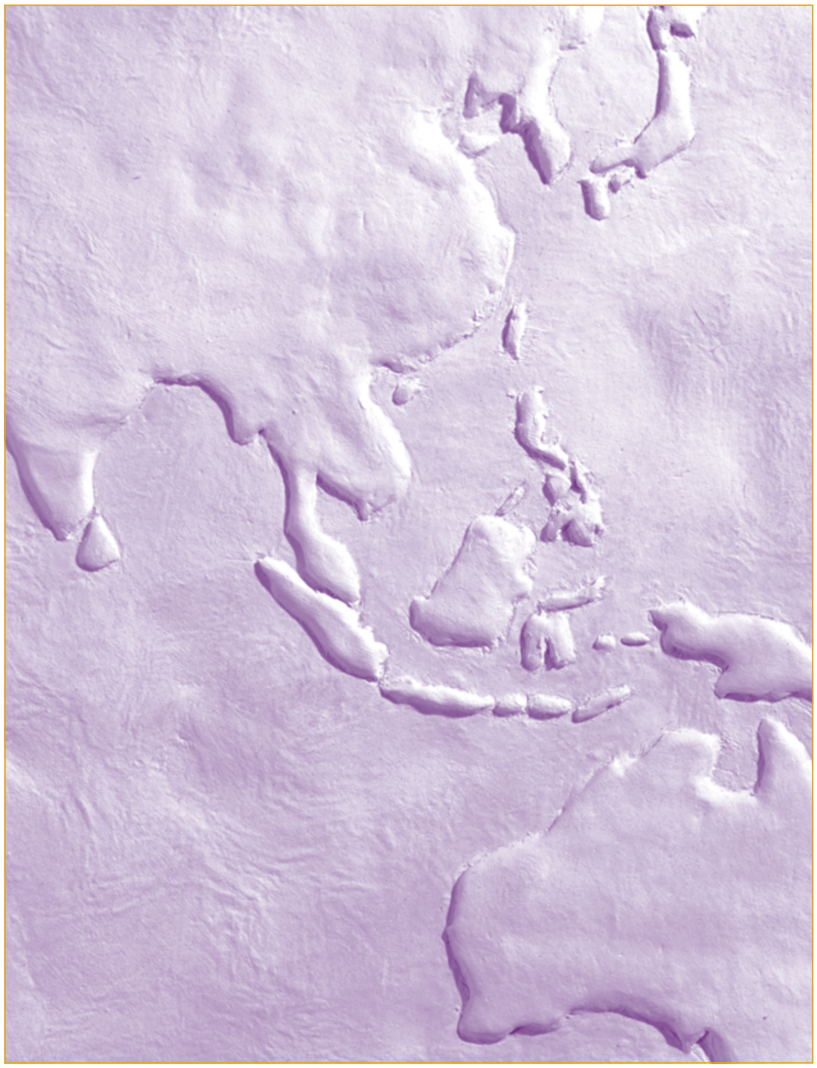
Far Eastern Bank Limited
Annual Report 2008



Far Eastern Bank
遠東銀行

Far Eastern Bank Limited

(Incorporated in Singapore)

and its subsidiaries

31 December 2008

Contents

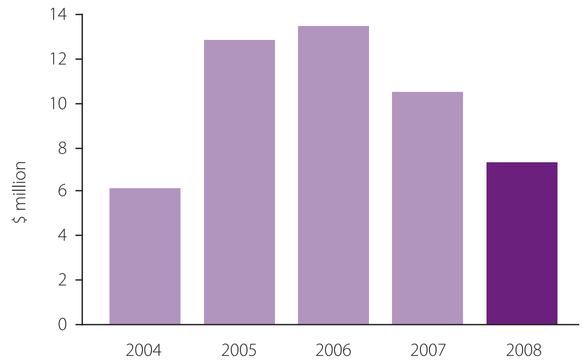
All figures in this Annual Report are in Singapore Dollars unless otherwise specified.

