



FAR EASTERN BANK LIMITED

Annual Report 2012



Splendour of Rainforests
Ngiam Kiah Seng

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



***Splendour of Rainforests* by Ngiam Kiah Seng**

Ink and Colour on Paper

Ngiam Kiah Seng received the Platinum Award in the 2010 UOB Painting Of The Year Competition for this painting. It is the design inspiration behind this year's Annual Report.

Ngiam used a yin-yang stroke technique to represent the interconnectedness and interdependence of the stability of Singapore's financial system to the nation's growth and development through the idea of rainforests. The rainforest trees symbolise longevity, synonymous with UOB's long-term focus on how it manages and operates its businesses across the region.

Ngiam's piece is now one of the works in the UOB Art Collection. The collection began in the 1970s as a way to support the local art scene in Singapore and has grown to include more than 1,700 pieces from around the region. Many of these pieces are on display at the Group's offices worldwide.

Corporate Information

Board of Directors

Wee Cho Yaw (*Chairman*)
Wee Ee Cheong (*Deputy Chairman and Chief Executive Officer*)
Wong Meng Meng
Cham Tao Soon
Franklin Leo Lavin
Hsieh Fu Hua

Executive Committee

Wee Cho Yaw (*Chairman*)
Wee Ee Cheong
Cham Tao Soon
Franklin Leo Lavin
Hsieh Fu Hua

Nominating Committee

Wong Meng Meng (*Chairman*)
Wee Cho Yaw
Cham Tao Soon
Franklin Leo Lavin
Hsieh Fu Hua
Wee Ee Cheong (*Alternate to Wee Cho Yaw*)

Remuneration Committee

Wee Cho Yaw (*Chairman*)
Cham Tao Soon
Hsieh Fu Hua

Secretary

Vivien Chan

Share Transfer Office

80 Raffles Place
UOB Plaza
Singapore 048624
Phone: (65) 6539 3104
Fax: (65) 6536 7712

Auditors

Ernst & Young LLP
One Raffles Quay
North Tower Level 18
Singapore 048583
Partner-in-charge: Wilson Woo
(*Appointed on 29 April 2009*)

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Main Branch

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Singapore 069544
Phone: (65) 6221 9055
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Correspondents

In all principal cities of the world

Five-Year Group Financial Summary

	2008	2009	2010	2011	2012
Selected Income Statement Items (\$ million)					
Net profit after tax ¹	7.3	3.8	3.0	3.0	1.4
Selected Balance Sheet Items (\$ million)					
Total assets	888.9	955.2	999.6	998.3	1,041.5
Customer loans (net)	146.6	120.7	100.7	97.3	88.0
Customer deposits	658.5	734.5	773.6	766.5	821.4
Shareholders' equity	193.1	194.8	195.3	197.4	197.1
Cumulative impairment - loans					
Individual	0.0	0.0	0.0	0.0	0.4
Collective	12.1	12.1	12.1	12.1	12.1
Financial Indicators (%)					
Return on average ordinary shareholders' equity	3.8	1.9	1.6	1.6	0.7
Return on average total assets	0.8	0.4	0.3	0.3	0.1
Non-performing loans ratio	3.4	2.9	0.0	0.5	0.8
Capital adequacy ratios (CAR) ²					
Core Tier 1 / Tier 1	71.0	77.4	91.0	87.8	83.2
Total	71.6	78.0	91.6	88.4	83.8
Basic earnings per ordinary share (cents)	7.3	3.8	3.0	3.0	1.4

Notes:

¹ Attributable to equity holders of the Bank.

² The Group adopted Basel II framework for its CAR computation in accordance with the revised MAS Notice 637 which took effect on January 2008.

Chairman's Message



2012 was a turbulent year for the global economy with concerns over the United States sinking into another recession, the Eurozone breaking up, and risks of China going into a hard landing. The Singapore economy was also affected with GDP growth dropping to 1.3 per cent in 2012, from 5.2 per cent in 2011.

Tight competition among the banks in Singapore and the low interest rate environment affected the Group's 2012 performance. Total income was \$12.0 million, 7.8 per cent lower than 2011. Expenses were \$10.3 million, 4.8 per cent higher than 2011 mainly due to inflationary pressure on the fixed overheads for operations. Net profit after tax fell 54.8 per cent to \$1.4 million.

Despite the challenging environment, customer deposits rose by \$54.9 million to \$821.4 million on the back of a strong deposit franchise. On balance sheet management, \$82.6 million of funds were deployed into investment securities to improve the asset mix. Funds were also invested in government securities which rose by \$79.9 million to \$141.0 million in 2012. Customer loans declined by \$9.3 million to \$88.0 million. Shareholders' equity decreased marginally from \$197.4 million to \$197.1 million. For the Group's investment portfolio, valuation reserves improved to \$1.3 million, up from \$1.0 million in 2011.

The Board has recommended a first and final dividend of 2 cents per share for the financial year ended 31 December 2012.

Looking ahead, the global business environment will continue to be affected by the Eurozone crisis and the pace of economic recovery in the United States. The banking industry is likely to face greater challenges and pressures ahead in coping with regulatory reforms. As competition for market share in the banking sector intensifies, Far Eastern Bank (FEB) will be constrained by its small size. The Group will continue to move with prudence in everything we do.

This is my 28th statement to shareholders since my appointment as Chairman of FEB in 1984. Mr Hsieh Fu Hua will take over as non-executive Chairman after this year's annual general meeting. I will remain on the Board, and as Chairman Emeritus and Adviser, will continue to provide guidance on FEB's future growth.

In conclusion, I thank my fellow Board Directors for their wise counsel and guidance, Management and staff for their understanding and contributions, and our customers for their continuing support.

Wee Cho Yaw

Chairman
February 2013



Wee Cho Yaw

Chairman

Age 84. A banker with more than 50 years' experience, Dr Wee was first appointed as Chairman of the Far Eastern Bank (FEB) Board on 17 August 1984 and last re-appointed as Director on 25 April 2012. He is the Chairman of the FEB Executive and Remuneration Committees, and a member of the Nominating Committee.

Dr Wee is the Chairman of United Overseas Bank and its subsidiaries United Overseas Insurance, United Overseas Bank (Malaysia) and United Overseas Bank (Thai) Public Company, President Commissioner of PT Bank UOB Indonesia, and Supervisor of United Overseas Bank (China). He is the Chairman of United International Securities, Haw Par Corporation, UOL Group, Pan Pacific Hotels Group, United Industrial Corporation, and Singapore Land and its subsidiary, Marina Centre Holdings. He is also the Chairman of the Wee Foundation.

