**	**435**	**32,432**	**187,778**
2006						
Balance at 1 January 2006		100,011	51,500	105	15,110	166,726
Change in available-for-sale reserve						
Net change in fair value	15	–	–	31	–	31
Transferred to profit and loss account on disposal/impairment	15	–	–	131	–	131
Total gains recognised directly in equity		–	–	162	–	162
Net profit for the financial year		–	–	–	13,462	13,462
Total gains recognised for the financial year		–	–	162	13,462	13,624
Transfer to statutory reserve	14,16a	–	3,400	–	(3,400)	–
Final dividend	16a	–	–	–	(1,600)	(1,600)
Balance at 31 December 2006		100,011	54,900	267	23,572	178,750

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

CONSOLIDATED CASH FLOW STATEMENT

for the financial year ended 31 December 2007

	2007	2006
	$'000	$'000
Cash flows from operating activities :		
Operating profit before impairment charges	**12,033**	17,733
Adjustments for :		
Depreciation of assets	**537**	554
Net loss/(profit) on disposal of assets	**2**	(948)
Operating profit before working capital changes	**12,572**	17,339
Changes in working capital :		
Increase/(decrease) in deposits	**51,884**	(32,366)
Increase/(decrease) in bills and drafts payable	**212**	(608)
Increase in other liabilities	**739**	1,198
Decrease/(increase) in placements and balances with banks and agents	**3,001**	(933)
Decrease in loans to non-bank customers	**28,370**	42,849
Decrease/(increase) in other assets	**700**	(778)
Increase in net balance with related companies	**(88,842)**	(28,764)
Cash provided by/(used in) operations	**8,636**	(2,063)
Income tax paid	**(2,889)**	(3,288)
Net cash provided by/(used in) operating activities	**5,747**	(5,351)
Cash flows from investing activities :		
Net cash flow on (purchase)/disposal of assets	**(20)**	1,559
Net cash (used in)/provided by investing activities	**(20)**	1,559
Cash flows from financing activities :		
Dividend paid by the Bank	**(1,640)**	(1,600)
Net cash used in financing activities	**(1,640)**	(1,600)
Net increase/(decrease) in cash and cash equivalents for the financial year	**4,087**	(5,392)
Cash and cash equivalents at beginning of the financial year	**73,230**	78,622
Cash and cash equivalents at end of the financial year (Note 30)	**77,317**	73,230

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2007

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

1. Corporate information

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

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

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

2. Summary of significant accounting policies

(a) Basis of preparation

The financial statements of the Bank and its subsidiaries (the "Group") have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") as required by the Companies Act, Cap. 50, with modification to FRS39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning, as provided in Notice to Banks No. 612 'Credit Files, Grading and Provisioning' issued by the Monetary Authority of Singapore ("MAS").

The financial statements have been prepared under the historical cost convention, modified by the revaluation of available-for-sale financial assets and financial derivatives.

The financial statements are presented in Singapore Dollars.

(b) Changes in accounting policies

The Group adopted the following FRS on 1 January 2007. The adoption of the FRS has no significant impact on the financial statements of the Group.

- FRS1 Presentation of Financial Statements (revised)
- FRS40 Investment Property
- FRS107 Financial Instruments: Disclosures

Other than the above changes, the accounting policies applied by the Group in the financial year were consistent with those adopted in the previous financial year.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries for the same accounting period. Accounting policies are consistently applied by the Group.

Subsidiaries are consolidated from the date the Group obtains control, until the date such control ceases. Inter-company transactions and balances are eliminated.

2. Summary of significant accounting policies (cont'd)

(d) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern their financial and operating policies. The Group generally has such power when it directly or indirectly holds more than 50% of the issued share capital, or controls more than 50% of the voting power or the composition of the board of directors, of the entities.

Investment in subsidiaries is stated at cost less provision for impairment, if any, determined on an individual basis.

(e) Foreign currencies

Transactions in foreign currencies are recorded, on initial recognition, in the respective functional currencies of the Bank and its subsidiaries at exchange rates approximating those ruling at the transaction dates. Monetary assets and monetary liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Exchange differences arising on the settlement of monetary items or on translating monetary items at balance sheet date are recognised in the profit and loss account.

(f) Financial assets and financial liabilities

(i) Classification

Financial assets and financial liabilities are classified as follows:

Financial assets and financial liabilities at fair value through profit and loss

- Held for trading

  Financial instruments are classified as held for trading if they are acquired for short-term profit taking. Financial derivatives are classified as held for trading unless they are designated as hedging instruments.

- Designated as fair value through profit and loss

  Financial instruments are designated as at fair value through profit and loss if they meet the following criteria:
  - the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities on a different basis; or
  - the assets and liabilities are managed on a fair value basis in accordance with a documented risk management or investment strategy; or
  - the financial instrument contains an embedded derivative, except where such derivative does not significantly modify the cash flows of the instrument.

Held to maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the intention and ability to hold the assets till maturity.

Loans and receivables

Non-derivative financial assets with fixed or determinable payments and are not quoted in an active market are classified as loans and receivables.

Available-for-sale

Non-derivative financial assets that are not classified into any of the preceding categories and are available for sale are classified in this category.

Non-trading liabilities

Non-derivative financial liabilities not held for active trading or designated as at fair value through profit and loss are classified in this category.

(ii) Measurement

Initial measurement

Financial instruments are initially recognised at their fair value plus transaction costs directly attributable to the acquisition or issuance of the instruments. For financial instruments classified as at fair value through profit and loss, transaction costs are expensed off.

Subsequent measurement

Financial instruments classified as held for trading and designated as at fair value through profit and loss are measured at fair value with fair value changes recognised in the profit and loss account.

Available-for-sale assets are measured at fair value with fair value changes taken to the fair value reserve, and subsequently to the profit and loss account upon disposal or impairment of the assets.

All other financial instruments are measured at amortised cost using the effective interest method.

Interest earned/incurred and dividend received/receivable on all non-derivative financial instruments are recognised as interest income/expense and dividend income accordingly.

Fair value determination

Fair values of financial assets and financial liabilities with active markets are determined based on the market bid and asked prices respectively at the balance sheet date. For financial instruments with no active markets, fair values are established using valuation techniques such as making reference to recent arm's length transactions or other comparable financial instruments, discounted cash flow analysis and option pricing models.