Financial highlights

Net profit after tax

2008: $7.3 million
2007: $10.5 million

- 30.9%

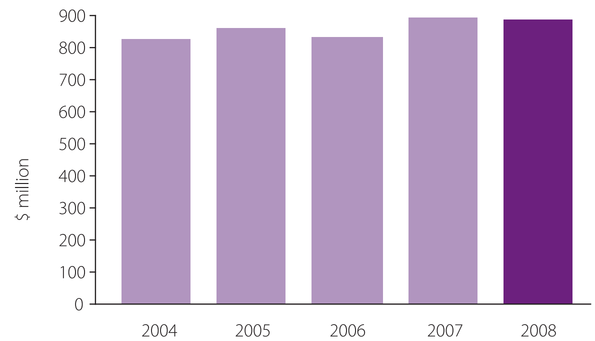


	2004	2005	2006	2007	2008
$'m	6.2	12.8	13.5	10.5	7.3

Total assets

2008: $888.9 million
2007: $896.1 million

-0.8%

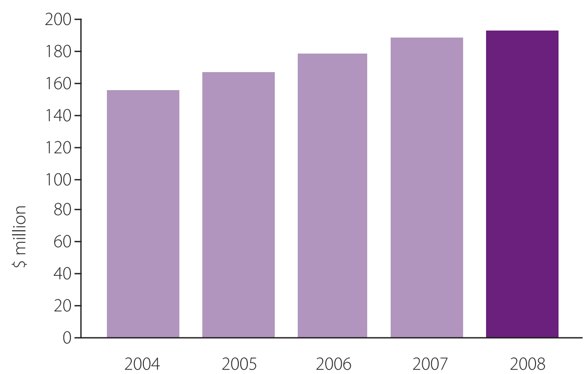


	2004	2005	2006	2007	2008
$'m	824.1	860.2	835.6	896.1	888.9

Shareholders' equity

2008: $193.1 million
2007: $187.8 million

+ 2.8%



	2004	2005	2006	2007	2008
$'m	156.1	166.7	178.8	187.8	193.1

Return on average shareholders' equity

2008: 3.8%
2007: 5.7%

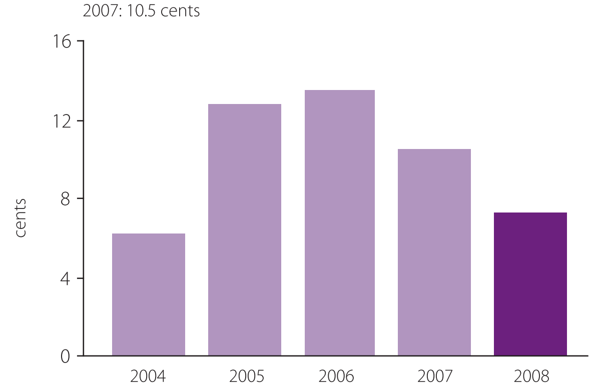
- 1.9% points

	2004	2005	2006	2007	2008
%	4.1	7.9	7.8	5.7	3.8

Earnings per share

2008: 7.3 cents
2007: 10.5 cents

- 31.0%

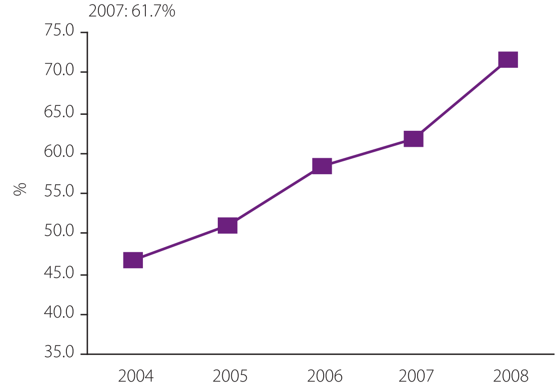


	2004	2005	2006	2007	2008
¢	6.2	12.8	13.5	10.5	7.3

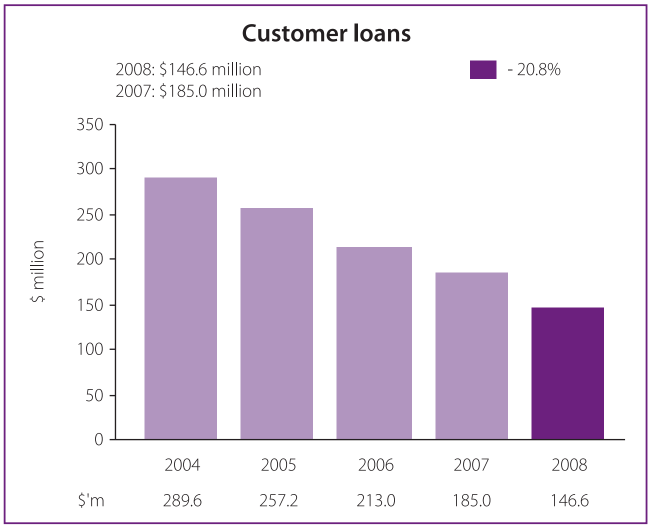
Capital adequacy ratio

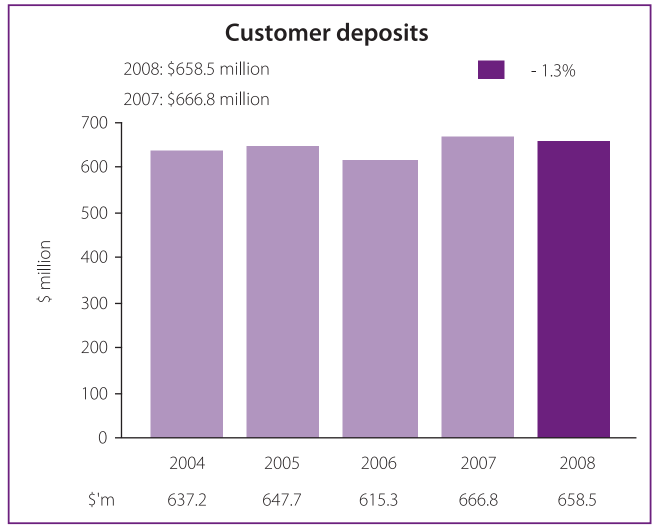
2008: 71.6%
2007: 61.7%

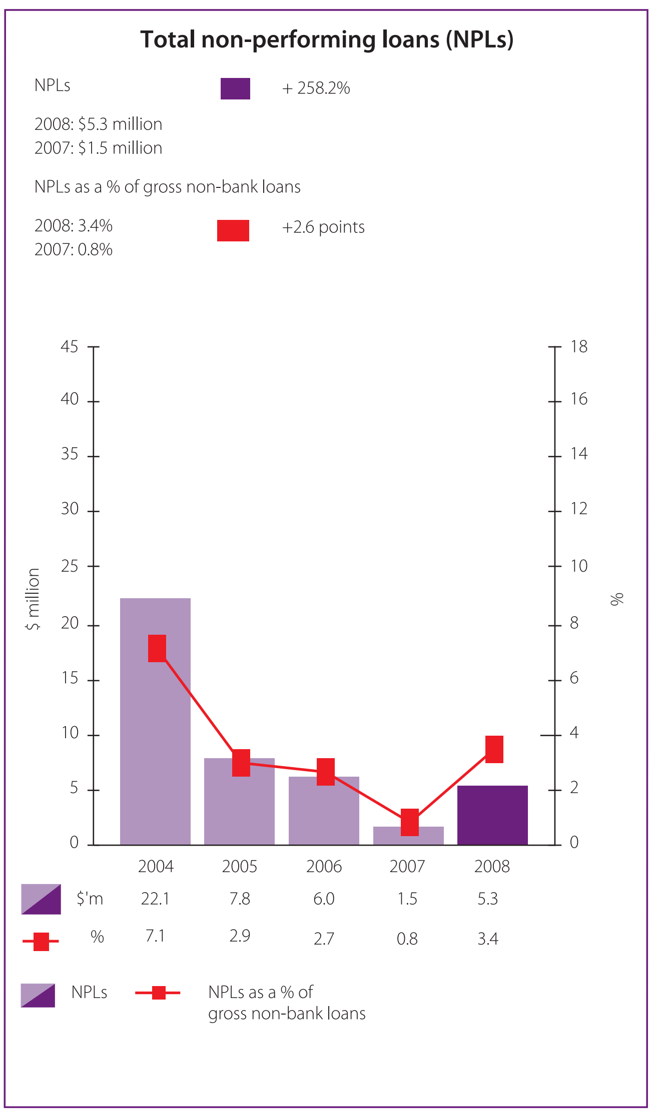
+ 9.9% points

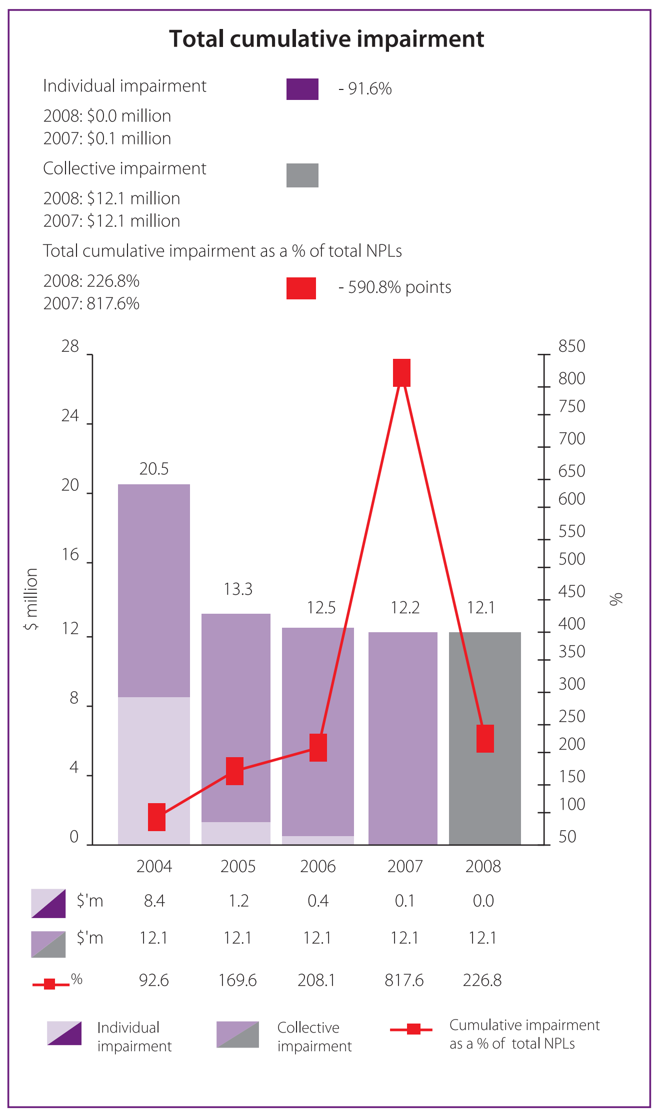


	2004	2005	2006	2007	2008
%	46.6	50.9	58.5	61.7	71.6


Customer loans
2008: $146.6 million
2007: $185.0 million
- 20.8%
$ million
350
300
250
200
150
100
50
0
2004
2005
2006
2007
2008
$'m 289.6 257.2 213.0 185.0 146.6


Customer deposits
2008: $658.5 million
2007: $666.8 million
- 1.3%
$ million
700
600
500
400
300
200
100
0
2004
2005
2006
2007
2008
$'m 637.2 647.7 615.3 666.8 658.5


Total non-performing loans (NPLs)
NPLs
+ 258.2%
2008: $5.3 million
2007: $1.5 million
NPLs as a % of gross non-bank loans
2008: 3.4%
2007: 0.8%
+2.6 points
$ million
45
40
35
30
25
20
15
10
5
0
%
18
16
14
12
10
8
6
4
2
0
2004
2005
2006
2007
2008
$'m 22.1 7.8 6.0 1.5 5.3
% 7.1 2.9 2.7 0.8 3.4
NPLs
NPLs as a % of gross non-bank loans


Total cumulative impairment
Individual impairment
- 91.6%
2008: $0.0 million
2007: $0.1 million
Collective impairment
2008: $12.1 million
2007: $12.1 million
Total cumulative impairment as a % of total NPLs
2008: 226.8%
2007: 817.6%
- 590.8% points
$ million
28
24
20
16
12
8
4
0
%
850
800
750
700
650
600
550
500
450
400
350
300
250
200
150
100
50
20.5
13.3
12.5
12.2
12.1
2004
2005
2006
2007
2008
$'m 8.4 1.2 0.4 0.1 0.0
$'m 12.1 12.1 12.1 12.1 12.1
% 92.6 169.6 208.1 817.6 226.8
Individual impairment
Collective impairment
Cumulative impairment as a % of total NPLs

Chairman's statement

"In the challenging environment, the Group will focus on our basic strength of supporting our loyal customers. At the same time, we intend to strengthen our risk management and corporate governance functions."

Despite a strong first half, Singapore closed 2008 in a technical recession, following two consecutive quarters of negative growth. In the wake of the financial turmoil and a global slowdown, GDP growth fell from the previous year's high of 7.8% to 1.1%.

The poor business climate impacted FEB's performance and profits. The Group's non-bank loans fell by 20.8% to $147 million (2007: $185 million), while deposits dropped by 1.3% to $658 million (2007: $667 million). Total income fell by 13.2% to $19.5 million (2007: $22.5 million). Reflecting the slower economy, non-performing loans (NPLs) grew from $1.5 million to $5.3 million.

As a result of lower income and higher NPLs, the Group's after tax profit fell by 30.9% to $7.3 million (2007: $10.5 million). Total assets fell from $896 million to $889 million, while shareholders' equity improved from $188 million to $193 million. Return on assets fell from 1.2% to 0.8%.

The Board proposes to transfer $3 million to reserves, and recommends a first and final dividend of 2 cents per share for the financial year ended 31 December 2008. Total dividend paid out would amount to $2 million.

The financial crisis shows no sign of abatement in the first quarter of 2009. The ensuing credit squeeze worldwide has shrunk international trade and raised recessionary trends in almost every country. Unless the governments of the major countries are able to put in concerted efforts to revive global trade and ease the credit squeeze, 2009 will be another daunting year.

Given its small size and open economy, Singapore will be highly vulnerable to the vicissitudes of the global meltdown. GDP might contract by more than 5%.

In the challenging environment, the Group will focus on our basic strength of supporting our loyal customers. At the same time, we intend to strengthen our risk management and corporate governance functions.

In conclusion, I thank my fellow Directors for their invaluable counsel, management and staff for their commitment and dedication, and our customers for their continuing support.

Wee Cho Yaw
February 2009

Corporate information

Board of Directors
Wee Cho Yaw *(Chairman)*
Wee Ee Cheong *(Deputy Chairman & Chief Executive Officer)*
Ong Chu Meng *(retired 30 April 2008)*
Wong Meng Meng
Yeo Liat Kok Philip
Cham Tao Soon
Ngiam Tong Dow

Executive Committee
Wee Cho Yaw (*Chairman)*
Wee Ee Cheong
Ngiam Tong Dow
Cham Tao Soon
Yeo Liat Kok Philip

Nominating Committee
Wong Meng Meng (*Chairman)*
Wee Cho Yaw
Yeo Liat Kok Philip
Cham Tao Soon
Ngiam Tong Dow
Wee Ee Cheong
(alternate to Wee Cho Yaw)

Remuneration Committee
Wee Cho Yaw (*Chairman)*
Yeo Liat Kok Philip
Cham Tao Soon

Secretary
Vivien Chan

Share Transfer Office
80 Raffles Place
#04-20 UOB Plaza 2
Singapore 048624
Phone: (65) 6539 3104
Fax: (65) 6536 7712

Auditors
Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
(Appointed on 29 April 2004)

Registered Office
80 Raffles Place
UOB Plaza
Singapore 048624
Company Registration No.: 195800116D
Phone: (65) 6533 9898
Fax: (65) 6534 2334
SWIFT: UOVBSGSG
Website: uobgroup.com

Main Branch
156 Cecil Street
#01-00 Far Eastern Bank Building
Singapore 069544
Phone: (65) 6221 9055
Fax: (65) 6224 2263

Correspondents
In all principal cities of the world

Board of directors

Wee Cho Yaw
Chairman

Age 80. Dr Wee has been Chairman and Chief Executive Officer ("CEO") of United Overseas Bank ("UOB") since 1974. He relinquished his position as CEO on 27 April 2007. He was appointed Chairman of the Far Eastern Bank board on 17 August 1984 and last re-appointed as a director on 30 April 2008. He is Chairman of the Executive and Remuneration Committees and a member of the Nominating Committee.

Dr 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 Chairman of United International Securities, Haw Par Corporation, UOL Group, Hotel Plaza, United Industrial Corporation, and Singapore Land and its subsidiary, Marina Centre Holdings.

The Businessman Of The Year award was conferred twice on Dr 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. Dr Wee is the Honorary President of Singapore Chinese Chamber of Commerce & Industry, Pro-Chancellor of Nanyang Technological University and President of Singapore Federation of Chinese Clan Associations. He received Chinese high school education and was conferred Honorary Doctor of Letters by the National University of Singapore in 2008.

Wee Ee Cheong
Deputy Chairman & Chief Executive Officer

Age 56. Mr Wee was appointed to the Board on 3 January 1990. He was last re-elected as Director on 27 April 2007 and is a member of the Bank's Executive Committee.

Mr Wee served as the Deputy Chairman and President of United Overseas Bank ("UOB") since 2000 and was appointed 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 a 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 Visa Inc Asia Pacific Advisory Council, the India-Singapore CEO Forum as well as Advisory Board of the INSEAD East Asia Council. He had previously served as Deputy Chairman of Housing & Development Board, and a director of Port of Singapore Authority, UOL Group and Hotel Plaza.

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

Wong Meng Meng

Age 60. Mr Wong was appointed to the Board on 24 March 2000 and last re-elected as Director on 30 April 2008. An independent and non-executive director, Mr Wong is Chairman of the Bank's Nominating Committee.

Mr Wong is a lawyer by profession, and is a Senior Counsel. He is the founder-consultant of Wong Partnership LLP. He also serves on the boards of United Overseas Bank, Mapletree Logistics Trust Management Ltd and the Energy Market Company Pte Ltd, the Competition Appeal Board and the Advisory Board of the Law Faculty National University of Singapore. He had previously served on the Senate of the Academy of Law, the Military Court of Appeal, and the Advisory Committee of the Singapore International Arbitration Centre.

Yeo Liat Kok Philip

Age 62. 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 the Special Advisor for Economic Development in the Prime Minister's Office and Chairman of SPRING Singapore. 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 Accuron Technologies Pte Ltd (an aerospace and precision engineering company based in Singapore), Singapore Aerospace Manufacturing Pte Ltd, MTIC Holdings Pte Ltd, Ascendas Property Fund Trustee Pte Ltd and Hexagon Development Advisors. He is the former Chairman of the Agency for Science, Technology & Research (A*STAR), and Dornier MedTech GmbH. Mr Yeo also serves on the board of United Overseas Bank.

Mr Yeo holds a Bachelor of Applied Science (Industrial Engineering) and an honorary Doctorate of Engineering from the University of Toronto, an honorary Doctorate of 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.

Cham Tao Soon

Age 69. 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 ("UOB") and United Overseas Bank (China), a UOB subsidiary. He is the Chairman of NSL Limited, MFS Technology, Singapore Symphonia Company and Singapore-China Foundation and the Deputy Chairman of Singapore Press Holdings. Prof Cham is a director of WBL Corporation, Soup Restaurant Group and Singapore International Foundation. He is a former Director of Adroit Innovations, Keppel Corporation, Land Transport Authority, 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.

Ngiam Tong Dow

Age 71. Mr Ngiam was appointed to the Board on 3 February 2005 and last re-appointed as Director on 30 April 2008. An independent and non-executive director, he is a member of the Bank's Executive and Nominating Committees.