Dr Wee was named Businessman of the Year 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. *The Asian Banker* conferred the Lifetime Achievement Award on him in 2009. Dr Wee is the Pro-Chancellor of Nanyang Technological University and Honorary President of the Singapore Chinese Chamber of Commerce & Industry, the Singapore Federation of Chinese Clan Associations and the Singapore Hokkien Huay Kuan. He received a Chinese high school education and was conferred an Honorary Doctor of Letters by National University of Singapore in 2008. For his outstanding contributions in community work, he was conferred the Distinguished Service Order, Singapore's highest National Day Award, in 2011.



Wee Ee Cheong

Deputy Chairman and Chief Executive Officer

Age 60. Mr Wee was appointed to the Board on 3 January 1990. He was last re-elected as Director on 25 April 2012 and is a member of the Bank's Executive Committee.

A career banker, Mr Wee joined United Overseas Bank (UOB) in 1979, and has extensive experience handling various functions across UOB. He is the Deputy Chairman and CEO of UOB and a member of the UOB Executive and Board Risk Management Committees.

He also holds directorships in 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 Vice President Commissioner of PT Bank UOB Indonesia.

Mr Wee is actively engaged in regional business development through his participation in key industry bodies. He serves as a council member of The Association of Banks in Singapore and as a director of The Institute of Banking & Finance and chairs the Financial Industry Competency Standards Steering Committee. He is a member of the Board of Governors of the Singapore-China Foundation, Visa APCEMEA Senior Client Council and Advisory Board of INSEAD East Asia Council and International Council.

He is a director of the Wee Foundation, as well as the Patron of the Nanyang Academy of Fine Arts. Mr Wee is an honorary council member of the Singapore Chinese Chamber of Commerce & Industry. He had previously served as Deputy Chairman of the Housing & Development Board, and as a director of the Port of Singapore Authority, UOL Group and Pan Pacific Hotels Group.

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

Board of Directors



Wong Meng Meng

Age 64. Mr Wong was appointed to the Board on 24 March 2000 and last re-elected as Director on 28 April 2011. A non-independent and non-executive director, Mr Wong is the Chairman of the Bank's Nominating Committee.

Mr Wong is a lawyer by profession, and a Senior Counsel. He is a founder-consultant of WongPartnership LLP. He is also a council member of The Law Society of Singapore and the Public Guardian Board. Mr Wong also serves on the board of United Overseas Bank and is the Chairman of Mapletree Industrial Trust Management and FSL Trust Management. He has previously served as the president of The Law Society of Singapore, the vice president of the Singapore Academy of Law, a member of the Military Court of Appeal and Advisory Committee of Singapore International Arbitration Centre.

While in active practice, Mr Wong was consistently acknowledged as one of the world's leading lawyers in premier directories such as *The International Who's Who of Commercial Litigators*, *The Guide to the World's Leading Experts in Commercial Arbitration*, *Asialaw Leading Lawyers*, *PLC Cross-border Dispute Resolution: Arbitration Handbook*, *The International Who's Who of Construction Lawyers* and *Best Lawyers International: Singapore*, among others.



Cham Tao Soon

Age 73. Prof Cham was appointed to the Board on 6 April 2001 and last re-appointed as Director on 25 April 2012. A non-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). He is the Chairman of NSL Ltd, MFS Technology, Soup Restaurant and the Board of Governors of Singapore-China Foundation, the Deputy Chairman of Singapore Press Holdings, and a director of Singapore International Foundation. He is a former director of Adroit Innovations, Keppel Corporation, Land Transport Authority, TPA Strategic Holdings, Robinson & Company and WBL Corporation, and former Chairman of Singapore Symphonia Company.

Prof Cham is the Chancellor of SIM University and Chairman of its Board of Trustees. He was also the founding President of Nanyang Technological University from 1981 to 2002.

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



Franklin Leo Lavin

Age 55. Mr Lavin was appointed to the Board on 27 March 2012 and last re-elected as Director on 25 April 2012. An independent and non-executive director, Mr Lavin is a member of the Bank's Executive and Nominating Committees.

Mr Lavin is the Chairman and Chief Executive Officer of Export Now and serves as Chairman of the Public Affairs Practice for Edelman Asia Pacific. He is a director of United Overseas Bank, Globe Specialty Metals, Consistel (Singapore) and Utex Industries. He served as Chairman of the Steering Committee of the Shanghai 2010 World Expo USA Pavilion.

He has extensive experience in government having served as Under Secretary for International Trade at the Department of Commerce (2005-2007) and US Ambassador to Singapore (2001-2005) where he helped to negotiate the landmark US-Singapore Free Trade Agreement. Mr Lavin previously held senior finance and management positions in Citibank and Bank of America.

Mr Lavin has a Bachelor of Science from the School of Foreign Service at Georgetown University, a Master of Science in Chinese Language and History from Georgetown University, a Master of Arts in International Relations and International Economics from the School of Advanced International Studies at the Johns Hopkins University and a Master of Business Administration in Finance at the Wharton School at University of Pennsylvania.



Hsieh Fu Hua

Age 62. Mr Hsieh was appointed to the Board on 27 March 2012 and last re-elected on 25 April 2012. An independent and non-executive director, Mr Hsieh is a member of the Bank's Executive, Nominating and Remuneration Committees.

Mr Hsieh co-founded and is currently an adviser to PrimePartners Group. He is a director of United Overseas Bank, Government of Singapore Investment Corporation, ICAP plc, Fullerton Fund Management Company and Tiger Airways Holdings. He also serves on the boards of a number of non-profit organisations including NUS Business School, The National Arts Gallery, National Council of Social Services, Singapore Indian Development Association, Stewardship and Corporate Governance Centre and Securities Investors Association (Singapore).

He had previously served as Chief Executive Officer and a director of Singapore Exchange (2003-2009), and as a board member of Temasek Holdings (2010-2012).

Mr Hsieh holds a Bachelor of Business Administration (Hons) from the University of Singapore.

Corporate Governance

Good corporate governance is fundamental to FEB which is guided in this regard by the:

- Banking (Corporate Governance) Regulations (Banking Regulations);
- Guidelines on Corporate Governance for Banks, Financial Holding Companies and Direct Insurers (MAS Guidelines); and
- Code of Corporate Governance (Code).