(iii) Recognition and derecognition

Financial instruments are recognised when the Group becomes a party to the contractual provision of the instruments. All regular way purchases and sales of financial assets that require delivery within the period generally established by regulation or market convention are recognised on the settlement date.

Financial instruments are derecognised when the risks and rewards associated with the instruments are substantially transferred, cancelled or expired. On the derecognition, the difference between the carrying amount of the instruments and the consideration received/paid, less the cumulative gain or loss that has been recognised in the equity are taken to the profit and loss account.

(iv) Impairment

Individual impairment

Financial assets, other than those measured at fair value through profit and loss account are subject to impairment review at each balance sheet date. Impairment loss is recognised when there is objective evidence such as significant financial difficulty of the issuer/obligor, prolonged decline in market prices and adverse economic indicators that the recoverable amount of an asset is below its carrying amount.

2. Summary of significant accounting policies (cont'd)

(f) Financial assets and financial liabilities (cont'd)

(iv) Impairment (cont'd)

Financial assets that are individually significant are assessed individually. Those not individually significant are grouped together based on similar credit risks and assessed as a portfolio.

For financial assets carried at amortised costs, impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The loss is recognised in the profit and loss account.

For available-for-sale assets, impairment loss is determined as the difference between the assets' cost and the current fair value, less any impairment loss previously recognised in the profit and loss account. The loss is transferred from the fair value reserve to the profit and loss account. For available-for-sale equity instruments, subsequent recovery of the impairment loss is written back to the fair value reserve.

Financial assets are written off when all avenues of recovery have been exhausted.

Collective impairment

Collective impairment is made for estimated losses inherent in but not currently identifiable to the individual financial assets. The provision is made based on management's experience and judgement and taking into account country and portfolio risks. A minimum of 1% of credit exposure net of collaterals and individual impairment is maintained by the Group in accordance with the transitional provision set out in MAS Notice 612.

(g) Financial derivatives

Financial derivatives with positive and negative fair values are presented as assets and liabilities in the balance sheet respectively. Derivatives embedded in other financial instruments are accounted for separately as derivatives if their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit and loss.

(h) Properties and other fixed assets

Properties and other fixed assets are stated at cost less accumulated depreciation and provision for impairment.

Properties held for rental income and/or capital appreciation are classified as investment properties while those for office use as owner-occupied properties.

Computer software is recognised as intangible assets only if it is identifiable, probable of generating future economic benefits and its availability/accessibility is controlled by the Group.

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 the lease period, whichever is shorter. Other fixed assets are depreciated on a straight-line basis over 5 or 10 years.

The residual value, useful life and depreciation method of properties and other fixed assets are reviewed annually. Their carrying amounts are reviewed for impairment when events or changes in circumstances indicate that the amounts may not be recoverable.

(i) Tax

(i) Current tax

Current tax is measured at the amount expected to be recovered from or paid to the tax authorities. The tax rate and tax law applied are those that are enacted or substantively enacted by the balance sheet date.

(ii) Deferred tax

Deferred tax is provided using the liability method on all significant temporary differences between the tax bases and carrying amounts of assets and liabilities. Deferred tax is measured at the tax rate that is expected to apply to the year when the assets are realised or the liabilities are settled, based on the tax rate and tax law that have been enacted or substantively enacted by the balance sheet date.

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

Deferred tax is not provided for goodwill, initial recognition of assets and liabilities that does not affect accounting tax, taxable profit or tax loss, and on investment in subsidiaries, associates and joint ventures where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are offset against deferred tax liabilities if a legally enforceable right to set off current tax assets against current tax liabilities exists and the deferred taxes relate to the same taxable entity and tax authority.

Deferred tax relating to items recognised directly in equity is taken to equity.

(j) Provision

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

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

(k) Revenue recognition

Interest income is recognised on a time proportion basis using the effective interest method.

Dividend income is recognised when the right to receive it is established.

Fee and commission income is recognised when services are rendered. Where the fee charged is in lieu of interest, such fee is amortised over the same period as the related interest income is recognised.

2. Summary of significant accounting policies (cont'd)

(l) Employee benefits

(i) Equity compensation benefits

The Group qualifies for an equity compensation plan referred to as the UOB 1999 Share Option Scheme. Under the scheme, options to subscribe for ordinary shares in the holding company may be granted to employees in the corporate grade of Vice President (or equivalent rank) and above and selected employees below the corporate grade of Vice President (or equivalent rank) of the Group, and to directors and controlling equity holders, subject to certain conditions.

The cost of the options is the fair value at the option grant date and is recognised as an expense in the profit and loss account over the one year vesting period.

(ii) Defined contribution plans

The Group contributes to social security schemes, including the Central Provident Fund which is a defined contribution scheme. Such contributions are expensed off to the profit and loss account as part of staff costs in the period when the related service is performed.

(m) Dividend payment

Dividends on ordinary shares are accounted for as an appropriation of retained profits. Interim dividends are recorded when declared payable while final dividends are recognised upon approval of equity holders.

(n) Significant accounting estimates and judgements

Certain estimates, judgements and assumptions concerning the future are made in the preparation of the financial statements. They affect the accounting policies applied, financials reported and disclosures made. They are assessed on an on-going basis based on experience and expectations of future events that are believed to be reasonable under the circumstances.

3. Interest income

	The Group and The Bank	
	2007	2006
	$'000	$'000
Singapore Government treasury bills and securities	**2,052**	1,883
Loans to non-bank customers	**9,514**	12,551
Placements and balances with banks and agents	**12,220**	13,707
	23,786	28,141
Received/receivable from :		
Holding company	**12,046**	13,578
Third parties	**11,740**	14,563
	23,786	28,141

Included in the total interest income was interest of $162 (2006: $193,000) accrued on impaired financial assets by the Group and the Bank.