Mr Ngiam is also a director of United Overseas Bank, Singapore Press Holdings and Yeo Hiap Seng. He served as Chairman of Housing & Development Board from 1998 to 2003 and Chairman of Surbana Corporation Pte Ltd from 2003 to 2008. He has a distinguished public service career, having held the post of Permanent Secretary in the Prime Minister's Office, Ministries of Finance, Trade and Industry, National Development, and Communications. He is the former Chairman of Central Provident Fund Board, Development Bank of Singapore, Economic Development Board and Telecommunication Authority of Singapore, and the former Deputy Chairman of the 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 upholding 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 Company's corporate governance framework, policies and practices.

Board's Conduct of its Affairs

The Board provides entrepreneurial leadership and strategic direction for the Company.

The Board's main duties include:
- reviewing and approving business plans and budgets;
- monitoring financial performance;
- determining capital structure;
- setting dividend policy and declaring dividends;
- approving major acquisitions and divestments;
- reviewing the risk management framework;
- setting company values and standards; and
- performing succession planning for itself and the Chief Executive Officer ("CEO").

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

Board Composition and Independence

The Board has six members and they are:

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

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

The Nominating Committee is satisfied that all the directors have the necessary skills. Information on the directors' background can be found on pages 6 to 7.

The Bank sets aside an annual budget for directors' educational and training needs.

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

The NC has considered whether a lead independent director should be appointed and is of the view that such an appointment is unnecessary because all directors are accessible to shareholders and the Bank has an established process for handling complaints.

Board Meetings

The Board schedules at least four meetings a year. Additional meetings are held when necessary. Four board meetings were held in 2008 and the directors' meeting attendance record is set out on page 11.

The Chairman ensures that directors are provided with comprehensive financial and operational reports for discussion at meetings. Directors have direct access to management to seek clarification on any matter or obtain additional information.

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

Board Committees

The functions of the three board committees are set out below:

The Executive Committee ("EXCO") 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 senior management. The EXCO also oversees the risk profile of the Bank. In 2008, the EXCO met 11 times.

The members of the EXCO are:

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

The Nominating Committee ("NC") reviews nominations of directors for appointment to the Board and board committees, and also to 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 assess directors' performance based on a range of 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 reviewed by the NC which assesses candidates against a range of criteria including background, experience, professional skills, personal qualities, the relevance of their skills to the Board 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 NC members are:

Wong Meng Meng *(Chairman)*	Independent
Wee Cho Yaw	Non-independent
Yeo Liat Kok Philip	Independent
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' fee, allowances and remuneration of the CEO. The total sum recommended for payment as directors' fees is submitted to shareholders for approval at every annual general meeting. The sum is divided on the basis that directors having additional responsibilities as chairman or members of board committees receive a higher portion of the approved fees. Directors' fees and remuneration are disclosed in the Directors' report on page 28.

Corporate governance

The Bank's parent, United Overseas Bank ("UOB"), shares its network and infrastructure with the Bank. UOB provides management expertise and manages the Bank's operations. In return, the Bank pays UOB an annual management fee. As such, the Bank does not have senior executive staff. 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 Dr Wee Cho Yaw, the incumbent RC Chairman, is the best person to chair the RC because of his vast experience on remuneration matters acquired over 40 years as chairman of the UOB Group.

The members of the RC are:

Wee Cho Yaw *(Chairman)*	Non-independent
Philip Yeo Liat Kok	Independent
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. The UOB AC assists the Board in reviewing the Bank's audit matters including 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 Ernst & Young LLP for re-appointment as the Bank's auditors. The results of the UOB AC's review of the internal and external auditors' evaluation of the Bank's internal control systems and risk management processes are reported to the Board. Having reviewed the reports by the UOB AC and the Executive Committee, the Board is reasonably assured that the Bank's 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 the activities of all business units and service divisions including their compliance with management directives and regulations. Group Audit adopts a risk-based approach in its work.

Risk Management

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

The Bank's EXCO assists the Board in overseeing Bank's risk profile. Various management committees of UOB provide oversight of the Bank's monitoring of risk management policies and exposure limits. The Bank's EXCO reviews major policy decisions and exposure limits set by these committees. UOB Group Risk Management develops and maintains the Bank's risk management framework, policies and processes. UOB Group Compliance performs independent checks on the Bank's compliance with all applicable laws and regulations.

Communication with shareholders

The Bank provides shareholders with relevant information in the form of notices, circulars, announcements and annual reports by either publishing them in the press or sending the same to shareholders. 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 has its own Code of Conduct for staff. The Bank also has a Code on Dealings in Securities for directors and officers and a whistle blowing policy.

Directors' Attendance for 2008

	Number of meetings attended in 2008			
Name of Directors	**Board of Directors**	**Executive Committee**	**Nominating Committee**	**Remuneration Committee**
Wee Cho Yaw	4	10	1	1
Wee Ee Cheong	4	11	NA	NA
Ong Chu Meng *(retired 30.4.2008)*	1	NA	NA	NA
Wong Meng Meng	3	NA	1	NA
Yeo Liat Kok Philip	3	8	1	1
Cham Tao Soon	4	11	1	1
Ngiam Tong Dow	4	10	1	NA
No. of meetings held in 2008	**4**	**11**	**1**	**1**

NA: Not applicable

This page has been intentionally left blank.

Group financial review

Notes:
Certain figures in this section may not add up to the relevant totals due to rounding.
Certain comparative figures have been restated to conform with the current year's presentation.

Group financial review

Review of financial performance

Highlights and performance indicators

	2008	2007	+/(-) %
Summarised profit and loss ($ million)			
Net interest income ("NII")	**13.0**	17.3	(24.8)
Non-interest income ("Non-NII")	**6.5**	5.2	25.5
Total income	**19.5**	22.5	(13.2)
Less: Total expenses	**10.9**	10.5	4.5
Operating profit before impairment charges	**8.6**	12.0	(28.5)
Less: Write-back of impairment charges	**(0.1)**	(0.9)	(88.8)
Less: Tax	**1.4**	2.4	(40.1)
Net profit after tax	**7.3**	10.5	(30.9)
Key indicators			
Income mix (%):			
NII/Total income	**66.7**	76.9	(10.2)% points
Non-NII/Total income	**33.3**	23.1	10.2 % points
	100.0	100.0	
Return on average shareholders' equity ("ROE") (%)	**3.8**	5.7	(1.9)% points
Basic earnings per share ("EPS") (cents)	**7.3**	10.5	(31.0)
Return on average total assets ("ROA") (%)	**0.8**	1.2	(0.4)% point
Net interest margin (%)	**1.53**	2.10	(0.57)% point
Expense/Income ratio+ (%)	**56.0**	46.5	9.5 % points
Final dividend per share (cents)	**2.0**	2.0	-
Other indicators			
Customer loans (net) ($ million)	**146.6**	185.0	(20.8)
Customer deposits ($ million)	**658.5**	666.8	(1.3)
Loans/Deposits ratio+ (%)	**22.3**	27.7	(5.4)% points
Non-performing loans ("NPLs") ($ million)	**5.3**	1.5	258.2
Cumulative impairment ($ million)	**12.1**	12.2	(0.6)
NPLs/Gross customer loans (%)	**3.4**	0.8	2.6 % points
Cumulative impairment/NPLs (%)	**226.8**	817.6	(590.8)% points
Total assets ($ million)	**888.9**	896.1	(0.8)
Shareholders' equity ($ million)	**193.1**	187.8	2.8
Revaluation surplus* ($ million)	**80.6**	88.2	(8.6)
Net asset value ("NAV") per share ($)	**1.93**	1.88	2.7
Revalued NAV per share ($)	**2.74**	2.76	(0.7)
Capital adequacy ratio (%)	**71.6**	61.7	9.9% 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

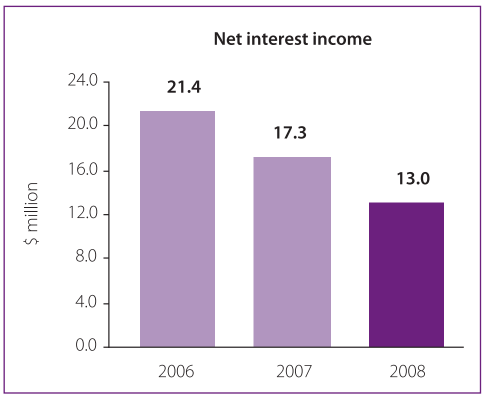
The Group recorded a net profit after tax ("NPAT") of $7.3 million for the financial year ended 31 December 2008, representing a decrease of 30.9% over the $10.5 million recorded for the financial year ended 31 December 2007. The decrease in NPAT was mainly attributed to lower net interest income, write-back of impairment charges and higher operating expenses, partially offset by higher rental income and lower income tax.

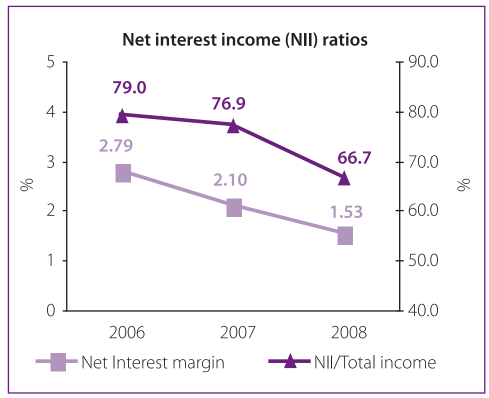
Net interest income

Net interest income for the Group decreased 24.8% to $13.0 million in 2008 from $17.3 million in 2007. Net interest income continued to be the major contributor of total income, accounting for 66.7% (2007: 76.9%) of total income.

The drop in net interest income was mainly from inter-bank balances, partially offset by higher contributions from loans.

Net interest margin decreased 57 basis points to 1.53% in 2008 from 2.10% in 2007.





Average interest rates and margin

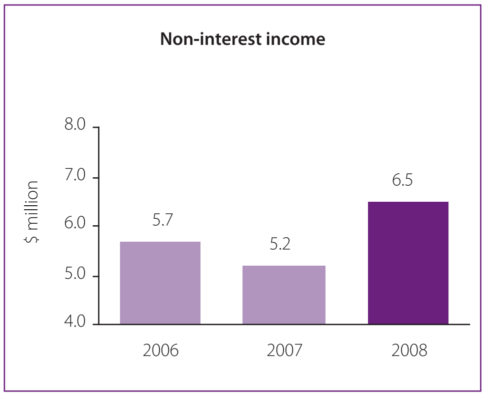
	2008			2007		
	Average balance $'000	**Interest $'000**	**Average interest rate %**	Average balance $'000	Interest $'000	Average Interest rate %
Total interest bearing assets	**850,110**	**17,086**	**2.01**	824,421	23,786	2.89
Total interest bearing liabilities	**703,238**	**4,063**	**0.58**	676,906	6,474	0.96
Net interest income		**13,023**			17,312	
Net interest margin+			**1.53**			2.10

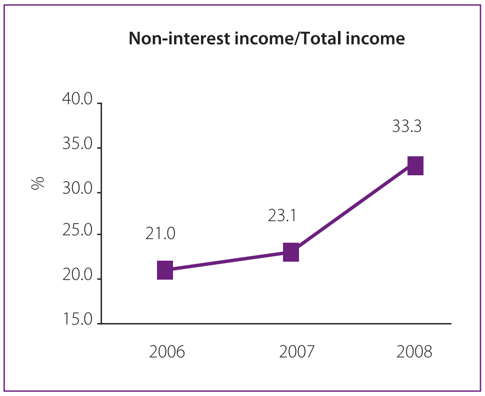
+ *Net interest margin represents net interest income as a percentage of total interest bearing assets.*

Group financial review

Non-interest income

The Group's non-interest income for 2008 accounted for 33.3% of total income. Total non-interest income increased by 25.5% to $6.5 million in 2008 from $5.2 million in 2007. The increase was mainly from higher rental income.