BOARD OF DIRECTORS

The main duties and responsibilities of the Board are to:

- provide strategic directions, and review and approve business plans and budgets;
- monitor financial performance;
- determine capital structure;
- set dividend policy and declare dividends;
- approve major acquisitions and divestments;
- review risk management framework;
- set company values and standards; and
- perform succession planning.

The Board's approval is required for material transactions that fall within the scope of the Board's functions.

The Board has delegated certain duties to three board committees, namely the Nominating Committee (NC), Remuneration Committee (RC) and Executive Committee (EXCO). The authority and responsibilities of the board committee are set out in their respective terms of reference.

FEB is managed by its parent, United Overseas Bank Limited (UOB), and has access to UOB's management resources and infrastructure. The audit and board risk management committees of UOB assist the FEB Board to oversee audit and risk management matters respectively.

More information on the board committees and UOB board committees can be found on subsequent pages of this 'Corporate Governance' section.

The Board meets every quarter and whenever required to deal with urgent business. Directors who are unable to attend a meeting in person may participate via telephone and/or video conference or communicate their views through another director or the Company Secretary. The table below sets out the directors' attendance record for the year under review.

Name of Director	Number of meetings attended in 2012			
	Board of Directors	Nominating Committee	Remuneration Committee	Executive Committee
Wee Cho Yaw	3/4	2/2	1/1	4/4
Wee Ee Cheong	4/4	–	–	4/4
Ngiam Tong Dow <i>(Retired on 25 April 2012)</i>	1/1	1/1	–	2/2
Wong Meng Meng	3/4	2/2	–	–
Philip Yeo Liat Kok <i>(Retired on 25 April 2012)</i>	1/1	1/1	1/1	2/2
Cham Tao Soon	4/4	2/2	1/1	4/4
Franklin Leo Lavin <i>(Appointed to the Board on 27 March 2012 and to the Nominating and Executive Committees on 25 April 2012)</i>	3/3	1/1	–	2/2
Hsieh Fu Hua <i>(Appointed to the Board on 27 March 2012 and to the Nominating, Remuneration and Executive Committees on 25 April 2012)</i>	3/3	*0/1	–	2/2
Number of meetings held in 2012	4	2	1	4

* Recused from meeting.

BOARD COMPOSITION

The Board comprises six members whose particulars are contained in the 'Board of Directors' section of this Annual Report. A majority of the directors are independent from management and business relationships with the Bank and one-third of the directors are independent. The Board members are:

Wee Cho Yaw (Chairman)	Non-executive and non-independent
Wee Ee Cheong (Deputy Chairman and Chief Executive Officer (CEO))	Executive and non-independent
Wong Meng Meng	Non-executive and non-independent
Cham Tao Soon	Non-executive and non-independent
Franklin Leo Lavin	Non-executive and independent
Hsieh Fu Hua	Non-executive and independent

Each year, the NC assesses the independence of directors. Under the Banking Regulations, directors are considered independent if they are independent from substantial shareholders and management and business relationships with the Bank, and have not served on the Board for nine continuous years. Under the Code, an independent director is one who has no relationship with the Bank and its related corporations or officers.

Messrs Wee Cho Yaw and Wee Ee Cheong are not independent directors as they are substantial shareholders of UOB, the parent of FEB. Each of Messrs Wong Meng Meng and Cham Tao Soon has confirmed to the NC that he does not have management and business relationships with the Bank and its related corporations, officers or substantial shareholders. However, Messrs Wong Meng Meng and Cham Tao Soon are not considered independent as they have each served on the Board for more than nine continuous years.

Messrs Franklin Leo Lavin and Hsieh Fu Hua are independent directors. They are not substantial shareholders and are independent from the substantial shareholders. They have no business and management relationships with the Bank and its related corporations or officers that would compromise their independent business judgement, and have not served on the Board for nine continuous years.

Having considered the Bank's size, scope and nature of operations, the NC is of the view that the current board size is appropriate and that the directors as a group possess the relevant skills, knowledge and experience to discharge their duties. The NC also reviews the composition of the board committees annually.

CHAIRMAN EMERITUS, CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Dr Wee Cho Yaw is the non-executive Chairman of the Board and a non-independent director. As Chairman, he provides leadership, ensures that directors are given timely and comprehensive information for discharging their duties, and oversees corporate governance matters. Dr Wee Cho Yaw will relinquish his position as Chairman at the conclusion of the 2013 annual general meeting (AGM) but will remain as a director and be conferred the title of 'Chairman Emeritus'. Mr Hsieh Fu Hua will succeed Dr Wee Cho Yaw as the non-executive Chairman of the Board.

Mr Wee Ee Cheong, the son of Dr Wee Cho Yaw, is the CEO of the Bank and the Deputy Chairman of the Board. He oversees the Bank's daily operations.

The Code recommends that, where the Chairman and CEO are related by close family ties or where the Chairman is not an independent director, an independent director should be appointed as the lead independent director. As any director may be approached for assistance and as the Bank has an established process for receiving and responding to shareholders' feedback, the NC does not consider it necessary to appoint a lead independent director.

NOMINATING COMMITTEE

The NC members are Messrs Wong Meng Meng (Chairman), Wee Cho Yaw, Cham Tao Soon, Franklin Leo Lavin and Hsieh Fu Hua. Except for an incumbent, the Banking Regulations require the chairman of a nominating committee to be an independent director. Mr Wong Meng Meng is the incumbent NC Chairman and a non-independent director whom the NC has assessed to be qualified and experienced to continue chairing the NC. Mr Wong Meng Meng did not take part in the NC's deliberation on his appointment. Mr Wee Ee Cheong acts as an alternate member to Dr Wee Cho Yaw on the NC.

The responsibilities of the NC include recommending the appointment and re-election/re-appointment of directors, assessing the performance of the Board, board committees and each director, assessing the independence of directors, reviewing the size and composition of the Board and board committees, and performing succession planning.

Corporate Governance

Appointment of New Directors

The NC identifies and nominates suitable candidates for appointment to the Board. In assessing a nomination, the NC considers the current composition of the Board, the candidate's qualification for office and his ability to commit time and contribute to the Board's collective skills, knowledge and experience. The NC ensures that the Board has the appropriate number of independent directors and has directors with the right expertise, skills and ability.

Annual Reviews

Each year, the NC reviews the re-election and re-appointment of directors. One-third of the directors retire from office by rotation under the Bank's Articles of Association, and may offer themselves for re-election at the AGM. New directors are subject to re-election at the AGM immediately following their appointment by the Board. Directors who are above 70 years old are subject to annual re-appointment at the AGM.