4. Interest expense

	The Group		The Bank	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Deposits of non-bank customers	**6,418**	6,656	**6,419**	6,657
Deposits of banks and agents	**56**	84	**56**	84
	6,474	6,740	**6,475**	6,741
Paid/payable to :				
Holding company	**56**	83	**56**	83
Subsidiaries	**–**	–	**1**	1
Fellow subsidiaries	**43**	51	**43**	51
Third parties	**6,375**	6,606	**6,375**	6,606
	6,474	6,740	**6,475**	6,741

5. Dividend income

	The Group and The Bank	
	2007	2006
	$'000	$'000
Investment in an unquoted fellow subsidiary	**–**	1
Other quoted investments	**46**	43
	46	44

6. Fee and commission income

	The Group and The Bank	
	2007	2006
	$'000	$'000
Investment-related	**125**	192
Loan and trade-related	**721**	535
Other	**459**	484
	1,305	1,211

7. Rental income

Rental income represents income from the tenanted areas of the buildings owned by the Bank. Included in the rental income for the financial year was income of $1,765,000, (2006: $1,390,000) received from the holding company.

8. Other operating income

	The Group and The Bank	
	2007	2006
	$'000	$'000
Net profit/(loss) on disposal of Singapore Government treasury bills and securities	**59**	(40)
Net profit on foreign exchange	**198**	289
Net (loss)/profit on disposal of properties and other fixed assets	**(2)**	948
Other income	**714**	689
	969	1,886

9. Staff costs

	The Group and The Bank	
	2007	2006
	$'000	$'000
Salaries, bonus and allowances	**595**	517
Employer's contribution to the Central Provident Fund	**79**	66
Other staff-related costs	**32**	14
	706	597
Number of employees at 31 December	**16**	18

10. Other operating expenses

	The Group		The Bank	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Included in other operating expenses are:				
Depreciation of assets	**537**	554	**537**	554
Rental of premises	**–**	1	**–**	1
Maintenance of premises and other assets	**288**	333	**288**	333
Other expenses of premises	**740**	579	**740**	579
Audit fees	**109**	61	**108**	60
Management fees payable to holding company	**7,630**	6,762	**7,630**	6,762
Fees payable to directors of the Bank	**63**	65	**63**	65
Expenses on investment properties that:				
Generate rental income	**823**	721	**823**	721

11. Impairment charges

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

	The Group and The Bank	
	2007	2006
	$'000	$'000
Net (write-back of)/individual impairment on loans to non-bank customers	**(374)**	1,343
Write-back of impairment on investments	**(62)**	(18)
Write-back of impairment on properties	**(450)**	(104)
	(886)	1,221

12. Tax

(a) Tax expense

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

	The Group and The Bank	
	2007	2006
	$'000	$'000
On the profit of the financial year		
Current tax	**2,299**	3,090
Deferred tax	**(49)**	(13)
	2,250	3,077
Overprovision of tax in respect of prior financial year		
Current tax	**–**	(27)
Effect of change in tax rate	**169**	–
	2,419	3,050

(b) Tax reconciliation

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

	The Group and The Bank	
	2007	2006
	$'000	$'000
Profit before tax	**12,919**	16,512
Tax calculated at a tax rate of 18% (2006: 20%)	**2,326**	3,302
Effects on :		
Singapore statutory stepped income exemption	**(27)**	(11)
Income not subject to tax	**(127)**	(248)
Income taxed at a concessionary rate of 10%	**(68)**	(95)
Expenses not deductible for tax purposes	**146**	129
Tax expense on profit of the financial year	**2,250**	3,077

(c) Deferred tax

Movements in the deferred tax assets/liabilities of the Group and the Bank during the financial year are as follows:

	The Group and The Bank	
	2007	2006
	$'000	$'000
Deferred tax assets on non-tax deductible collective impairment		
Balance at 1 January and 31 December	**1,688**	1,688
Amount offset against deferred tax liabilities	**(390)**	(411)
Effect of change in tax rate	**(169)**	–
Net balance at 31 December	**1,129**	1,277

	The Group and The Bank		
Deferred tax liabilities	**Accelerated tax depreciation**	**Available-for-sale financial assets**	**Total**
	$'000	**$'000**	**$'000**
2007			
Balance at 1 January	**344**	**67**	**411**
Credited to profit and loss account	**(49)**	**–**	**(49)**
Charged to equity	**–**	**28**	**28**
Balance at 31 December	**295**	**95**	**390**
Amount offset against deferred tax assets			**(390)**
Net balance at 31 December			-

	The Group and The Bank		
Deferred tax liabilities	**Accelerated tax depreciation**	**Available-for-sale financial assets**	**Total**
	$'000	**$'000**	**$'000**
2006			
Balance at 1 January	357	26	383
Credited to profit and loss account	(13)	–	(13)
Charged to equity	–	41	41
Balance at 31 December	344	67	411
Amount netted against deferred tax assets			(411)
Net balance at 31 December			–

13. Share capital

	The Group and The Bank	
	2007	2006
	$'000	$'000
Issued and fully paid		
100,010,566 (2006: 100,010,566) ordinary shares	**100,011**	100,011

The holders of the ordinary shares are entitled to receive dividends declared by the Bank. All ordinary shares carry one vote per share with no restrictions.

14. Statutory reserve

	The Group and The Bank	
	2007	2006
	$'000	$'000
Balance at 1 January	**54,900**	51,500
Transfer from retained profits (Note 16a)	**–**	3,400
Balance at 31 December	**54,900**	54,900

The statutory reserve is maintained in accordance with the provisions of applicable laws and regulations. This reserve is non-distributable unless approved by the relevant authority.

Under the Banking (Reserve Fund) (Transitional Provision) Regulations 2007 which came into effect on 11 June 2007, the Bank may distribute or utilise its statutory reserves provided that the amount distributed or utilised for each financial year does not exceed 20% of the reserves as at 30 March 2007.

15. Fair value reserve

	The Group and The Bank	
	2007	2006
	$'000	$'000
Balance at 1 January	**267**	105
Available-for-sale assets		
Net change in fair value	**153**	31
Transferred to profit and loss account on disposal/impairment	**15**	131
Balance at 31 December	**435**	267

The fair value reserve of the Group and the Bank represents the cumulative fair value changes on outstanding available-for-sale assets.