Composition of non-interest income

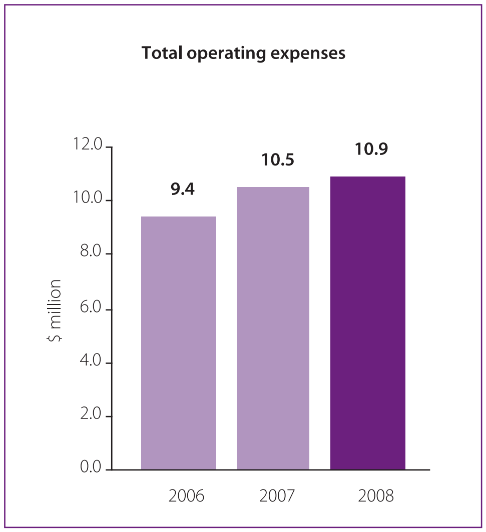
	2008 $'000	2007 $'000	+/(-) %
Fee and commission income			
Investment-related	**60**	125	(52.0)
Loan-related and trade-related	**711**	721	(1.4)
Other	**440**	459	(4.1)
	1,211	1,305	(7.2)
Dividend and rental income	**4,205**	2,917	44.2
Other operating income			
Net profit/(loss) from:			
Government securities	**24**	59	(59.3)
Foreign exchange	**299**	198	51.0
Disposal of properties and other fixed assets	**–**	(2)	(100.0)
Other	**777**	714	8.8
	1,100	969	13.5
Total non-interest income	**6,516**	5,191	25.5

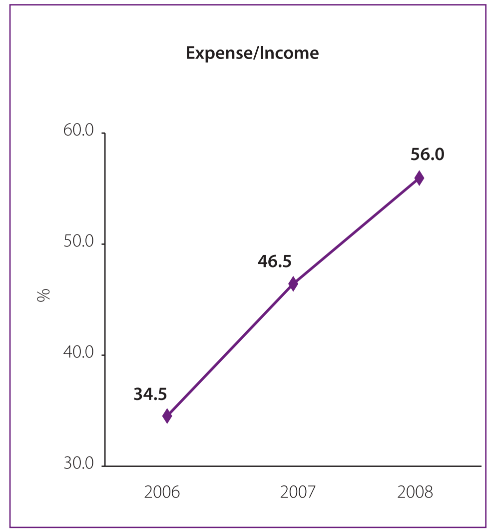
Operating expenses

Total operating expenses increased to $10.9 million in 2008 from $10.5 million in 2007, mainly due to higher occupancy-related expenses and management fees payable to holding company.

With the increase in total expenses coupled with the decrease in total income, the expense-to-income ratio of the Group increased 9.5% points to 56.0% in 2008 from 46.5% in 2007.

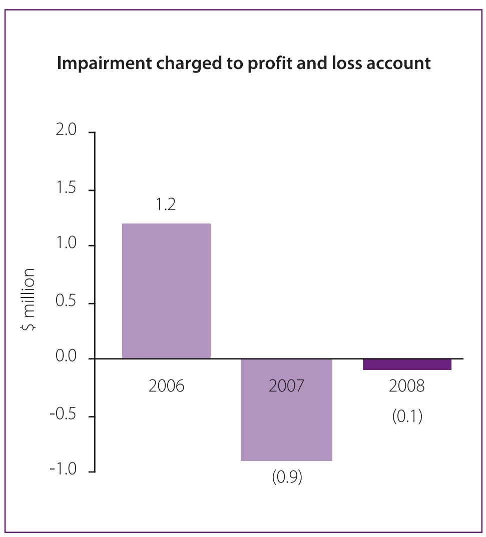
	2008 $'000	2007 $'000	+/(-) %
Staff costs	**713**	706	1.0
Other operating expenses	**10,223**	9,764	4.7
Total operating expenses	**10,936**	10,470	4.5





Impairment charged to profit and loss account

When compared to 2007, there was a lower write-back of impairment charges by $0.8 million mainly on properties and loans.



	2008	2007	+/(-)
	$'000	$'000	%
Individual impairment on			
Loans	**(144)**	(374)	(61.5)
Investments	**(19)**	(62)	69.4
Properties and other fixed assets	**64**	(450)	114.2
Total write-back of impairment charges	**(99)**	(886)	88.8

Group financial review

Overview of balance sheet

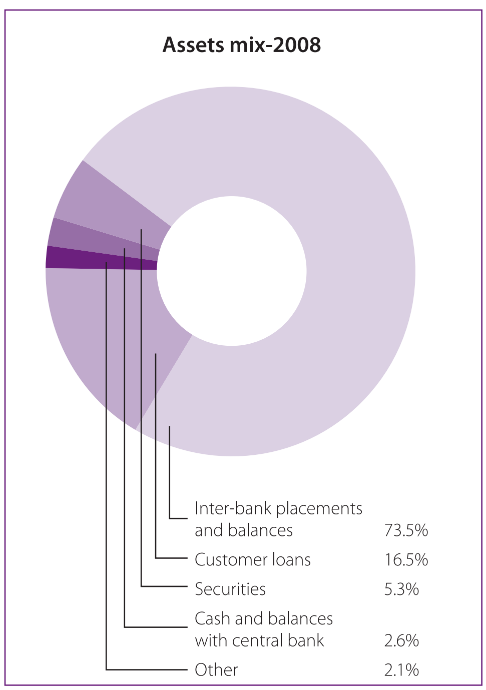
Total assets

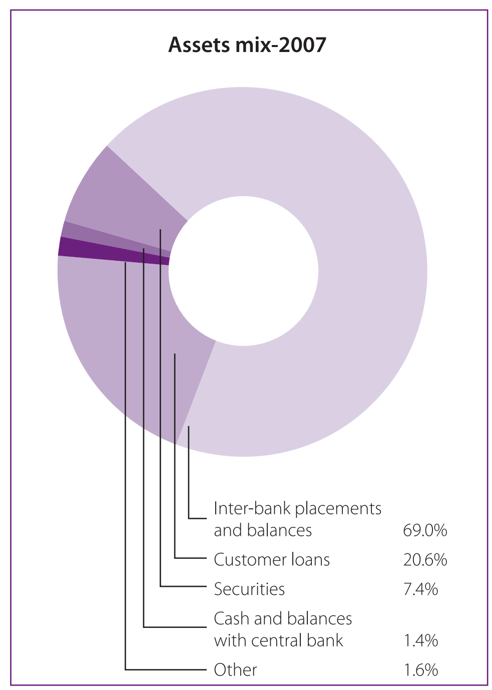
Group total assets decreased 0.8% to $888.9 million as at 31 December 2008 from $896.1 million as at 31 December 2007. The decrease was primarily from customer loans and securities, partially offset by increase in inter-bank placements and balances.

Assets mix

	2008		2007	
	$'000	**%**	$'000	%
Cash and balances with central bank	**22,658**	**2.6**	12,289	1.4
Securities*	**47,547**	**5.3**	65,817	7.4
Inter-bank placements and balances	**653,789**	**73.5**	618,347	69.0
Customer loans	**146,559**	**16.5**	184,998	20.6
Other	**18,377**	**2.1**	14,671	1.6
Total assets	**888,930**	**100.0**	896,122	100.0

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





Securities

Securities held by the Group as at 31 December 2008 were $47.5 million (2007: $65.8 million), comprising mainly of Singapore Government treasury bills and securities.

	2008		2007	
	$'000	**%**	$'000	%
Singapore Government treasury bills and securities	**46,999**	**98.8**	65,028	98.8
Quoted equity shares	**548**	**1.2**	789	1.2
Total securities	**47,547**	**100.0**	65,817	100.0

Customer loans

Net customer loans were lower at $146.6 million as at 31 December 2008 compared to $185.0 million as at 31 December 2007. The fall of $38.4 million or 20.8% was mainly from term loans, housing loans and overdrafts.

Customer loans analysed by product group

	2008		2007	
	$'000	**%**	$'000	%
Housing loans	**37,520**	**23.6**	53,677	27.2
Term loans	**66,620**	**42.0**	84,844	43.0
Trade financing	**18,214**	**11.5**	17,497	8.9
Overdrafts	**36,271**	**22.9**	41,122	20.9
Total gross customer loans	**158,625**	**100.0**	197,140	100.0
Individual impairment	**(7)**		(83)	
Collective impairment	**(12,059)**		(12,059)	
Total net customer loans	**146,559**		184,998	

Gross customer loans analysed by industry

	2008		2007	
	$'000	**%**	$'000	%
Transport, storage and communication	**2,165**	**1.4**	2,800	1.4
Building and construction	**5,284**	**3.3**	9,695	4.9
Manufacturing	**12,291**	**7.7**	16,123	8.2
Non-bank financial institutions	**6,129**	**3.9**	7,077	3.6
General commerce	**44,712**	**28.2**	54,536	27.7
Professionals and private individuals	**42,447**	**26.8**	44,976	22.8
Housing loans	**37,520**	**23.6**	53,677	27.2
Other	**8,077**	**5.1**	8,256	4.2
Total gross customer loans	**158,625**	**100.0**	197,140	100.0

Gross customer loans analysed by currency and fixed/variable rates

	2008			2007		
	Fixed rate $'000	**Variable rate $'000**	**Total $'000**	Fixed rate $'000	Variable rate $'000	Total $'000
Singapore dollar	**37,411**	**109,303**	**146,714**	34,153	154,582	188,735
US dollar	**6,507**	**179**	**6,686**	4,951	98	5,049
Japanese yen	**2,450**	**–**	**2,450**	1,454	–	1,454
Other	**2,775**	**–**	**2,775**	1,902	–	1,902
Total gross customer loans	**49,143**	**109,482**	**158,625**	42,460	154,680	197,140

Group financial review

Gross customer loans analysed by remaining maturity

	2008		2007	
	$'000	**%**	$'000	%
Within 1 year	**67,611**	**42.6**	71,602	36.3
Over 1 year but within 3 years	**17,048**	**10.8**	22,525	11.4
Over 3 years but within 5 years	**14,970**	**9.4**	19,700	10.0
Over 5 years	**58,996**	**37.2**	83,313	42.3
Total gross customer loans	**158,625**	**100.0**	197,140	100.0

Deposits

Total deposits decreased by 1.4% or $9.6 million to $687.2 million as at 31 December 2008 from $696.8 million as at 31 December 2007, mainly attributed to lower fixed deposits.

Deposits analysed by product group

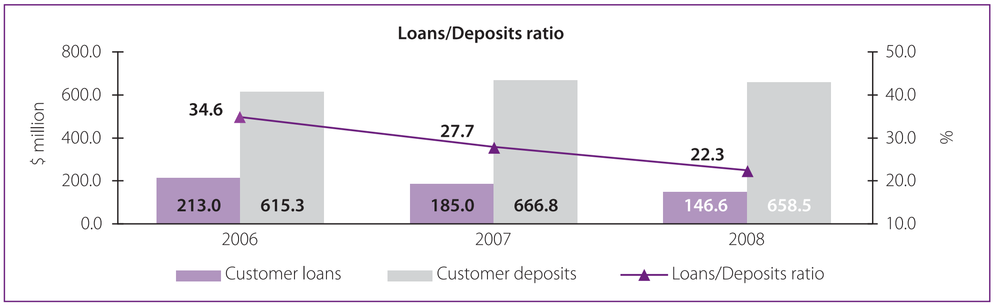
	2008		2007	
	$'000	**%**	$'000	%
Banker deposits	**13**	**0.0**	361	0.1
Customer deposits				
Fixed deposits	**242,913**	**35.3**	262,227	37.6
Current, savings and other deposits	**415,545**	**60.5**	404,619	58.1
	658,458	**95.8**	666,846	95.8
Fellow subsidiaries' deposits	**1,953**	**0.3**	2,077	0.3
Holding company's deposits	**26,731**	**3.9**	27,500	3.9
Total deposits	**687,155**	**100.0**	696,784	100.0

Deposits analysed by remaining maturity

	2008		2007	
	$'000	**%**	$'000	%
Within 1 year	**660,023**	**96.0**	665,216	95.5
Over 1 year but within 3 years	**14,795**	**2.2**	11,162	1.6
Over 3 years but within 5 years	**7,247**	**1.1**	16,149	2.3
Over 5 years	**5,090**	**0.7**	4,257	0.6
Total deposits	**687,155**	**100.0**	696,784	100.0

Loans/Deposits ratio

With the decrease in net customer loans of 20.8% outpacing the decrease in customer deposits of 1.3%, the loans-to-deposits ratio declined 5.4% points to 22.3% in 2008 from 27.7% in 2007.