A range of criteria is used to evaluate the performance of each director and his contribution to the Board's effectiveness. The criteria used by the NC include a director's attendance record, skills, overall preparedness, participation, candour and clarity in communication, maintenance of relevant expertise, strategic insight, financial literacy, business judgement and sense of accountability. Each NC member abstains from the deliberation on his performance.

In assessing the board committees, the NC takes into account whether the committees have discharged their duties and performed the tasks delegated by the Board satisfactorily. The NC evaluates the effectiveness of the Board as a whole based on factors such as the strategic directions given, quality of oversight of risk management processes and internal controls, and the Bank's performance. In the process, the NC also takes into account directors' responses in a self-assessment questionnaire.

In its review of directors' time commitment, the NC has considered whether it is feasible to impose a limit on the number of board representations for directors. As directors' capabilities vary, and the nature of the organisations in which they hold appointments and the kind of committees on which they serve are of different complexities, the NC is of the view that it is inappropriate to set a limit on the number of board representations for directors. Instead, the NC will assess each potential or existing director relative to his abilities and known commitments and responsibilities.

Training and Development

Directors participate in UOB's continuous development programme to upgrade their skills and knowledge. During the year, the UOB programme covered topics such as accounting standards and guidelines, the Basel Accords and risk management practices. Through the UOB programme, the directors are updated on the prudential requirements and best practices for the governance of a bank.

REMUNERATION COMMITTEE

The RC members are Messrs Wee Cho Yaw (Chairman), Cham Tao Soon and Hsieh Fu Hua. Although Dr Wee Cho Yaw is not an independent director, he is the incumbent RC Chairman. The NC has determined that Dr Wee Cho Yaw is the most suitable person to continue chairing the RC due to his extensive experience in remuneration matters.

In recommending the fees to be paid to directors, the RC takes into consideration factors such as the qualifications and experience of directors, and the level of effective contributions and responsibilities of directors. Each RC member abstains from the deliberation on his remuneration. Directors' fees are subject to shareholders' approval at the AGM.

As FEB's operations are managed by UOB, FEB shares the management resources and infrastructure of UOB and applies the UOB Group's remuneration policy and systems. FEB does not have any employee share scheme.

Except for Mr Wee Ee Cheong, who is the son of Dr Wee Cho Yaw, no immediate family member of a director or the CEO is in the employ of the Bank.

EXECUTIVE COMMITTEE

The EXCO members are Messrs Wee Cho Yaw (Chairman), Wee Ee Cheong, Cham Tao Soon, Franklin Leo Lavin and Hsieh Fu Hua, two of whom are independent directors and a majority of whom are independent from management and business relationships with the Bank.

The Board has delegated to the EXCO discretionary limits for approving certain credit facilities, treasury and investment activities, and capital expenditure. In addition, the EXCO reviews and recommends the budget and business plans, oversees business, monitors the Bank's financial performance and reviews the Bank's capital structure.

UOB AUDIT COMMITTEE

The UOB Audit Committee (UOB AC) assists the Board to oversee FEB's audit matters. This includes reviewing FEB's financial statements, the internal and external audit plans and reports, the external auditors' evaluation of the system of internal accounting controls, the adequacy of internal audit resources, and the cost-effectiveness, independence and objectivity of the external auditors.

The UOB AC members are Messrs Reggie Thein (Chairman), Cham Tao Soon and Willie Cheng Jue Hiang, a majority of whom (including the AC Chairman) are independent directors. Through UOB's in-house continuous development programme, updates on the latest accounting standards and guidelines are given to the UOB AC members.

Investigative Power

The UOB AC has authority to investigate any matter within its terms of reference, and has full access to and co-operation of Management and the internal and external auditors in the discharge of its duties.

Accounting Policies and Practices

The UOB AC reviews the Bank's financial statements, the applicable accounting policies and practices, and any judgement made that may have a significant impact on the financial results.

External Auditors

The UOB AC reviews the external audit plan and audit reports, and the non-audit services performed by the external auditors. It also approves the terms of engagement of the external auditors. The UOB AC meets the external auditors in the absence of the internal auditors and Management.

In addition, the UOB AC assesses the performance, effectiveness, independence and objectivity of the external auditors. The external auditors' performance is assessed based on their work for the year under review and the feedback obtained from the internal auditors and Management, among other factors.

For the financial year ended 31 December 2012, the external auditors were not paid any non-audit fee. Having reviewed all relevant factors including the external auditors' work and conduct, the UOB AC is satisfied that the external auditors were objective and independent in their audit. The UOB AC is also satisfied that the external auditors have the requisite expertise and resources to perform their duties. Accordingly, the UOB AC has nominated Ernst & Young LLP for re-appointment as external auditors at the forthcoming AGM. Please refer to the 'Notes to the Financial Statements' section of this Annual Report for the fees paid to the external auditors for the financial year.

Internal Auditors

UOB Group Audit performs the internal audit function for FEB. The UOB AC oversees the work of UOB Group Audit. In addition, the UOB AC ensures that UOB Group Audit is adequately resourced to perform its duties. More information on UOB Group Audit is set out on the next page.

Corporate Governance

UOB BOARD RISK MANAGEMENT COMMITTEE

The UOB Board Risk Management Committee (UOB BRMC) assists the Board to oversee the Bank's risk management matters. It oversees the establishment and operation of a robust and independent risk management system to identify, measure, monitor, control and report risks on an enterprise-wide basis. It ensures that the risk management function is adequately resourced, and reviews and approves risk measurement models and approaches.

The UOB BRMC members are Messrs Wee Cho Yaw (Chairman), Wee Ee Cheong, Cham Tao Soon, Tan Lip-Bu and Hsieh Fu Hua. Except for Mr Wee Ee Cheong, all the UOB BRMC members are non-executive directors.

INTERNAL CONTROLS

UOB Group Audit

The primary role of UOB Group Audit is to provide independent assessment of the adequacy of the Bank's system of controls, risk management and governance processes. UOB Group Audit adopts the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors in its audit of the Bank's businesses and operations.

UOB Group Compliance

UOB Group Compliance provides independent support to FEB to ensure that the Bank complies with applicable laws and observes high ethical standards. UOB Group Compliance also monitors regulatory developments which may have an impact on the operations of the UOB Group (including FEB) and provides advice accordingly.

UOB Group Risk Management

As part of the UOB Group, FEB applies the UOB Group's risk management frameworks, policies and processes which are implemented by UOB Group Risk Management, an independent function.