16. Revenue reserves

(a)

	2007 General reserve $'000	2007 Retained profits $'000	2007 Total $'000	2006 General reserve $'000	2006 Retained profits $'000	2006 Total $'000
The Group						
Balance at 1 January	**14,600**	**8,977**	**23,577**	12,000	3,115	15,115
Net profit for the financial year	**–**	**10,500**	**10,500**	–	13,462	13,462
Transfer to general reserve	**5,000**	**(5,000)**	**–**	2,600	(2,600)	–
Transfer to statutory reserve (Note 14)	**–**	**–**	**–**	–	(3,400)	(3,400)
Final dividend in respect of the financial year ended 31 December 2006 (2006: 31 December 2005) of 2 cents (2006: 2 cents) per share net of tax at 18% (2006: 20%)	**–**	**(1,640)**	**(1,640)**	–	(1,600)	(1,600)
Balance at 31 December	**19,600**	**12,837**	**32,437**	14,600	8,977	23,577

	2007 General reserve $'000	2007 Retained profits $'000	2007 Total $'000	2006 General reserve $'000	2006 Retained profits $'000	2006 Total $'000
The Bank						
Balance at 1 January	**14,600**	**8,972**	**23,572**	12,000	3,110	15,110
Net profit for the financial year	**–**	**10,500**	**10,500**	–	13,462	13,462
Transfer to general reserve	**5,000**	**(5,000)**	**–**	2,600	(2,600)	–
Transfer to statutory reserve (Note 14)	**–**	**–**	**–**	–	(3,400)	(3,400)
Final dividend in respect of the financial year ended 31 December 2006 (2006: 31 December 2005) of 2 cents (2006: 2 cents) per share net of tax at 18% (2006: 20%)	**–**	**(1,640)**	**(1,640)**	–	(1,600)	(1,600)
Balance at 31 December	**19,600**	**12,832**	**32,432**	14,600	8,972	23,572

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

(c) In respect of the financial year ended 31 December 2007, the directors have proposed a final exempt (one-tier) dividend of 2 cents per share, amounting to $2,000,000 (2006: 2 cents per share net of tax at 18% amounting to $1,640,000). The proposed dividend will be accounted for as an appropriation of retained profits for the financial year ending 31 December 2008.

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

(a)

	The Group		The Bank	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Analysed by remaining maturity:				
Within 1 year	**665,216**	610,074	**665,330**	610,188
Over 1 year but within 3 years	**11,162**	16,689	**11,162**	16,689
Over 3 years but within 5 years	**16,149**	12,146	**16,149**	12,146
Over 5 years	**4,257**	6,778	**4,257**	6,778
	696,784	645,687	**696,898**	645,801

(b)

	The Group and The Bank	
	2007	2006
	$'000	$'000
Deposits of non-bank customers comprise:		
Fixed deposits	**262,227**	258,705
Current, savings and other deposits	**404,619**	356,618
	666,846	615,323

18. Other liabilities

	The Group		The Bank	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Accrued interest payable	**1,658**	2,139	**1,658**	2,139
Accrued operating expenses	**292**	192	**292**	192
Unclaimed balances	**794**	752	**794**	752
Gold savings accounts	**617**	528	**617**	528
Other	**2,252**	1,273	**2,248**	1,269
	5,613	4,884	**5,609**	4,880

19. Singapore Government treasury bills and securities

	The Group and The Bank	
	2007	2006
	$'000	$'000
Available-for-sale	**65,028**	59,154

20. Placements and balances with banks and agents

	The Group and The Bank	
	2007	2006
	$'000	$'000
Loans and Receivables		
Analysed by remaining maturity:		
Within 1 year	**11,179**	14,180

21. Loans to non-bank customers

(a)

	The Group and The Bank	
	2007	2006
	$'000	$'000
Loans and Receivables		
Loans to non-bank customers (gross)	**197,140**	225,470
Individual impairment	**(83)**	(417)
Collective impairment	**(12,059)**	(12,059)
Loans to non-bank customers (net)	**184,998**	212,994
Comprising:		
Trade bills	**1,376**	1,383
Advances to customers	**183,622**	211,611
	184,998	212,994

(b) Total gross loans to non-bank customers analysed by remaining maturity

	The Group and The Bank	
	2007	2006
	$'000	$'000
Within 1 year	**71,602**	76,410
Over 1 year but within 3 years	**22,525**	22,747
Over 3 years but within 5 years	**19,700**	21,671
Over 5 years	**83,313**	104,642
	197,140	225,470

21. Loans to non-bank customers (cont'd)

(c) Total gross loans to non-bank customers analysed by industry

	The Group and The Bank	
	2007	2006
	$'000	$'000
Manufacturing	**16,123**	16,945
Building and construction	**9,695**	8,710
Housing loans	**53,677**	75,469
General commerce	**54,536**	56,074
Transport, storage and communication	**2,800**	2,778
Non-bank financial institutions	**7,077**	9,289
Professionals and private individuals	**44,976**	52,153
Other	**8,256**	4,052
	197,140	225,470

(d) Movements of provision for impairment

	The Group and The Bank					
	2007			2006		
	Individual impairment $'000	**Collective impairment $'000**	**Total $'000**	Individual impairment $'000	Collective impairment $'000	Total $'000
Balance at 1 January	**417**	**12,059**	**12,476**	1,202	12,059	13,261
Currency translation adjustments	**–**	**–**	**–**	(3)	–	(3)
Write-off	**–**	**–**	**–**	(746)	–	(746)
Net write-back to profit and loss account	**(334)**	**–**	**(334)**	(36)	–	(36)
Balance at 31 December	**83**	**12,059**	**12,142**	417	12,059	12,476

22. Investment securities

	The Group and The Bank	
	2007	2006
	$'000	$'000
Quoted equity shares		
Available-for-sale	**789**	754

23. Other assets

	The Group and The Bank	
	2007	2006
	$'000	$'000
Interest receivable	**1,506**	2,869
Other	**2,224**	1,397
	3,730	4,266

24. Investment in a fellow associate

(a)

	The Group and The Bank	
	2007	2006
	$'000	$'000
Unquoted equity shares		
At cost	**1,250**	1,250
Provision for impairment	**(372)**	(434)
	878	816

(b) Movements of provision for impairment

	The Group and The Bank	
	2007	2006
	$'000	$'000
Balance at 1 January	**434**	452
Write-back to profit and loss accounts	**(62)**	(18)
Balance at 31 December	**372**	434

25. Investment in subsidiaries

(a)