Shareholders' equity

Shareholders' equity as at 31 December 2008 was $193.1 million, representing a 2.8% increase over the $187.8 million as at 31 December 2007.

As at 31 December 2008, revaluation surplus of $80.6 million (2007: $88.2 million) on properties was not included in the financial statements.

	2008	2007	+/(-)
	$'000	$'000	%
Shareholders' equity	**193,125**	187,783	2.8
Add: Revaluation surplus	**80,633**	88,192	(8.6)
Shareholders' equity including revaluation surplus	**273,758**	275,975	(0.8)
Net asset value ("NAV") per share ($)	**1.93**	1.88	2.7
Revaluation surplus per share ($)	**0.81**	0.88	(8.0)
Revalued NAV per share ($)	**2.74**	2.76	(0.7)

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 2008, the Group's total CAR was 71.6%, well above the minimum total CAR of 10% set by MAS. Compared to the total CAR of 61.7% as at 31 December 2007, it had increased 9.9% points. This is attributed to higher retained profits and lower risk-weighted assets mainly from non-bank loans.

	2008	2007
	$'000	$'000
Tier 1 capital		
Share capital	**100,011**	100,011
Disclosed reserves/other	**91,460**	86,060
	191,471	186,071
Upper Tier 2 capital		
Cumulative collective impairment/other	**1,717**	4,009
Total capital	**193,188**	190,080
Risk-weighted assets+	**269,726**	308,152
Capital adequacy ratios (%)		
Tier 1 capital	**71.0**	60.4
Total capital	**71.6**	61.7

+ *Include operational risk with effect from 1 January 2008 and market risk.*

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. The 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; and
- 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 the 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 and 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 team also participates in the development and implementation of an infrastructure that will support the use of internal models for regulatory capital calculations and economic capital calculations.

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 Operational Risk and Compliance Committee ("ORCC"), the EXCO and the Board.

The Middle Office Division ("MO") provides independent valuation of products traded by the Global Markets and Investment Management ("GMIM") Sector. 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 2009, the Group was required to comply with Basel II Pillar 3 and MAS Notice 637 Public Disclosure. In compliance with the requirements, various additional quantitative and qualitative disclosures have been included in the Group Annual Report. The inclusion provides greater transparency in the disclosure of risk and capital adequacy information.

Credit Risk Management
Credit risk is managed in accordance with the Group's credit risk management framework and policies.

The Group's Credit Committee ("CC") is delegated the authority by the Board to oversee all credit matters.

Credit risk exposures are managed through a robust credit underwriting, structuring and monitoring process. These processes, which include monthly reviews of all non-performing and special-mention loans, ensure credit quality and the timely recognition of asset impairment. In addition, credit reviews and audits are performed regularly to proactively manage any delinquency, minimise undesirable concentrations, maximise recoveries, and ensure that credit policies and procedures are complied with.

Delinquency monitoring
All delinquent accounts, including credit limit excesses, are closely monitored and managed through a robust process by officers from the business units and Risk Management. Where appropriate, these accounts are also subjected to more frequent credit review.

Delinquency trends are monitored, analysed and reported to the CC and the EXCO periodically.

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 ("NPLs") are further classified as 'Substandard', 'Doubtful' or 'Loss' in accordance with MAS 612 Notice to Banks (March 2005).

Upgrading and declassification of NPLs to 'Pass' or 'Special Mention' status are supported by a credit assessment of the repayment capability, cash flows and financial position of the borrower. The Bank must also be satisfied that once the account is declassified, the account is unlikely to be classified again in the near future.

A restructured account is categorised as non-performing and placed on the appropriate classified grade depending on the assessment of the financial condition of the borrower and the ability of the borrower to repay based on the restructured terms. A restructured account will remain classified unless the borrower has complied fully with the restructured terms in accordance with MAS 612.

Write-off policy
A classified account that is not secured by any realisable collateral will be written off when the prospect of a recovery is considered poor or when all feasible avenues of recovery have been exhausted.

Risk management

Balance Sheet Risk Management

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

The primary objective of managing interest rate risk 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 its liabilities.

Exposure is quantified using a combination of static analysis tools and dynamic simulation techniques on a monthly basis. 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 30(c) (page 53) to the financial statements represents the Group's interest rate risk sensitivity based on contractual repricing mismatches as at 31 December 2008. The Group had an overall positive interest rate sensitivity gap of $329 million, which represented the net difference between interest rate sensitive assets and liabilities. Note 30(c) shows the EVE at risk sensitivities for 100 basis points ("bp") and 200bp parallel rate shock to the banking book. The reported figures are based on the worst case of an upward and downward parallel movement for NII and EVE. The repricing profile of loans and deposits that do not have maturity dates are generally based on the earliest possible repricing dates, taking into account the notice period to be served to the customers.

In the dynamic simulation process, both the earnings and EVE approaches are applied 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 business activities over time, as well as the effects of embedded options. Embedded options may be in the form of loan pre-payment 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 for repricing 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 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

The Group maintains sufficient liquidity to fund its day-to-day operations, meet deposit withdrawals and loan disbursements, participate in new investments, and repay 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 the ALCO. These policies, controls and limits enable the Group to monitor and manage liquidity risk to ensure that 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 Group takes a conservative stance in its liquidity management by continuing to gather core deposits, ensuring that liquidity limits are strictly adhered to and that there is adequate liquid asset to meet cash shortfall.

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 customer 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.

Liquidity risk is aligned with the regulatory liquidity risk management framework, and 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.

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

The table in Note 30(e) (page 55) 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 wherever possible.

Operational Risk Management

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.

Operational Risk Self Assessments involve 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 Operational Risk Action Plans.

Key Operational Risk Indicators 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 use of advanced approaches for quantification of operational risks. The analysis of loss trends and root causes of loss events helps in strengthening the internal control environment.

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

A Product/Services Programme ensures that risks associated with the introduction of new products and services are identified, analysed and addressed prior to launch. The Product Committee also reviews product suitability, product risk disclosures and reputation issues associated with the distribution of retail investment products. For online products and services, extra care and precautionary measures are implemented to protect customers' confidentiality and interests.

With the increasing need to outsource for cost and operational efficiency, the Group's Outsourcing Policy and framework ensures 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.

Legal risk, part of operational risk, arises from unenforceable or unintended contracts, defective documentation, and 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 are effectively managed.

Reputation risk is the adverse impact of negative stakeholder perception or opinion on the Group's business practices, activities and financial condition. The Group has a framework for managing reputation risk.

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 2008

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 2008.

Directors

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

Wee Cho Yaw *(Chairman)*
Wee Ee Cheong *(Deputy Chairman & Chief Executive Officer)*
Wong Meng Meng
Yeo Liat Kok Philip
Cham Tao Soon
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 31.12.2008	**At 1.1.2008**	**At 31.12.2008**	**At 1.1.2008**
Ordinary shares				
United Overseas Bank Limited				
Wee Cho Yaw	**16,390,248**	16,390,248	**247,208,142**	247,008,142
Wee Ee Cheong	**2,865,357**	2,794,899	**146,064,793**	146,135,251
Cham Tao Soon	**–**	–	**9,775**	9,775
Ngiam Tong Dow	**–**	–	**8,600**	8,600
Class E non-cumulative non-convertible preference shares				
Wee Cho Yaw	**155,900**	–	**–**	–
Wee Ee Cheong	**20,000**	–	**–**	–
Cham Tao Soon	**–**	–	**1,000**	–
Ngiam Tong Dow	**2,000**	–	**2,000**	–
Yeo Liat Kok Philip	**–**	–	**1,000**	–
United Overseas Insurance Limited				
Wee Cho Yaw	**38,100**	38,100	**–**	–

(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' report
for the financial year ended 31 December 2008

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 2008 are as follows:

	Directors' fee %	Base or fixed salary %	Variable performance bonus %	Benefit-in-kind and others %	Total %
Below $250,000					
Wee Cho Yaw	100.0	–	–	–	100.0
Wee Ee Cheong	100.0	–	–	–	100.0
Ong Chu Meng *(retired on 30.04.08)*	100.0	–	–	–	100.0
Wong Meng Meng	100.0	–	–	–	100.0
Yeo Liat Kok Philip	100.0	–	–	–	100.0
Cham Tao Soon	100.0	–	–	–	100.0
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 2008.

Auditors
Ernst & Young LLP 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 2009

Statement by directors

for the financial year ended 31 December 2008

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 2008, 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 2009

Auditors' report

for the financial year ended 31 December 2008

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 31 to 59, which comprise the balance sheets of the Bank and the Group as at 31 December 2008, 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.

Management's responsibility for the financial statements

Management is 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 devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheet and to maintain accountability of assets; 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 management, 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 FRS 39 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 2008, 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 LLP
Public Accountants and
Certified Public Accountants

Singapore
27 February 2009

Profit and loss accounts

for the financial year ended 31 December 2008

		The Group		The Bank	
	Note	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Interest income	3	**17,086**	23,786	**17,086**	23,786
Less: Interest expense	4	**4,063**	6,474	**4,064**	6,475
Net interest income		**13,023**	17,312	**13,022**	17,311
Dividend income	5	**48**	46	**48**	46
Fee and commission income	6	**1,211**	1,305	**1,211**	1,305
Rental income	7	**4,157**	2,871	**4,157**	2,871
Other operating income	8	**1,100**	969	**1,100**	969
Non-interest income		**6,516**	5,191	**6,516**	5,191
Total operating income		**19,539**	22,503	**19,538**	22,502
Less:					
Staff costs	9	**713**	706	**713**	706
Other operating expenses	10	**10,223**	9,764	**10,221**	9,763
Total operating expenses		**10,936**	10,470	**10,934**	10,469
Operating profit before impairment charges		**8,603**	12,033	**8,604**	12,033
Add: Write-back of impairment charges	11	**99**	886	**99**	886
Profit before tax		**8,702**	12,919	**8,703**	12,919
Less: Tax	12a	**1,450**	2,419	**1,450**	2,419
Profit for the financial year attributable to equity holders of the Bank		**7,252**	10,500	**7,253**	10,500