Based on the work performed by the internal and external auditors, and the reviews performed by the UOB AC, UOB BRMC and the Board, the Board with the concurrence of the UOB AC and UOB BRMC is of the view that the internal controls, addressing financial, operational and compliance risks, and risk management processes which were adopted for and applied to FEB were generally adequate as at 31 December 2012. Further, the Board is of the view that no system of internal controls and risk management can provide absolute assurance against material error, loss or fraud. The system of internal controls and risk management applied to FEB provides reasonable but not absolute assurance that the Bank will not be adversely affected by any event that can be reasonably foreseen in the course of its business.

ACCESS TO INFORMATION

Directors have unfettered access to information and Management. They are provided with timely and comprehensive financial, risk management and operational reports to facilitate informed discussions during meetings.

Directors also have independent access to the Company Secretary who assists them in the discharge of their duties. The Company Secretary's responsibilities include advising the Board on regulatory changes and best practices in corporate governance and ensuring that board procedures and applicable regulations are complied with. The Company Secretary facilitates communications between the Board and Management and organises the induction of new directors.

In discharging their duties, directors may seek independent professional advice, if necessary, at the Bank's expense.

RELATED PARTY TRANSACTIONS

The Bank has established a procedure for monitoring and disclosing related party transactions. The transactions for the year under review are disclosed in the 'Notes to the Financial Statements' section of this Annual Report.

COMMUNICATION WITH SHAREHOLDERS

FEB communicates with shareholders through notices and circulars. The Bank sends its Annual Report on the Bank's performance and financial position to shareholders at least 14 days before the AGM. The Annual Report is also posted on www.UOBGroup.com.

The Board values all feedback from stakeholders and has established clear channels for receiving and responding to feedback. Procedures have been established to investigate and deal with any complaint in an appropriate manner.

SHAREHOLDER RIGHTS AND PARTICIPATION

All shareholders are entitled to attend general meetings of the Bank, and may pose questions and give comments to the Board on relevant matters. A shareholder may appoint up to two proxies to attend and vote in his place at general meetings.

ETHICAL STANDARDS

The Bank has a code of conduct for staff, a specific code on dealing in securities for both directors and staff, as well as a whistle-blowing policy. The whistle-blowing policy provides for any person to report to UOB Group Audit any suspected wrongdoing without fear of reprisal. An individual may also make a report to the Head of UOB Group Audit, UOB AC Chairman, CEO or Chairman of the Board. All reports received are accorded confidentiality and investigated independently by UOB Group Audit.

The Bank embraces fair dealing as part of its corporate culture and is committed to delivering fair dealing outcomes to customers.

Group Financial Review and Financial Highlights

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19	Securities
20	Customer loans
22	Deposits
22	Loans/Deposits ratio
23	Shareholders' equity
23	Capital adequacy ratio

Highlights and Performance Indicators

	2012	2011	+ / (-) %
Summarised Profit and Loss (\$ million)			
Net interest income (NII)	4.4	5.4	(18.6)
Non-interest income (Non-NII)	7.6	7.6	(0.1)
Total income	12.0	13.0	(7.8)
Less: Total expenses	10.3	9.8	4.8
Operating profit before impairment charges	1.8	3.2	(45.7)
Less: Impairment charges/(write-back)	0.2	(0.4)	>100.0
Less: Tax	0.2	0.6	(62.5)
Net profit after tax	1.4	3.0	(54.8)

Key Indicators

Income mix (%):

NII/Total income	36.6	41.5	(4.9)% points
Non-NII/Total income	63.4	58.5	4.9% points
	100.0	100.0	

Return on average shareholders' equity (ROE) (%)	0.7	1.6	(0.9)% point
Basic earnings per share (EPS) (cents)	1.4	3.0	(54.9)
Return on average total assets (ROA) (%)	0.1	0.3	(0.2)% point
Net interest margin (%)	0.48	0.56	(0.08)% point
Expense/Income ratio (%)	85.3	75.1	10.2% points
Final dividend per share (cents)	2.0	2.0	–

Other Indicators

Customer loans (net) (\$ million)	88.0	97.3	(9.6)
Customer deposits (\$ million)	821.4	766.5	7.2
Loans/Deposits ratio + (%)	10.7	12.7	(2.0)% points
Non-performing loans (NPLs) (\$ million)	0.8	0.5	59.1
Cumulative impairment (\$ million)	12.4	12.1	2.5
NPLs/Gross customer loans (%)	0.8	0.5	0.3% point
Cumulative impairment/NPLs (%)	NM	NM	NM
Total assets (\$ million)	1,041.5	998.3	4.3
Shareholders' equity (\$ million)	197.1	197.4	(0.2)
Revaluation surplus * (\$ million)	161.8	120.6	34.2
Net asset value (NAV) per share (\$)	1.97	1.97	–
Revalued NAV per share (\$)	3.59	3.18	12.9
Capital adequacy ratio (%)			
Core Tier 1 / Tier 1	83.2	87.8	(4.6)% points
Total	83.8	88.4	(4.6)% points

NM: Not Meaningful

+ "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.

Financial Highlights

Review of Group Performance

The Group's net profit after tax (NPAT) for 2012 declined 54.8% to \$1.4 million. The decrease in NPAT was mainly attributed to lower net interest income, impairment charges and higher operating expenses.

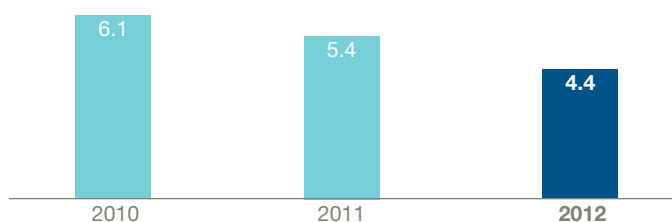
Net Interest Income

Net interest income for the Group decreased 18.6% to \$4.4 million in 2012 from \$5.4 million in 2011.

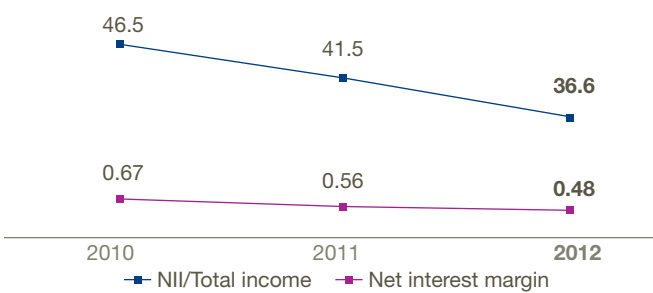
The drop in net interest income was mainly from loans and inter-bank balances, partially offset by higher contribution from securities.