	The Bank	
	2007	2006
	$'000	$'000
Unquoted equity shares, at cost	**105**	105

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

Name of subsidiary	Principal activities	Country of incorporation and place of business	Cost of investment by the Bank	
			2007	2006
			$'000	$'000
FEB Realty Company Pte Ltd *(Dormant)*	Property	Singapore	**100**	100
Far Eastern Bank Nominees Private Limited	Nominee services	Singapore	**5**	5
			105	105

26. Properties and other fixed assets

	2007			2006		
	Properties			Properties		
	Investment	**Owner-occupied**	**Other fixed assets**	Investment	Owner-occupied	Other fixed assets
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
The Group and The Bank						
Balance at 1 January						
Cost	**16,932**	**1,865**	**2,804**	16,932	2,871	2,940
Additions	**–**	**–**	**–**	–	–	–
Disposals	**–**	**–**	**–**	–	–	–
Accumulated depreciation	**(8,102)**	**(893)**	**(2,639)**	(7,882)	(954)	(2,775)
Provision for impairment	**(895)**	**(85)**	**–**	(1,084)	–	–
Net carrying amount	**7,935**	**887**	**165**	7,966	1,917	165
Movements during the financial year						
Additions	**–**	**–**	**21**	–	–	85
Disposals	**–**	**–**	**(3)**	–	(687)	(8)
Depreciation charge	**(423)**	**(47)**	**(67)**	(425)	(53)	(77)
Write-back of impairment	**405**	**45**	**–**	104	–	–
Net carrying amount at 31 December	**7,917**	**885**	**116**	7,645	1,177	165
Balance at 31 December						
Cost	**16,932**	**1,864**	**2,822**	16,932	1,865	2,804
Accumulated depreciation	**(8,525)**	**(939)**	**(2,706)**	(8,307)	(688)	(2,639)
Provision for impairment	**(490)**	**(40)**	**–**	(980)	–	–
Net carrying amount	**7,917**	**885**	**116**	7,645	1,177	165
Total properties and other fixed assets			**8,918**			8,987
Comprising:						
Freehold properties	**6,121**	**687**		6,378	870	
Leasehold properties	**1,796**	**198**		1,574	-	
	7,917	**885**		7,952	870	
Market value of properties at 31 December	**87,373**	**9,621**		58,774	7,800	

Valuation of the properties is performed by internal valuers with professional qualifications and experience, taking into account market prices and rental of comparable properties.

Other fixed assets comprised mainly computer equipment, office equipment and furniture and fittings.

27. Contingent liabilities

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

	The Group and The Bank	
	2007	2006
	$'000	$'000
Direct credit substitutes	**10,714**	7,499
Transaction-related contingencies	**3,853**	3,322
Trade-related contingencies	**5,543**	4,335
	20,110	15,156

28. Financial derivatives

The table below shows the Group's and the Bank's financial derivatives at the balance sheet date. The contract/notional amount reflects the volume of the outstanding transactions while the positive/negative fair value indicates the fair value of the financial derivatives at the balance sheet date. These amounts do not necessarily represent future cash flows and amounts at risk of the derivatives.

	The Group and The Bank					
	2007			2006		
	Contract/ notional amount $'000	**Positive fair value $'000**	**Negative fair value $'000**	Contract/ notional amount $'000	Positive fair value $'000	Negative fair value $'000
Foreign exchange contracts						
Forwards	**1,517**	**16**	**11**	1,592	19	1

29. Commitments

	The Group and The Bank	
	2007	2006
	$'000	$'000
Undrawn credit facilities	**118,063**	115,911
Other	**995**	–
	119,058	115,911

30. Cash and cash equivalents

Cash equivalents are highly liquid assets that are subject to an insignificant risk of changes in value and are readily convertible into known amounts of cash. In the consolidated cash flow statement, cash and cash equivalents comprise the following:

	The Group	
	2007	2006
	$'000	$'000
Cash and balances with central bank	**12,289**	14,076
Singapore Government treasury bills and securities	**65,028**	59,154
	77,317	73,230

31. Financial risk management

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

The Group's financial risks are centrally managed by the various specialist committees of the UOB Group within the delegated authority by the Board of Directors. These various specialist committees formulate, review and approve policies and limits to monitor and manage risk exposures under their respective supervision. The major policy decisions and proposals approved by these committees are subject to further review by the Executive Committee.

The Risk Management sector of the UOB Group assumes the independent oversight of risk undertaken by the Group, and takes the lead in the formulation and approval of risk policies, controls and processes. The Middle Office within the Risk Management Sector enforces Global Treasury's compliance with trading policies and limits. This is further enhanced by the periodic risk assessment audit carried out by the UOB Group Audit.

The main financial risks that the Group is exposed to and how they are being managed are set out below:

(a) Credit risk

Credit risk is defined as the risk of loss arising from any failure by a borrower or a counterparty to fulfil its financial obligations as and when they fall due.

The Group's Credit Committee, is delegated the authority by the Board to deal with all credit matters. It also oversees the implementation of the Group's Basel II Internal Ratings-Based Approach ("IRBA") framework and the respective IRBA models and risk estimates.

Credit risk exposures are managed through a robust credit underwriting, structuring and monitoring process. This process which includes monthly review of all non-performing and special mention loans, ensure credit quality and the timely recognition of asset impairment. In addition, credit review and audit are performed regularly to proactively manage any delinquency, minimise undesirable concentrations, maximise recoveries, and ensure that credit policies and procedures are complied with. Past dues and credit limit excesses are tracked and analysed by business and product lines. Significant trends are reported to the Credit Committee.