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

Balance sheets

as at 31 December 2008

	Note	The Group 2008 $'000	The Group 2007 $'000	The Bank 2008 $'000	The Bank 2007 $'000
Equity					
Share capital	13	**100,011**	100,011	**100,011**	100,011
Retained earnings	14	**15,089**	12,837	**15,085**	12,832
Other reserves	15	**78,025**	74,935	**78,025**	74,935
Total equity		**193,125**	187,783	**193,121**	187,778
Liabilities					
Deposits and balances of:					
Banks and agents		**13**	361	**13**	361
Non-bank customers	16b	**658,458**	666,846	**658,458**	666,846
Fellow subsidiaries		**1,953**	2,077	**1,953**	2,077
Subsidiaries		**–**	–	**113**	114
Holding company		**26,731**	27,500	**26,731**	27,500
	16a	**687,155**	696,784	**687,268**	696,898
Bills and drafts payable		**801**	3,360	**801**	3,360
Derivative financial liabilities	27	**13**	11	**13**	11
Tax payable		**1,894**	2,571	**1,894**	2,571
Other liabilities	17	**5,942**	5,613	**5,938**	5,609
Total liabilities		**695,805**	708,339	**695,914**	708,449
Total equity and liabilities		**888,930**	896,122	**889,035**	896,227
Assets					
Cash, balances and placements with central banks		**22,658**	12,289	**22,658**	12,289
Singapore Government treasury bills and securities	18	**46,999**	65,028	**46,999**	65,028
Placements and balances with banks and agents	19	**6,424**	11,179	**6,424**	11,179
Loans to non-bank customers	20a	**146,559**	184,998	**146,559**	184,998
Placements with fellow subsidiaries		**48**	82	**48**	82
Placements with and amount owing by holding company		**647,317**	607,086	**647,317**	607,086
Derivative financial assets	27	**18**	16	**18**	16
Investment securities	21	**548**	789	**548**	789
Other assets	22	**7,991**	3,730	**7,991**	3,730
Investment in a fellow associate	23a	**897**	878	**897**	878
Investment in subsidiaries	24a	**–**	–	**105**	105
Properties and other fixed assets	25	**8,349**	8,918	**8,349**	8,918
Deferred tax assets	12c	**1,122**	1,129	**1,122**	1,129
Total assets		**888,930**	896,122	**889,035**	896,227
Off-balance sheet items					
Contingent liabilities	26	**14,147**	20,110	**14,147**	20,110
Financial derivatives	27	**1,343**	1,517	**1,343**	1,517
Commitments	28	**115,265**	119,058	**115,265**	119,058

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

Statements of changes in equity

for the financial year ended 31 December 2008

	The Group			
	Share capital $'000	Retained earnings $'000	Other reserves $'000	Total equity $'000
2008				
Balance at 1 January	**100,011**	**12,837**	**74,935**	**187,783**
Change in available-for-sale reserve				
Net change in fair value	**–**	**–**	**202**	**202**
Transfer to profit and loss account on disposal/impairment	**–**	**–**	**(112)**	**(112)**
Total gains recognised directly in equity	**100,011**	**12,837**	**75,025**	**187,873**
Profit for the financial year	**–**	**7,252**	**–**	**7,252**
Total gains recognised for the financial year	**100,011**	**20,089**	**75,025**	**195,125**
Transfers from retained earnings	**–**	**(3,000)**	**3,000**	**–**
Dividends	**–**	**(2,000)**	**–**	**(2,000)**
Balance at 31 December	**100,011**	**15,089**	**78,025**	**193,125**
2007				
Balance at 1 January	100,011	7,377	71,367	178,755
Change in available-for-sale reserve				
Net change in fair value	–	–	153	153
Transfer to profit and loss account on disposal/impairment	–	–	15	15
Total gains recognised directly in equity	100,011	7,377	71,535	178,923
Profit for the financial year	–	10,500	–	10,500
Total gains recognised for the financial year	100,011	17,877	71,535	189,423
Transfers from retained earnings	–	(3,400)	3,400	–
Dividends	–	(1,640)	–	(1,640)
Balance at 31 December	100,011	12,837	74,935	187,783
Note	13	14	15	

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

Statements of changes in equity

for the financial year ended 31 December 2008

	The Bank			
	Share capital $'000	Retained earnings $'000	Other reserves $'000	Total equity $'000
2008				
Balance at 1 January	**100,011**	**12,832**	**74,935**	**187,778**
Change in available-for-sale reserve				
Net change in fair value	**–**	**–**	**202**	**202**
Transfer to profit and loss account on disposal/impairment	**–**	**–**	**(112)**	**(112)**
Total gains recognised directly in equity	**100,011**	**12,832**	**75,025**	**187,868**
Profit for the financial year	**–**	**7,253**	**–**	**7,253**
Total gains recognised for the financial year	**100,011**	**20,085**	**75,025**	**195,121**
Transfers from retained earnings	**–**	**(3,000)**	**3,000**	**–**
Dividends	**–**	**(2,000)**	**–**	**(2,000)**
Balance at 31 December	**100,011**	**15,085**	**78,025**	**193,121**
2007				
Balance at 1 January	100,011	7,372	71,367	178,750
Change in available-for-sale reserve				
Net change in fair value	–	–	153	153
Transfer to profit and loss account on disposal/impairment	–	–	15	15
Total gains recognised directly in equity	100,011	7,372	71,535	178,918
Profit for the financial year	–	10,500	–	10,500
Total gains recognised for the financial year	100,011	17,872	71,535	189,418
Transfers from retained earnings	–	(3,400)	3,400	–
Dividends	–	(1,640)	–	(1,640)
Balance at 31 December	100,011	12,832	74,935	187,778
Note	13	14	15	

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 2008

	2008 $'000	2007 $'000
Cash flows from operating activities:		
Operating profit before impairment charges	**8,603**	12,033
Adjustments for:		
Depreciation of assets	**505**	537
Net loss on disposal of assets	**–**	2
Operating profit before working capital changes	**9,108**	12,572
Changes in working capital :		
(Decrease)/increase in deposits	**(8,736)**	51,884
(Decrease)/increase in bills and drafts payable	**(2,559)**	212
Increase in other liabilities	**331**	739
Decrease in placements and balances with banks and agents	**4,755**	3,001
Decrease in loans to non-bank customers	**38,582**	28,370
(Increase)/decrease in other assets	**(3,911)**	700
Increase in net balance with related companies	**(41,090)**	(88,842)
Cash (used in)/provided by operations	**(3,520)**	8,636
Income tax paid	**(2,140)**	(2,889)
Net cash (used in)/provided by operating activities	**(5,660)**	5,747
Cash flows from investing activities :		
Net cash flow on (purchase)/disposal of assets	**–**	(20)
Net cash used in investing activities	**–**	(20)
Cash flows from financing activities :		
Dividend paid by the Bank	**(2,000)**	(1,640)
Net cash used in financing activities	**(2,000)**	(1,640)
Net (decrease)/increase in cash and cash equivalents for the financial year	**(7,660)**	4,087
Cash and cash equivalents at beginning of the financial year	**77,317**	73,230
Cash and cash equivalents at end of the financial year (Note 29)	**69,657**	77,317

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 2008

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 24 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 and Interpretations to FRS ("INT FRS") during the financial year:

- Amendments to FRS39 Financial Instruments: Recognition and Measurement and FRS107 Financial Instruments: Disclosures (effective 1 July 2008)

The adoption of INT FRS has no significant impact on the financial statements of the Group.

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.

Future changes in accounting policies

The following FRS that are in issue apply to the Group for accounting period beginning 1 January 2009:

- FRS1 Presentation of Financial Statements (revised)

This pronouncement is not expected to have a significant impact on the financials of the Group when adopted.

(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.

(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.

Inter-company transactions and balances are eliminated. Adjustments are made to align the accounting policies of the subsidiaries to those of the Group.

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

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

(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:

At fair value through profit and loss

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.

Financial instruments are designated as 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;
- 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.

Notes to the financial statements
for the financial year ended 31 December 2008

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

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

(ii) Measurement (cont'd)

Subsequent measurement (cont'd)

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, significant or prolonged decline in market prices and adverse economic indicators that the recoverable amount of an asset is below its carrying amount.

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 assets' 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.

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

(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.

Rental income is recognised on a time proportion basis.

Notes to the financial statements
for the financial year ended 31 December 2008

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

(n) Significant accounting estimates and judgements

The preparation of the financial statements requires certain estimates, assumptions and judgements to be made such as fair value determination for unquoted financial instruments, provision for impairment of assets, impairment review of goodwill, tax computation and provision for litigation claims. These estimates, assumptions and judgements would affect the financials disclosed and they are being assessed on an on-going basis based on past experience and future expectation that are believed to be reasonable in the circumstances.

3. Interest income

	The Group and The Bank	
	2008 $'000	**2007 $'000**
Singapore Government treasury bills and securities	**1,220**	2,052
Loans to non-bank customers	**8,492**	9,514
Placements and balances with banks and agents	**7,374**	12,220
	17,086	23,786
Received/receivable from :		
Holding company	**7,265**	12,046
Third parties	**9,821**	11,740
	17,086	23,786

Included in the total interest income was interest of $49 (2007: $162) accrued on impaired financial assets by the Group and the Bank.

4. Interest expense

	The Group		The Bank	
	2008 $'000	**2007 $'000**	**2008 $'000**	**2007 $'000**
Deposits of non-bank customers	**4,042**	6,418	**4,043**	6,419
Deposits of banks and agents	**21**	56	**21**	56
	4,063	6,474	**4,064**	6,475
Paid/payable to :				
Holding company	**20**	56	**20**	56
Subsidiaries	**–**	–	**1**	1
Fellow subsidiaries	**353**	43	**353**	43
Third parties	**3,690**	6,375	**3,690**	6,375
	4,063	6,474	**4,064**	6,475

5. Dividend income

	The Group and The Bank	
	2008 $'000	**2007 $'000**
Other quoted investments	**48**	46
	48	46

6. Fee and commission income

	The Group and The Bank	
	2008 $'000	**2007 $'000**
Investment-related	**60**	125
Loan and trade-related	**711**	721
Other	**440**	459
	1,211	1,305

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 $2,772,000, (2007: $1,765,000) received from the holding company.

8. Other operating income

	The Group and The Bank	
	2008 $'000	**2007 $'000**
Net profit on disposal of Singapore Government treasury bills and securities	**24**	59
Net profit on foreign exchange	**299**	198
Net loss on disposal of properties and other fixed assets	**–**	(2)
Other income	**777**	714
	1,100	969

Notes to the financial statements
for the financial year ended 31 December 2008

9. Staff costs

	The Group and The Bank	
	2008 $'000	2007 $'000
Salaries, bonus and allowances	**610**	595
Employer's contribution to the Central Provident Fund	**79**	79
Other staff-related costs	**24**	32
	713	706
Number of employees at 31 December	**16**	16

10. Other operating expenses

	The Group		The Bank	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Included in other operating expenses are:				
Depreciation of assets	**505**	537	**505**	537
Maintenance of premises and other assets	**326**	288	**326**	288
Other expenses of premises	**1,019**	740	**1,019**	740
Audit fees	**78**	109	**76**	108
Management fees payable to holding company	**7,813**	7,630	**7,813**	7,630
Fees payable to directors of the Bank	**58**	63	**58**	63
Expenses on investment properties that:				
Generate rental income	**919**	823	**919**	823

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

	The Group and The Bank	
	2008 $'000	2007 $'000
Net write-back of individual impairment on loans to non-bank customers	**(144)**	(374)
Write-back of impairment on investments	**(19)**	(62)
Provision for/(write-back) of impairment on properties	**64**	(450)
	(99)	(886)

12. Tax
(a) Tax expense
The tax charge to the profit and loss accounts comprises the following:

	The Group and The Bank	
	2008 $'000	2007 $'000
On the profit of the financial year		
Current tax	**1,637**	2,299
Deferred tax	**(13)**	(49)
	1,624	2,250
Overprovision of tax in respect of prior financial year		
Current tax	**(174)**	–
Effect of change in tax rate	**–**	169
	1,450	2,419

12. Tax (cont'd)

(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		The Bank	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Profit before tax	**8,702**	12,919	**8,703**	12,919
Tax calculated at a tax rate of 18%	**1,566**	2,326	**1,566**	2,326
Effects on :				
Singapore statutory stepped income exemption	**(27)**	(27)	**(27)**	(27)
Income not subject to tax	**(15)**	(127)	**(15)**	(127)
Income taxed at a concessionary rate of 10%	**(34)**	(68)	**(34)**	(68)
Expenses not deductible for tax purposes	**134**	146	**134**	146
Tax expense on profit of the financial year	**1,624**	2,250	**1,624**	2,250

(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	
	2008 $'000	2007 $'000
Deferred tax assets on non-tax deductible collective impairment		
Balance at 1 January and 31 December	**1,519**	1,688
Amount offset against deferred tax liabilities	**(397)**	(390)
Effect of change in tax rate	**–**	(169)
Net balance at 31 December	**1,122**	1,129

	The Group and The Bank		
	Accelerated tax depreciation $'000	Available-for-sale financial assets $'000	Total $'000
Deferred tax liabilities			
2008			
Balance at 1 January	**295**	**95**	**390**
Credited to profit and loss account	**(13)**	**–**	**(13)**
Charged to equity	**–**	**20**	**20**
Balance at 31 December	**282**	**115**	**397**
Amount offset against deferred tax assets			**(397)**
Net balance at 31 December			**–**
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			–

Notes to the financial statements
for the financial year ended 31 December 2008

13. Share capital

	The Group and The Bank	
	2008 $'000	**2007 $'000**
Issued and fully paid		
100,010,566 (2007: 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. Retained earnings

(a)

	The Group		The Bank	
	2008 $'000	**2007 $'000**	**2008 $'000**	**2007 $'000**
Balance at 1 January	**12,837**	8,977	**12,832**	8,972
Profit for the financial year attributable to equity holders of the Bank	**7,252**	10,500	**7,253**	10,500
Transfer to other reserves	**(3,000)**	(5,000)	**(3,000)**	(5,000)
Dividends				
Final dividend of 2 cents one-tier tax-exempt (2007: 2 cents net of tax at 18%) per share paid in respect of the prior financial year	**(2,000)**	(1,640)	**(2,000)**	(1,640)
Balance at 31 December	**15,089**	12,837	**15,085**	12,832

(b) The retained earnings are distributable reserves.