Net interest margin declined 8 basis points to 0.48% in 2012 from 0.56% in 2011.

Net Interest Income **\$4.4 million** ▼ 18.6%



Net Interest Income (NII) ratios %



Average Interest Rate and Net Interest Margin

	2012			2011		
	Average balance \$'000	Interest \$'000	Average interest rate %	Average balance \$'000	Interest \$'000	Average interest rate %
Total interest bearing assets	919,419	6,068	0.66	965,464	7,415	0.77
Total interest bearing liabilities	771,816	1,660	0.22	811,946	2,001	0.25
Net interest income		4,408			5,414	
Net interest margin *			0.48			0.56

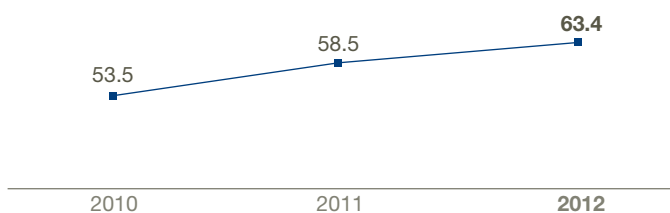
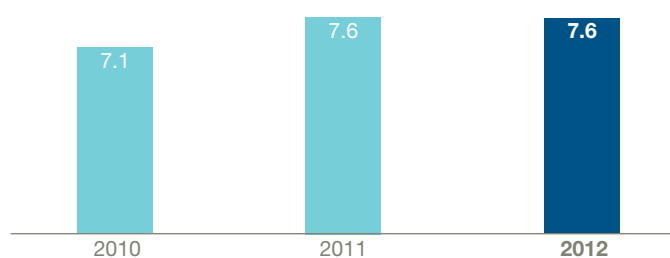
* Net interest margin represents net interest income as a percentage of total interest bearing assets.

Non-Interest Income

The Group's non-interest income for 2012 accounted for 63.4% of total income. Total non-interest income decreased 0.1% to \$7.6 million in 2012. The lower non-interest income was largely due to lower fees and commission income and lower profits on the sale of government securities. These were partially offset by higher rental income and profit on foreign exchange revaluation.

Non-Interest Income **\$7.6 million** ▼ (0.1)%

Non-Interest Income/Total Income **63.4%** ▲ 4.9%pt



Composition of Non-Interest Income

	2012 \$'000	2011 \$'000	+ / (-) %
Fee and commission income			
Investment-related	3	6	(50.0)
Loan and trade-related	467	728	(35.9)
Others	413	433	(4.6)
	883	1,167	(24.3)
Rental income	4,927	4,707	4.7
Other operating income			
Net profit/(loss) from:			
Government securities	450	495	(9.1)
Foreign exchange	283	157	80.3
Others	1,086	1,113	(2.4)
	1,819	1,765	3.1
Total non-interest income	7,629	7,639	(0.1)

Financial Highlights

Operating Expenses

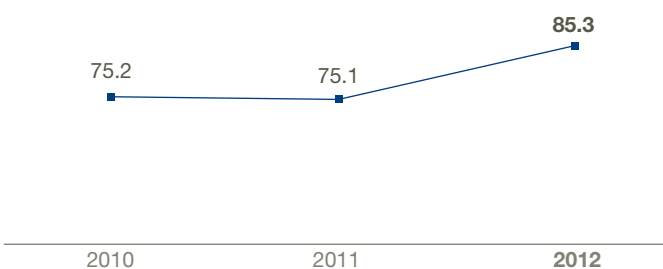
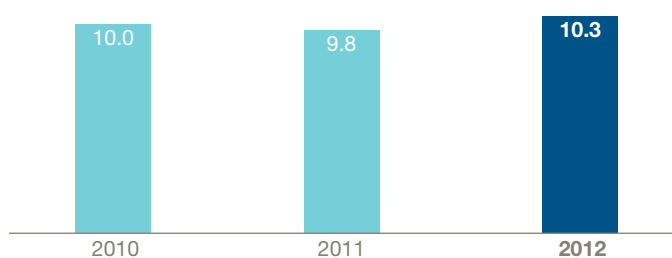
Total operating expenses rose to \$10.3 million in 2012 from \$9.8 million in 2011, mainly due to higher occupancy-related expenses and management fees payable to the holding company.

With the higher total expenses coupled with the lower total income, the expense-to-income ratio of the Group increased 10.2% points to 85.3% in 2012 from 75.1% in 2011.

	2012	2011	+ / (-)
	\$'000	\$'000	%
Staff costs	643	566	13.6
Other operating expenses	9,626	9,233	4.3
Total operating expenses	10,269	9,799	4.8

Total Operating Expenses **\$10.3 million** ▲ 4.8%

Expenses/Income **85.3%** ▲ 10.2%pt



Impairment Charged to Income Statement

The Group recorded total impairment charges of \$0.2 million in 2012 as opposed to a write-back of \$0.4 million in 2011, mainly due to loans and a lower write-back on properties and other fixed assets.

Impairment Charged to Income Statement **\$0.2 million** ▲ >100%



	2012	2011	+ / (-)
	\$'000	\$'000	%
Individual impairment on			
Loans	306	(20)	>100.0
Investments	(32)	(33)	3.0
Properties and other fixed assets	(106)	(336)	68.5
Total impairment charges/(write-back)	168	(389)	>100.0

Overview of Balance Sheet

Total Assets

The Group's total assets increased 4.3% to \$1,041.5 million as at 31 December 2012 from \$998.3 million as at 31 December 2011. The increase was primarily from securities, partially offset by a decrease in inter-bank placements and balances.