31. Financial risk management (cont'd)

(a) Credit risk (cont'd)

(i) Credit quality of gross loans

Loans are graded in accordance with MAS Notice 612 as follows:

	The Group	
	2007	2006
	$'000	$'000
Performing		
Passed	**195,633**	217,687
Special mention	**22**	1,788
	195,655	219,475
Non-performing		
Substandard	**1,402**	5,543
Doubtful	**-**	184
Loss	**83**	268
	1,485	5,995

(ii) Ageing analysis of gross loans

	The Group			
	2007		2006	
	Non-performing	**Past due but performing**	Non-performing	Past due but performing
	$'000	**$'000**	$'000	$'000
Current	**34**	**-**	3,440	-
< 90 days	**564**	**7,634**	1,629	8,702
91 to 180 days	**857**	**-**	590	-
≥ 181 days	**30**	**-**	336	-
Total	**1,485**	**7,634**	5,995	8,702

(iii) Non-performing loans ("NPL") analysed by industry

	The Group			
	2007		2006	
	NPL	**Individual impairment**	NPL	Individual impairment
	$'000	**$'000**	$'000	$'000
Transport, storage and communication	**-**	**-**	-	-
Building and construction	**-**	**-**	-	-
Manufacturing	**1**	**1**	-	-
Non-bank financial institutions	**-**	**-**	423	-
General commerce	**15**	**15**	372	115
Professionals and private individuals	**928**	**9**	3,572	101
Housing loans	**483**	**-**	1,575	148
Other	**58**	**58**	53	53
	1,485	**83**	5,995	417

(iv) Security coverage of non-performing loans

	The Group	
	2007	2006
	$'000	$'000
NPL secured by		
Properties	**1,402**	4,224
Marketable securities, fixed deposits and other	**-**	1,319
Unsecured NPL	**83**	452
	1,485	5,995

(b) *Foreign exchange risk*

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

The Group does not engage in a significant amount of foreign exchange position-taking or prorietary 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 approved by the Asset & Liability Committee. These limits and policies, such as exposure by currency are independently monitored by Middle Office of the UOB Group.

The following table sets out the Group's assets, liabilities and financial derivatives by currency as at the balance sheet date. The off-balance sheet gap represents the net contract or notional amount of derivatives which is used principally to reduce the Group's exposure to foreign exchange rate movements.

31. Financial risk management (cont'd)

(b) Foreign exchange risk (cont'd)

	The Group		
	Singapore dollars $'000	Other $'000	Total $'000
2007			
Cash and balances with central bank	12,288	1	12,289
Securities	65,817	–	65,817
Placements and balances with banks, agents and related companies	594,043	24,304	618,347
Loans to non-bank customers	176,593	8,405	184,998
Other	14,624	47	14,671
Total assets	863,365	32,757	896,122
Deposits of non-bank customers	654,459	12,387	666,846
Deposits and balances of related companies, and bills and drafts payable	12,928	20,370	33,298
Other	8,195	–	8,195
Total liabilities	675,582	32,757	708,339
Net on-balance sheet open position	187,783	–	187,783
Net off-balance sheet open position	(657)	657	–
Net open position	187,126	657	187,783

	The Group		
	Singapore dollars $'000	Other $'000	Total $'000
2006			
Cash and balances with central bank	14,061	15	14,076
Securities	59,908	–	59,908
Placements and balances with banks, agents and related companies	505,549	27,744	533,293
Loans to non-bank customers	205,759	7,235	212,994
Other	15,325	40	15,365
Total assets	800,602	35,034	835,636
Deposits of non-bank customers	600,618	14,705	615,323
Deposits and balances of related companies, and bills and drafts payable	15,266	18,246	33,512
Other	5,963	2,083	8,046
Total liabilities	621,847	35,034	656,881
Net on-balance sheet open position	178,755	–	178,755
Net off-balance sheet open position	1,122	(1,122)	–
Net open position	179,877	(1,122)	178,755

As the foreign currency exposure is insignificant, the effects arising from the foreign exchange rate change against SGD will not have material effect on its net financial liability/asset position.

(c) Interest rate risk

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

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

The table below shows the interest rate sensitivity gap by time band based on the earlier of contractual repricing date and maturity date. Actual repricing dates may differ from contractual dates due to prepayments of loans and early withdrawal of deposits.

31. Financial risk management (cont'd)

(c) Interest rate risk (cont'd)

The Group

	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 %	Total $'000
2007										
Cash and balances with central bank	12,289	–	–	–	–	–	–	–	–	12,289
Securities	817	–	3,000	22,000	36,000	4,000	–	65,000	1.68	65,817
Placements and balances with banks, agents and related companies	–	35,347	–	583,000	–	–	–	618,347	1.01	618,347
Loans to non-bank customers	(10,780)	79,518	71,866	11,647	15,921	16,638	188	195,778	4.81	184,998
Other	14,671	–	–	–	–	–	–	–	–	14,671
Total assets	16,997	114,865	74,866	616,647	51,921	20,638	188	879,125	–	896,122
Deposits of non-bank customers	165,698	238,920	97,934	60,484	89,033	11,012	3,765	501,148	1.28	666,846
Deposits and balances of related companies, and bills and drafts payable	3,360	28,608	1,330	–	–	–	–	29,938	0.39	33,298
Other	8,195	–	–	–	–	–	–	–	–	8,195
Total liabilities	177,253	267,528	99,264	60,484	89,033	11,012	3,765	531,086	–	708,339
Total equity	187,783	–	–	–	–	–	–	–	–	187,783
	365,036	267,528	99,264	60,484	89,033	11,012	3,765	531,086	–	896,122
Net interest rate sensitivity gap	(348,039)	(152,663)	(24,398)	556,163	(37,112)	9,626	(3,577)	348,039	–	–

The Group

	Non-interest bearing	Up to 7 days	Over 7 days to 1 month	Over 1 to 3 months	Over 3 to 12 months	Over 1 to 3 years	Over 3 years	Total interest bearing	Effective interest rate	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	%	$'000
2006										
Cash and balances with central bank	14,076	–	–	–	–	–	–	–	–	14,076
Securities	908	–	2,000	11,000	19,000	27,000	–	59,000	1.96	59,908
Placements and balances with banks, agents and related companies	–	413,293	120,000	–	–	–	–	533,293	3.03	533,293
Loans to non-bank customers	(6,481)	91,270	69,480	10,268	34,105	14,347	5	219,475	4.78	212,994
Other	15,365	–	–	–	–	–	–	–	–	15,365
Total assets	23,868	504,563	191,480	21,268	53,105	41,347	5	811,768	–	835,636
Deposits of non-bank customers	111,068	255,405	56,012	61,904	108,208	16,946	5,780	504,255	1.65	615,323
Deposits and balances of related companies, and bills and drafts payable	3,148	30,364	–	–	–	–	–	30,364	1.45	33,512
Other	8,046	–	–	–	–	–	–	–	–	8,046
Total liabilities	122,262	285,769	56,012	61,904	108,208	16,946	5,780	534,619	–	656,881
Total equity	178,755	–	–	–	–	–	–	–	–	178,755
	301,017	285,769	56,012	61,904	108,208	16,946	5,780	534,619	–	835,636
Net interest rate sensitivity gap	(277,149)	218,794	135,468	(40,636)	(55,103)	24,401	(5,775)	277,149	–	–

The table below shows the net interest income and economic value of equity ("EVE") at risk sensitivities for 50 basis points ("bp") and 200bp parallel rate shock on the static banking book. EVE is the present value of the Group's asset less the present value of the Group's liabilities.