(c) In respect of the financial year ended 31 December 2008, the directors have proposed a final one-tier tax-exempt dividend of 2 cents per ordinary share amounting to $2,000,211. The proposed dividend will be accounted for in year 2009 financials upon approval of the equity holders of the Bank.

15. Other reserves

(a)

	The Group and The Bank			
	Fair value reserve $'000	**Statutory reserve $'000**	**General reserve $'000**	**Total $'000**
2008				
Balance at 1 January	**435**	**54,900**	**19,600**	**74,935**
Available-for-sale reserve				
Net change in fair value	**202**	**–**	**–**	**202**
Transfer to profit and loss account on disposal/impairment	**(112)**	**–**	**–**	**(112)**
Transfer from retained earnings	**–**	**–**	**3,000**	**3,000**
Balance at 31 December	**525**	**54,900**	**22,600**	**78,025**
2007				
Balance at 1 January	267	54,900	16,200	71,367
Available-for-sale reserve				
Net change in fair value	153	–	–	153
Transfer from profit and loss account on disposal/ impairment	15	–	–	15
Transfer from retained earnings	–	–	3,400	3,400
Balance at 31 December	435	54,900	19,600	74,935

(b) Fair value reserve contains cumulative fair value changes of outstanding available-for-sale assets.

(c) Statutory reserves are maintained in accordance with the provisions of applicable laws and regulations. These reserves are non-distributable unless otherwise approved by the relevant authorities.

Under the Banking (Reserve Fund) (Transitional Provision) Regulations 2007 which came into effect on 11 June 2007, banks in Singapore may distribute or utilise their 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.

(d) A certain amount of retained earnings is transferred to general reserve in each financial year. The general reserve has not been earmarked for any specific purpose.

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

(a)

	The Group		The Bank	
	2008 $'000	**2007 $'000**	**2008 $'000**	**2007 $'000**
Analysed by remaining maturity:				
Within 1 year	**660,023**	665,216	**660,136**	665,330
Over 1 year but within 3 years	**14,795**	11,162	**14,795**	11,162
Over 3 years but within 5 years	**7,247**	16,149	**7,247**	16,149
Over 5 years	**5,090**	4,257	**5,090**	4,257
	687,155	696,784	**687,268**	696,898

(b)

	The Group and The Bank	
	2008 $'000	**2007 $'000**
Deposits of non-bank customers comprise:		
Fixed deposits	**242,913**	262,227
Current, savings and other deposits	**415,545**	404,619
	658,458	666,846

17. Other liabilities

	The Group		The Bank	
	2008 $'000	**2007 $'000**	**2008 $'000**	**2007 $'000**
Accrued interest payable	**926**	1,658	**926**	1,658
Accrued operating expenses	**297**	292	**297**	292
Unclaimed balances	**834**	794	**834**	794
Gold savings accounts	**656**	617	**656**	617
Other	**3,229**	2,252	**3,225**	2,248
	5,942	5,613	**5,938**	5,609

18. Singapore Government treasury bills and securities

	The Group and The Bank	
	2008 $'000	**2007 $'000**
Available-for-sale	**46,999**	65,028

Notes to the financial statements
for the financial year ended 31 December 2008

19. Placements and balances with banks and agents

	The Group and The Bank	
	2008 $'000	**2007 $'000**
Loans and receivables		
Analysed by remaining maturity:		
Within 1 year	**6,424**	11,179

20. Loans to non-bank customers

(a)

	The Group and The Bank	
	2008 $'000	**2007 $'000**
Loans and receivables		
Loans to non-bank customers (gross)	**158,625**	197,140
Individual impairment	**(7)**	(83)
Collective impairment	**(12,059)**	(12,059)
Loans to non-bank customers (net)	**146,559**	184,998
Comprising:		
Trade bills	**2,472**	1,376
Advances to customers	**144,087**	183,622
	146,559	184,998

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

Within 1 year	**67,611**	71,602
Over 1 year but within 3 years	**17,048**	22,525
Over 3 years but within 5 years	**14,970**	19,700
Over 5 years	**58,996**	83,313
	158,625	197,140

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

Transport, storage and communication	**2,165**	2,800
Building and construction	**5,284**	9,695
Manufacturing	**12,291**	16,123
Non-bank financial institutions	**6,129**	7,077
General commerce	**44,712**	54,536
Professionals and private individuals	**42,447**	44,976
Housing loans	**37,520**	53,677
Other	**8,077**	8,256
	158,625	197,140

(d) Movements of provision for impairment

	The Group and The Bank					
	2008			2007		
	Individual impairment $'000	**Collective impairment $'000**	**Total $'000**	**Individual impairment $'000**	**Collective impairment $'000**	**Total $'000**
Balance at 1 January	**83**	**12,059**	**12,142**	417	12,059	12,476
Write-off	**(3)**	**–**	**(3)**	–	–	–
Net write-back to profit and loss account	**(73)**	**–**	**(73)**	(334)	–	(334)
Balance at 31 December	**7**	**12,059**	**12,066**	83	12,059	12,142

21. Investment securities

	The Group and The Bank	
	2008 **$'000**	**2007** **$'000**
Quoted equity shares		
Available-for-sale	**548**	789

22. Other assets

	The Group and The Bank	
	2008 **$'000**	**2007** **$'000**
Interest receivable	**4,778**	1,506
Other	**3,213**	2,224
	7,991	3,730

23. Investment in a fellow associate

		The Group and The Bank	
		2008 **$'000**	**2007** **$'000**
(a)	Unquoted equity shares		
	At cost	**1,250**	1,250
	Provision for impairment	**(353)**	(372)
		897	878
(b)	Movements of provision for impairment		
	Balance at 1 January	**372**	434
	Write-back to profit and loss accounts	**(19)**	(62)
	Balance at 31 December	**353**	372

24. Investment in subsidiaries

		The Group and The Bank	
		2008 **$'000**	**2007** **$'000**
(a)	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**	
			2008 **$'000**	**2007** **$'000**
FEB Realty Company Pte Ltd *(Dormant)*	Property	Singapore	**100**	100
Far Eastern Bank Nominees Private Limited *(Dormant)*	Nominee services	Singapore	**5**	5
			105	105

Notes to the financial statements
for the financial year ended 31 December 2008

25. Properties and other fixed assets

	2008			2007		
	Properties			Properties		
	Investment $'000	Owner-occupied $'000	Other fixed assets $'000	Investment $'000	Owner-occupied $'000	Other fixed assets $'000
The Group and The Bank						
Balance at 1 January	**7,917**	**885**	**116**	7,935	887	165
Additions	**–**	**–**	**1**	–	–	21
Disposals	**–**	**–**	**–**	–	–	(3)
Depreciation charge	**(454)**	**(16)**	**(35)**	(423)	(47)	(67)
(Write-back)/provision for impairment	**(48)**	**(17)**	**–**	405	45	–
Transfers	**–**	**–**	**–**	–	–	–
Reclassification	**57**	**(57)**	**–**	–	–	–
Balance at 31 December	**7,472**	**795**	**82**	7,917	885	116
Represented by:						
Cost	**16,989**	**1,807**	**2,823**	16,932	1,864	2,822
Accumulated depreciation	**(8,979)**	**(955)**	**(2,741)**	(8,525)	(939)	(2,706)
Provision for impairment	**(538)**	**(57)**	**–**	(490)	(40)	–
Net carrying amount	**7,472**	**795**	**82**	7,917	885	116
Total properties and other fixed assets			**8,349**			8,918
Comprising:						
Freehold properties	**1,717**	**183**		1,796	198	
Leasehold properties	**5,755**	**612**		6,121	687	
	7,472	**795**		7,917	885	
Market value of properties at 31 December	**80,350**	**8,550**		87,373	9,621	

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.

26. 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	
	2008 $'000	2007 $'000
Direct credit substitutes	**7,970**	10,714
Transaction-related contingencies	**3,599**	3,853
Trade-related contingencies	**2,578**	5,543
	14,147	20,110

27. 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					
	2008			2007		
	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	**1,343**	**18**	**13**	1,517	16	11

28. Commitments

	The Group and The Bank	
	2008 $'000	2007 $'000
Undrawn credit facilities	**114,266**	118,063
Other	**999**	995
	115,265	119,058

29. 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 and The Bank	
	2008 $'000	2007 $'000
Cash and balances with central bank	**22,658**	12,289
Singapore Government treasury bills and securities	**46,999**	65,028
	69,657	77,317

30. 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 policy, controls and processes. The Middle Office within the Risk Management Sector enforces Global Markets and Investment Management's compliance with trading policies and limits. This is further enhanced by the periodic risk assessment audit carried out by the UOB Group Audit.

Notes to the financial statements
for the financial year ended 31 December 2008

30. Financial risk management (cont'd)

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 ("CC"), is delegated the authority by the Board of Directors to oversee 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. The process includes monthly review of all non-performing and special mention loans, ensuring 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 CC and the Board's Executive Committee.

(i) Credit exposures

	The Group	
	2008 $'000	**2007 $'000**
Balances and placements with central banks	**21,846**	11,274
Singapore Government treasury bills and securities	**46,999**	65,028
Placements and balances with banks and agents	**6,424**	11,179
Loans to non-bank customers	**146,559**	184,998
Derivative financial assets	**18**	16
Other	**4,780**	1,512
	226,626	274,007
Contingent liabilities	**14,147**	20,110
Commitments	**115,265**	119,058
	356,038	413,175

(ii) Credit quality of gross loans
Loans are graded in accordance with MAS Notice 612 as follows:

	The Group	
	2008 $'000	**2007 $'000**
Performing		
Passed	**151,356**	195,633
Special mention	**1,949**	22
	153,305	195,655
Non-performing		
Substandard	**5,313**	1,402
Loss	**7**	83
	5,320	1,485

Collateral such as properties, marketable securities and fixed deposits were obtained by the Group to mitigate its credit exposure.