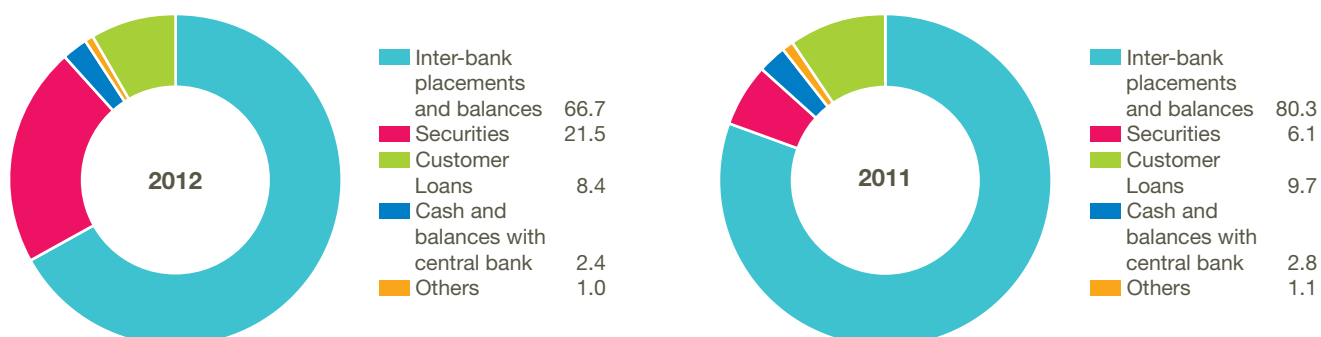
Asset Mix

	2012		2011	
	\$'000	%	\$'000	%
Cash and balances with central bank	25,144	2.4	28,114	2.8
Securities *	223,587	21.5	61,030	6.1
Inter-bank placements and balances	694,504	66.7	801,332	80.3
Customer loans	87,950	8.4	97,271	9.7
Others	10,351	1.0	10,592	1.1
Total assets	1,041,536	100.0	998,339	100.0

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

Asset Mix

%



Securities

Securities held by the Group as at 31 December 2012 were valued at \$224 million (2011: \$61 million).

	2012		2011	
	\$'000	%	\$'000	%
Singapore Government treasury bills and securities	140,961	63.0	61,030	100.0
Investment securities	82,626	37.0	–	–
Total securities	223,587	100.0	61,030	100.0

Financial Highlights

Customer Loans

Net customer loans were lower at \$88.0 million as at 31 December 2012 compared with \$97.3 million as at 31 December 2011. The decline of \$9.3 million or 9.6% was largely from trade financing, housing loans and overdrafts.

Customer Loans Analysed by Product Group

	2012		2011	
	\$'000	%	\$'000	%
Housing loans	11,372	11.3	14,643	13.4
Term loans	60,775	60.5	61,044	55.8
Trade financing	9,285	9.3	13,833	12.6
Overdrafts	18,933	18.9	19,858	18.2
Total gross customer loans	100,365	100.0	109,378	100.0
Individual impairment	(356)		(48)	
Collective impairment	(12,059)		(12,059)	
Total net customer loans	87,950		97,271	

Gross Customer Loans Analysed by Industry

	2012		2011	
	\$'000	%	\$'000	%
Transport, storage and communication	1,544	1.6	1,410	1.3
Building and construction	715	0.7	916	0.8
Manufacturing	4,252	4.2	5,818	5.3
Financial institutions	9,523	9.5	10,036	9.2
General commerce	33,302	33.2	35,476	32.4
Professionals and private individuals	37,641	37.5	38,243	35.0
Housing loans	11,372	11.3	14,643	13.4
Others	2,016	2.0	2,836	2.6
Total gross customer loans	100,365	100.0	109,378	100.0

Customer Loans (continued)

Gross Customer Loans Analysed by Currency and Fixed/Variable Rates

	2012			2011		
	Fixed Rate \$'000	Variable Rate \$'000	Total \$'000	Fixed Rate \$'000	Variable Rate \$'000	Total \$'000
Singapore dollar	17,875	76,191	94,066	18,145	81,551	99,696
US dollar	4,848	168	5,016	6,488	–	6,488
Japanese yen	213	–	213	3,116	57	3,173
Others	1,070	–	1,070	21	–	21
Total gross customer loans	24,006	76,359	100,365	27,770	81,608	109,378

Gross Customer Loans Analysed by Remaining Maturity

	2012		2011	
	\$'000	%	\$'000	%
Within 1 year	43,816	43.7	49,727	45.5
Over 1 year but within 3 years	11,339	11.3	11,693	10.7
Over 3 years but within 5 years	10,182	10.1	10,490	9.6
Over 5 years	35,028	34.9	37,468	34.2
Total gross customer loans	100,365	100.0	109,378	100.0

Financial Highlights

Deposits

Total deposits increased by 5.5% or \$44.0 million to \$841.1 million as at 31 December 2012 from \$797.1 million in 2011. The increase was mainly attributed to higher deposits from current and savings accounts.

Deposits Analysed by Product Group

	2012		2011	
	\$'000	%	\$'000	%
Customer deposits				
Fixed deposits	253,772	30.2	243,891	30.6
Current, savings and other deposits	567,592	67.4	522,594	65.5
	821,364	97.6	766,485	96.1
Fellow subsidiaries' deposits	476	0.1	524	0.1
Holding company's deposits	19,288	2.3	30,139	3.8
Total deposits	841,128	100.0	797,148	100.0

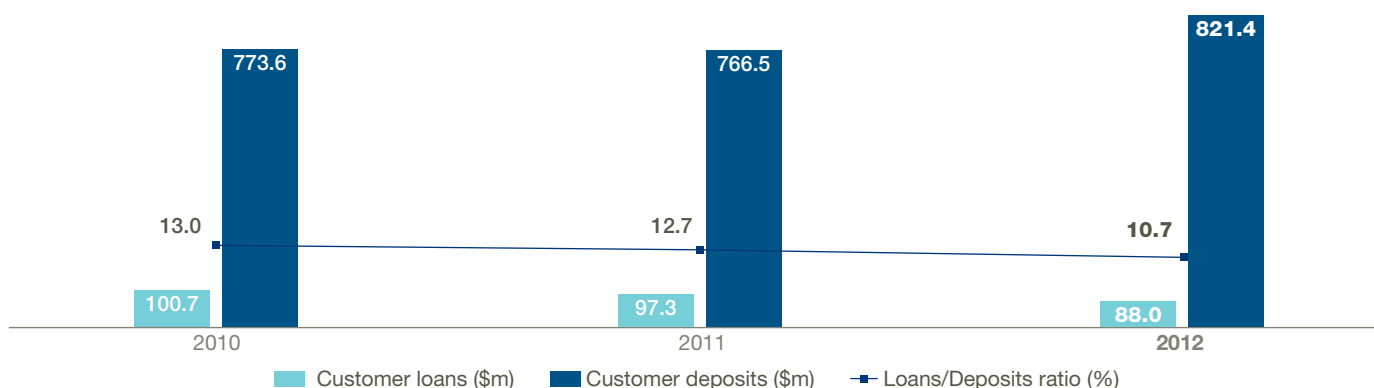
Deposits Analysed by Remaining Maturity

	2012		2011	
	\$'000	%	\$'000	%
Within 1 year	828,832	98.5	768,684	96.4
Over 1 year but within 3 years	12,036	1.4	24,617	3.1
Over 3 years but within 5 years	260	0.1	3,847	0.5
Total deposits	841,128	100.0	797,148	100.0

Loans/Deposits Ratio

With a decrease in net customer loans of 9.6% and an increase in customer deposits of 7.2%, the loans-to-deposits ratio declined 2.0% points to 10.7% in 2012 from 12.7% in 2011.