	The Group			
	Net Interest Income		**Economic Value of Equity**	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
50bp change	**(1,332)**	(1,448)	**(353)**	(135)
200bp change	**(5,326)**	(5,791)	**(1,412)**	(540)

31. Financial risk management (cont'd)

(d) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of change in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investment in quoted equity instruments. These instruments are quoted on the SGX-ST in Singapore and are classified as available-for-sale financial assets. The Group does not have exposure to commodity price risk.

- Sensitivity analysis for equity price risk

At 31 December 2007, if prices for available-for-sale investments change by 5% (2006: 5%) with all other variables being held constant at prevailing tax rates, the fair value reserve in equity will increase/decrease by $32,000 (2006: $31,000).

(e) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its financial obligations as and when they fall due, such as upon maturity of deposits and draw-down of loans.

The Group manages liquidity risk in accordance with the liquidity framework, comprising liquidity policies, controls and limits approved by the Asset & Liability Committee. The main objectives are honouring all cash outflow commitments on an on-going 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 setting of cash flow mismatch limits, monitoring of liquidity early warning indicators, stress test analysis of cash flows in liquidity crisis scenarios and establishment of a comprehensive contingency funding plan. The Group is also required by the respective local regulators 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 following table shows the maturity analysis of the Group's assets and liabilities based on contractual terms:

	The Group							
	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	Total $'000
2007								
Cash, balances and placements with central banks	**1,016**	**–**	**–**	**–**	**–**	**–**	**11,273**	**12,289**
Securities	**1,000**	**2,000**	**22,000**	**36,000**	**4,000**	**–**	**817**	**65,817**
Placements and balances with banks and agents	**35,347**	**–**	**583,000**	**–**	**–**	**–**	**–**	**618,347**
Loans to non-bank customers	**39,682**	**4,539**	**11,543**	**11,744**	**21,721**	**94,487**	**1,282**	**184,998**
Other	**316**	**36**	**91**	**84**	**174**	**755**	**13,215**	**14,671**
Total assets	**77,361**	**6,575**	**616,634**	**47,828**	**25,895**	**95,242**	**26,587**	**896,122**
Deposits and balances of non-bank customers	**421,990**	**75,162**	**54,792**	**82,788**	**11,162**	**20,406**	**546**	**666,846**
Deposits and balances of banks and agents, and bills and drafts payable	**31,968**	**1,330**	**–**	**–**	**–**	**–**	**–**	**33,298**
Other	**1,050**	**187**	**136**	**206**	**28**	**51**	**6,537**	**8,195**
Total liabilities	**455,008**	**76,679**	**54,928**	**82,994**	**11,190**	**20,457**	**7,083**	**708,339**
Total equity	**–**	**–**	**–**	**–**	**–**	**–**	**187,783**	**187,783**
Net maturity mismatch	**(377,647)**	**(70,104)**	**561,706**	**(35,166)**	**14,705**	**74,785**	**(168,279)**	

31. Financial risk management (cont'd)

(e) Liquidity risk (cont'd)

	The Group							
	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	Total $'000
2006								
Cash, balances and placements with central banks	3,292	–	–	–	–	–	10,784	14,076
Securities	–	2,000	11,000	19,000	27,000	–	908	59,908
Placements and balances with banks and agents	413,293	120,000	–	–	–	–	–	533,293
Loans to non-bank customers	46,157	3,210	7,655	13,899	22,241	114,254	5,578	212,994
Other	650	43	108	181	314	1,613	12,456	15,365
Total assets	463,392	125,253	18,763	33,080	49,555	115,867	29,726	835,636
Deposits and balances of non-bank customers	365,885	56,012	58,233	100,081	15,599	18,924	589	615,323
Deposits and balances of banks and agents, and bills and drafts payable	33,512	–	–	–	–	–	–	33,512
Other	1,272	195	203	348	54	66	5,908	8,046
Total liabilities	400,669	56,207	58,436	100,429	15,653	18,990	6,497	656,881
Total equity	–	–	–	–	–	–	178,755	178,755
Net maturity mismatch	62,723	69,046	(39,673)	(67,349)	33,902	96,877	(155,526)	

The contractual maturity profile often does not reflect the actual behavioural patterns. In particular, the Group has a significant amount of "core deposits" of non-bank customers which are contractually at call (included in the "Up to 7 days" time band) but historically 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 27 and 29. 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 contingent liabilities (such as letters of credit) are reimbursable by customers.

The following table shows the maturity analysis of the Group's assets and liabilities with behavioural adjustments on significant balance sheet items. These balance sheet items have actual maturity dates that differ substantially from their contractual profile estimated based on the following methodology:

- Loans and deposits that do not have maturity dates, for example current accounts, are generally estimated based on their past statistics and trend. This would include fixed deposit portfolio that is frequently rolled over.

	The Group					
	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 year $'000	Total $'000
2007						
Cash, balances and placements with central banks	**1,016**	**–**	**–**	**–**	**11,273**	**12,289**
Securities	**1,000**	**2,000**	**22,000**	**36,000**	**4,817**	**65,817**
Placements and balances with banks and agents	**35,347**	**–**	**583,000**	**–**	**–**	**618,347**
Loans to non-bank customers	**1,349**	**5,118**	**12,101**	**18,013**	**148,417**	**184,998**
Other	**316**	**36**	**91**	**84**	**14,144**	**14,671**
Total assets	**39,028**	**7,154**	**617,192**	**54,097**	**178,651**	**896,122**
Deposits and balances of non-bank customers	**(1,071)**	**(3,520)**	**(5,592)**	**(19,653)**	**696,682**	**666,846**
Deposits and balances of banks and agents, and bills and drafts payable	**31,968**	**1,330**	**–**	**–**	**–**	**33,298**
Other	**1,050**	**187**	**136**	**206**	**6,616**	**8,195**
Total liabilities	**31,947**	**(2,003)**	**(5,456)**	**(19,447)**	**703,298**	**708,339**
Total equity	**–**	**–**	**–**	**–**	**187,783**	**187,783**
Net maturity mismatch	**7,081**	**9,157**	**622,648**	**73,544**	**(712,430)**	