30. Financial risk management (cont'd)

(a) Credit risk (cont'd)

(iii) Ageing analysis of past due and non-performing loans

	The Group			
	2008		2007	
	Past due but not impaired $'000	Non-performing $'000	Past due but not impaired $'000	Non-performing $'000
Current	**–**	**–**	–	34
Within 90 days	**10,508**	**5,117**	7,634	564
Over 90 to 180 days	**–**	**196**	–	857
Over 180 days	**–**	**7**	–	30
Total	**10,508**	**5,320**	7,634	1,485

(iv) Past due and non-performing loans analysed by industry

	The Group					
	2008			2007		
	Past due but not impaired $'000	Non-performing $'000	Individual impairment $'000	Past due but not impaired $'000	Non-performing $'000	Individual impairment $'000
Transport, storage and communication	**–**	**–**	**–**	34	–	–
Building and construction	**–**	**–**	**–**	–	–	–
Manufacturing	**1,508**	**1**	**1**	–	1	1
Non-bank financial institutions	**–**	**–**	**–**	–	–	–
General commerce	**3,618**	**–**	**–**	1,631	15	15
Professionals and private individuals	**4,746**	**26**	**5**	1,461	928	9
Housing loans	**636**	**700**	**–**	4,032	483	–
Other	**–**	**4,593**	**1**	476	58	58
	10,508	**5,320**	**7**	7,634	1,485	83

(v) Security coverage of non-performing loans ("NPLs")

	The Group	
	2008 $'000	2007 $'000
NPLs secured by		
Properties	**5,012**	1,402
Marketable securities, fixed deposits and other	**300**	–
Unsecured NPLs	**8**	83
	5,320	1,485

(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 proprietary business. Its foreign exchange exposures arise mainly from its customer facilitation business. The Group utilises mainly foreign currency forwards to hedge its foreign exchange exposures.

Notes to the financial statements
for the financial year ended 31 December 2008

30. Financial risk management (cont'd)

(b) Foreign exchange risk (cont'd)

Foreign exchange risk is managed through risk limits and policies approved by the Asset and Liability Committee ("ALCO"). 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 risk.

	The Group		
	Singapore dollars $'000	Other $'000	Total $'000
2008			
Cash and balances with central bank	**22,658**	**–**	**22,658**
Securities	**47,547**	**–**	**47,547**
Placements and balances with banks, agents and related companies	**638,000**	**15,789**	**653,789**
Loans to non-bank customers	**134,648**	**11,911**	**146,559**
Other	**18,301**	**76**	**18,377**
Total assets	**861,154**	**27,776**	**888,930**
Deposits of non-bank customers	**644,335**	**14,123**	**658,458**
Deposits and balances of related companies, and bills and drafts payable	**17,806**	**11,692**	**29,498**
Other	**5,888**	**1,961**	**7,849**
Total liabilities	**668,029**	**27,776**	**695,805**
Net on-balance sheet open position	**193,125**	**–**	**193,125**
Net off-balance sheet open position	**(462)**	**462**	**–**
Net open position	**192,663**	**462**	**193,125**
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

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

30. Financial risk management (cont'd)

(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 rate 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 ALCO.

The table below shows the Group's sensitivity to interest rates 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 or early withdrawal of deposits.

	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
2008										
Cash and balances with central bank	22,658	–	–	–	–	–	–	–	–	22,658
Securities	1,547	–	12,000	1,000	4,000	24,000	5,000	46,000	2.06	47,547
Placements and balances with banks, agents and related companies	–	328,789	–	325,000	–	–	–	653,789	0.77	653,789
Loans to non-bank customers	(6,836)	47,819	64,348	14,592	12,317	13,946	373	153,395	3.41	146,559
Other	18,377	–	–	–	–	–	–	–	–	18,377
Total assets	35,746	376,608	76,348	340,592	16,317	37,946	5,373	853,184	–	888,930
Deposits of non-bank customers	162,677	251,359	35,076	77,481	121,876	8,424	1,565	495,781	0.71	658,458
Deposits and balances of related companies, and bills and drafts payable	801	27,347	–	1,350	–	–	–	28,697	0.28	29,498
Other	7,849	–	–	–	–	–	–	–	–	7,849
Total liabilities	171,327	278,706	35,076	78,831	121,876	8,424	1,565	524,478	–	695,805
Total equity	193,125	–	–	–	–	–	–	–	–	193,125
	364,452	278,706	35,076	78,831	121,876	8,424	1,565	524,478	–	888,930
Net interest rate sensitivity gap	(328,706)	97,902	41,272	261,761	(105,559)	29,522	3,808	328,706	–	–

Notes to the financial statements
for the financial year ended 31 December 2008

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 economic value of equity ("EVE") sensitivity at 100 basis points ("bp") and 200 bp parallel interest rate shocks were negative $0.4 million and $0.8 million (2007: negative $0.7 million and $1.4 million) respectively. This is computed on the static banking book. EVE is the present value of assets less present value of liabilities of the Group. The reported figures are based on the worst case of an upward and downward parallel shift in the yield curve. The repricing profile of loans and deposits that do not have maturity dates are generally based on the earliest possible repricing dates, taking into account the notice period to be served to the customers.

(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 2008, if prices for available-for-sale investments change by 5% (2007: 5%) with all other variables being held constant at prevailing tax rates, the fair value reserve in equity will increase/decrease by $22,468 (2007: $32,000).

Financial risk management (cont'd)

(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 approved by the ALCO. This framework comprises policies, controls and limits. 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 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.

The following table shows the maturity analysis of the Group's assets and liabilities based on remaining contractual maturities. 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.

	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
2008								
Cash, balances and placements with central banks	1,938	–	–	–	–	–	20,720	22,658
Securities	–	12,000	1,000	4,000	24,000	5,000	1,547	47,547
Placements and balances with banks and agents	328,789	325,000	–	–	–	–	–	653,789
Loans to non-bank customers	1,532	7,117	9,011	10,898	15,016	61,821	41,164	146,559
Other	56	310	414	436	702	2,889	13,570	18,377
Total assets	332,315	344,427	10,425	15,334	39,718	69,710	77,001	888,930
Deposits and balances of non-bank customers	422,015	24,334	72,086	112,891	14,795	12,337	–	658,458
Deposits and balances of banks and agents, and bills and drafts payable	28,148	–	1,350	–	–	–	–	29,498
Other	593	34	101	159	21	17	6,924	7,849
Total liabilities	450,756	24,368	73,537	113,050	14,816	12,354	6,924	695,805
Total equity	–	–	–	–	–	–	193,125	193,125
Net maturity mismatch	(118,441)	320,059	(63,112)	(97,716)	24,902	57,356	(123,048)	

Notes to the financial statements
for the financial year ended 31 December 2008

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
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	1,154	4,459	11,339	11,559	21,336	92,814	42,337	184,998
Other	315	36	92	84	173	754	13,217	14,671
Total assets	38,832	6,495	616,431	47,643	25,509	93,568	67,644	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	(416,176)	(70,184)	561,503	(35,351)	14,319	73,111	(127,222)	

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 26 and 28. 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.

Financial risk management (cont'd)

(e) Liquidity risk (cont'd)

The following table shows the maturity analysis of the Group's assets and liabilities with behavioural adjustments on significant balance sheet items. The maturity profile for loans and deposits that do not have maturity dates and fixed deposit portfolio that is frequently rolled over are estimated based on past statistics and historical trend wherever possible.

	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
2008						
Cash, balances and placements with central banks	**1,938**	**–**	**–**	**–**	**20,720**	**22,658**
Securities	**–**	**12,000**	**1,000**	**4,000**	**30,547**	**47,547**
Placements and balances with banks and agents	**328,789**	**325,000**	**–**	**–**	**–**	**653,789**
Loans to non-bank customers	**1,885**	**8,399**	**9,260**	**11,161**	**115,854**	**146,559**
Other	**54**	**273**	**315**	**332**	**17,403**	**18,377**
Total assets	**332,666**	**345,672**	**10,575**	**15,493**	**184,524**	**888,930**
Deposits and balances of non-bank customers	**12,977**	**41,024**	**–**	**–**	**604,457**	**658,458**
Deposits and balances of banks and agents, and bills and drafts payable	**28,148**	**–**	**1,350**	**–**	**–**	**29,498**
Other	**18**	**58**	**–**	**–**	**7,773**	**7,849**
Total liabilities	**41,143**	**41,082**	**1,350**	**–**	**612,230**	**695,805**
Total equity	**–**	**–**	**–**	**–**	**193,125**	**193,125**
Net maturity mismatch	**291,523**	**304,590**	**9,225**	**15,493**	**(620,831)**	

Notes to the financial statements
for the financial year ended 31 December 2008

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
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. 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, taking into consideration regulatory requirements and the underlying risk of the Group's business. The policies endorsed by the Board of Directors are overseen by senior management.

The Group computes its capital adequacy ratios in accordance with MAS Notice 637 Risk-Based Capital Adequacy Requirements for Banks Incorporated in Singapore.

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 of share capital and retained earnings, 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	
	2008 $'000	2007 $'000
Tier 1 capital		
Share capital	**100,011**	100,011
Disclosed reserves/other	**91,460**	86,060
	191,471	186,071
Upper Tier 2 capital		
Cumulative collective impairment/other	**1,717**	4,009
Total capital	**193,188**	190,080
Risk-weighted assets[1]	**269,726**	308,152
Capital adequacy ratios (%)		
Tier 1	**71.0**	60.4
Total	**71.6**	61.7

[1] *Include operational risk with effect from 1 January 2008 and market risk*

32. 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.

33. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2008 were authorised for issue in accordance with a resolution of the directors on 27 February 2009.

Notice of annual general meeting

Far Eastern Bank Limited (Incorporated in the Republic of Singapore)
Company Registration No: 195800116D

Notice is hereby given that the Fiftieth 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, 29 April 2009, at 11.30 am to transact the following business:

As Ordinary Business

Resolution 1 To receive the Financial Statements, the Directors' Report and Auditors' Report for the year ended 31 December 2008.

Resolution 2 To declare a first and final one-tier tax-exempt dividend of 2 cents per share for the year ended 31 December 2008.

Resolution 3 To approve Directors' fees of $57,500 for 2008 (2007: $62,500).

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

To re-elect the following Directors:

Resolution 5 Mr Wee Ee Cheong

Resolution 6 Professor Cham Tao Soon

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

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

in respect of:

Resolution 7 Dr Wee Cho Yaw

Resolution 8 Mr Ngiam Tong Dow

As Special Business

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

Resolution 9 "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% of the issued shares in the capital of the Company for the time being."

Notes to Resolutions

Resolution 2 is to approve a first and final dividend. The Transfer Books and Register of Members will be closed from 13 April 2009 to 14 April 2009, both dates inclusive, for the preparation of dividend warrants. Registrable transfers received up to 5.00pm on 9 April 2009 will be entitled to the dividend. If approved, the first and final dividend will be paid on 4 May 2009.

Resolution 9 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 % 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, 3 April 2009

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, #04-20, UOB Plaza 2, Singapore 048624 (Attention: The Company Secretary) not less than 48 hours before the time set for holding the meeting.

PROXY FORM

Far Eastern Bank
遠 東 銀 行

(INCORPORATED IN THE REPUBLIC OF SINGAPORE)
Company Registration No: 195800116D

Number of Shares Held

I/We ______________________________ (Name)

of ______________________________ (Address)

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

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

and/or*

Name	**Proportion of Shareholdings**	
NRIC/Passport Number	**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 Fiftieth 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, 29 April 2009, at 11.30am and at any adjournment thereof.

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

		For	**Against**
Resolution 1	Financial Statements, Directors' Report & Auditors' Report		
Resolution 2	Final Dividend		
Resolution 3	Directors' Fees		
Resolution 4	Auditors & their remuneration		
Resolution 5	Re-election (Mr Wee Ee Cheong)		
Resolution 6	Re-election (Professor Cham Tao Soon)		
Resolution 7	Re-appointment (Dr Wee Cho Yaw)		
Resolution 8	Re-appointment (Mr Ngiam Tong Dow)		
Resolution 9	Authority to issue shares (General)		

Dated this __________ day of ____________________ 2009

____

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 #04-20 UOB Plaza 2, 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

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

BUSINESS REPLY SERVICE
PERMIT NO. 07399

The Company Secretary
80 Raffles Place, #04-20, UOB Plaza 2
Singapore 048624

FOLD AND GLUE OVERLEAF. DO NOT STAPLE

uobgroup.com

Far Eastern Bank Limited

Registered Office
80 Raffles Place
UOB Plaza
Singapore 048624
Company Registration No.: 195800116D

Phone (65) 6533 9898
Fax (65) 6534 2334