31. Financial risk management (cont'd)

(e) Liquidity risk (cont'd)

	The Group					
	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 year $'000	Total $'000
2006						
Cash, balances and placements with central banks	3,292	–	–	–	10,784	14,076
Securities	–	2,000	11,000	19,000	27,908	59,908
Placements and balances with banks and agents	533,293	–	–	–	–	533,293
Loans to non-bank customers	1,888	4,252	10,348	20,036	176,470	212,994
Other	650	43	108	181	14,383	15,365
Total assets	539,123	6,295	21,456	39,217	229,545	835,636
Deposits and balances of non-bank customers	(656)	(2,155)	(1,823)	(2,679)	622,636	615,323
Deposits and balances of banks and agents, and bills and drafts payable	33,512	–	–	–	–	33,512
Other	1,272	195	203	348	6,028	8,046
Total liabilities	34,128	(1,960)	(1,620)	(2,331)	628,664	656,881
Total equity	–	–	–	–	178,755	178,755
Net maturity mismatch	504,995	8,255	23,076	41,548	(577,874)	

32. Capital Management

The Group's capital management objective is to maintain an optimal level of capital. Policies are set to ensure that the capital maintained is adequate to support business growth, commensurate with the Group's risk profile and to meet the regulatory requirements. Other factors such as shareholder returns and return on equity are also considered. The policies endorsed by the Board of Directors are overseen by senior management. The Board and senior management are also responsible for the active management of the Group's capital resources, including raising new capital or returning capital to shareholders by way of dividend payments.

The Group computes its capital adequacy ratios in accordance with MAS Notice 637 Risk-Based Capital Adequacy Requirements for Banks Incorporated in Singapore. In March 2007, MAS lowered the Tier 1 capital adequacy requirement from 7% to 6%. MAS also made other changes, including allowing up to 50% of Tier 2 Capital to comprise new Lower Tier 2 Capital instruments.

The Bank and the Group are required to maintain a minimum Tier 1 and Total Capital ratios of 6% and 10% respectively. The Group's Tier 1 Capital comprises mainly share capital and retained profits, and Tier 2 Capital comprises cumulative collective impairment provision. Risk-weighted assets include both on-balance sheet and off-balance sheet exposures adjusted for credit and market risks.

	The Group	
	2007	2006
	$'000	$'000
Tier 1 Capital		
Share capital	**100,011**	100,011
Disclosed reserves/other	**86,060**	77,172
	186,071	177,183
Upper Tier 2 Capital		
Cumulative collective impairment/other	**4,009**	4,011
Total Capital	**190,080**	181,194
Risk-weighted assets (including market risk)	**308,152**	309,615
Capital adequacy ratios (%)		
Tier 1	**60.4**	57.2
Total	**61.7**	58.5

33. Fair values of financial instruments

Fair values of government and investment securities and financial derivatives are determined based on prices quoted in the market or by the brokers/issuers.

Fair values of cash, balances and placements, loans to non-bank customers, deposits and bills and drafts payable measured at amortised costs are deemed approximation of their carrying amounts due to their short-term nature or frequent repricing.

Fair value information for non-financial assets and liabilities is excluded as they do not fall within the scope of FRS107 Financial Instruments: Disclosure and Presentation. 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 net asset value.

34. Related party transactions

Related party transactions entered into by the Group are in the ordinary course of its business and have been disclosed in the relevant notes to the financial statements.

35. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2007 were authorised for issue in accordance with a resolution of the directors on 27 February 2008.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the **Forty-Ninth 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 Wednesday, 30 April 2008 at 11.30 a.m. 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 2007.

Resolution 2 To declare a first and final one-tier tax-exempt dividend of 2 cents per share for the year ended 31 December 2007.

Resolution 3 To approve Directors' fees of $62,500 for 2007 (2006: $65,000).

Resolution 4 To re-appoint Messrs Ernst & Young as Auditors of the Company and authorise the Directors to fix their remuneration.

To re-elect the following Directors:

Resolution 5 Mr Wong Meng Meng

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 6 Mr Wee Cho Yaw

Resolution 7 Mr Ngiam Tong Dow

As Special Business

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

Resolution 8 "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 shares in the capital of the Company for the time being."

Note to Resolution 8

Resolution 8 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 shares in the 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

Vivien Chan
Secretary

Singapore, 4 April 2008

Notes

(1) A member entitled to attend and vote at the meeting is entitled to appoint not more than two 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.

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PROXY FORM

Number of Shares Held

FAR EASTERN BANK LIMITED
(Incorporated in the Republic of Singapore)
Company Registration No. 195800116D

I/We ______________________________ (Name)

of ______________________________ (Address)

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

Name		Proportion of shareholdings	
NRIC/Passport No.		No. of shares	%
Address			

and/or *

Name		Proportion of shareholdings	
NRIC/Passport No.		No. of shares	%
Address			

* *Please delete as appropriate.*

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-Ninth Annual General Meeting** of members of the Company, to be held at the Penthouse of United Oveseas Bank Limited, 80 Raffles Place, 61st Storey UOB Plaza 1, Singapore 048624 on Wednesday, 30 April 2008 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.)

		For	Against
Resolution 1	Financial Statements, Directors' Report & Auditors' Report		
Resolution 2	First and Final Dividend		
Resolution 3	Directors' Fees		
Resolution 4	Auditors & their remuneration		
Resolution 5	Re-election (Mr Wong Meng Meng)		
Resolution 6	Re-appointment (Mr Wee Cho Yaw)		
Resolution 7	Re-appointment (Mr Ngiam Tong Dow)		
Resolution 8	Authority to issue shares (General)		

Dated this ________ day of __________________ 2008.

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. To be effective, this proxy form 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. If the member is a corporation, this proxy form must be executed under its common seal or the hand of its duly authorised officer or attorney.

3. Any alteration made in this form should be initialed by the person who signs it.

1st FOLD

2nd FOLD

FEB

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PERMIT NO.07399

The Company Secretary
80 Raffles Place, 4th Storey, UOB Plaza 1
Singapore 048624

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