Loans/Deposits Ratio



Shareholders' Equity

Shareholders' equity as at 31 December 2012 was \$197.1 million, representing a 0.2% decrease over the \$197.4 million as at 31 December 2011.

As at 31 December 2012, a revaluation surplus of \$161.8 million (2011: \$120.6 million) on properties was not included in the financial statements.

	2012	2011	+ / (-)
	\$'000	\$'000	%
Shareholders' equity	197,123	197,431	(0.2)
Add: Revaluation surplus	161,818	120,553	34.2
Shareholders' equity including revaluation surplus	358,941	317,984	12.9
Net asset value (NAV) per share (\$)	1.97	1.97	–
Revaluation surplus per share (\$)	1.62	1.21	33.9
Revalued NAV per share (\$)	3.59	3.18	12.9

Capital Adequacy Ratio

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

As at 31 December 2012, the Group's total CAR was 83.8%, well above the minimum total CAR of 10% set by MAS. Compared with the total CAR of 88.4% as at 31 December 2011, it had decreased 4.6% points attributed to the 0.4% decrease in eligible total capital coupled with the 5.0% increase in risk-weighted assets.

	2012	2011
	\$'000	\$'000
Tier 1 Capital		
Share capital	100,011	100,011
Disclosed reserve/others	95,630	96,479
Eligible Tier 1 capital	195,641	196,490
Tier 2 Capital		
Cumulative collective impairment/others	1,360	1,383
Eligible Total Capital	197,001	197,873
Risk-Weighted Assets	235,175	223,874
Capital Adequacy Ratio (%)		
Core Tier 1 CAR / Tier 1 CAR	83.2	87.8
Total CAR	83.8	88.4

Risk Management

RISK MANAGEMENT OVERVIEW

The effective management of financial and non-financial risks is integral to the Group's business success. Our approach to risk management is to ensure risks are managed within the levels established by the Group's various senior management committees and approved by the Board and/or its committees.

The Group has established a comprehensive framework of policies and procedures to identify, measure, monitor and control risks. These are guided by the Group's Risk Management Principles which advocate:

- Delivery of sustainable long-term growth using sound risk management principles and business practices;
- Continual improvement of risk discovery capabilities and risk controls; and
- Business development based on a prudent, consistent and efficient risk management framework.

CREDIT RISK

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

The Group's Credit Committee (CC) is authorised by the Board of Directors to oversee all credit matters. It maintains oversight of the effectiveness of the Group's country and credit risk management structure including framework, people, processes, information, infrastructure, methodologies and systems.

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

An account is considered as delinquent when payment is not received on the due date. Any delinquent accounts, including revolving credit facilities (such as an overdraft) with limit excesses, are closely monitored and managed through a disciplined process by officers from the business units and Risk Management. Where appropriate, these accounts are also subjected to more frequent credit review.

Classification and Loan Loss Impairment

The Group classifies its credit portfolios according to the borrower's ability to repay a credit facility from their normal source of income. Any account which is delinquent or in excess for more than 90 days will automatically be categorised as 'non-performing'.

All borrowing accounts are categorized into 'Pass', 'Special Mention' or 'Non-Performing' categories. Non-performing accounts are further categorised as 'Substandard', 'Doubtful' or 'Loss' in accordance with MAS Notice 612.

Upgrading and declassification of a Non-Performing account to 'Pass' or 'Special Mention' status must be 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 de-classified, 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 must comply fully with the restructured terms in accordance with MAS 612 Notice to Banks (March 2005) before it can be de-classified.

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.

MARKET RISK

Market risk is governed by the Asset and Liability Committee (ALCO), which meets twice a month to review and provide directions on market risk matters. The Market Risk Management Division supports the Board Risk Management Committee (BRMC) and the ALCO with independent assessment of the market risk profile of the Group.

The Group's market risk framework comprises market risk policies and practices, the validation of valuation and risk models, the control structure with appropriate delegation of authority and market risk limits. In addition, a robust risk architecture as well as a new Product/Service Programme process ensure that identified market risk issues are adequately addressed prior to launch. Management of derivatives risks is continually reviewed and enhanced to ensure that the complexities of the business are appropriately controlled.

BALANCE SHEET RISK MANAGEMENT

The ALCO approves policies, strategies and limits for the management of structural balance sheet risk exposures. These are monitored by the Balance Sheet Risk Management Division. ALCO's decisions and its risk management reports are reviewed by the Board and its Risk Management Committee. At a tactical level, the Management Portfolio unit of Global Markets and Investment Management 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 interest rate risk management is to protect and enhance capital and economic net worth through adequate, stable and reliable growth in net interest earnings under a broad range of possible economic conditions.

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 of assets and liabilities provide indications of the potential impact of interest rate changes on interest income and price value. Interest rate sensitivity varies with different repricing periods, currencies and embedded options. Mismatches in the longer tenor will experience a greater change in the price-value of interest rate positions than similar positions in the shorter tenor.

The table in Note 31(c) (page 62) of the financial statements represents the Group's interest rate risk sensitivity based on repricing mismatches as at 31 December 2012. Note 31(c) shows the change in Economic Value of Equity (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 of 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.

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.

Risk Management

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 are adequate liquid assets 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. 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.

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 31(d) (page 65) of 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

Operational risk is managed through a framework of policies, processes and procedures by which business units identify, assess, monitor and 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 and corrective actions, where necessary, will be taken to rectify the underlying root cause. 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 mitigate the risk of high-impact operational losses.

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

The Group's Outsourcing Policy and Framework ensures that outsourcing risks are adequately identified and managed prior to entering into any 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 is part of operational risk. Legal risk arises from unenforceable, unfavourable, defective or unintended contracts; lawsuits or claims; developments in laws and regulations; or, non-compliance with applicable laws and regulations. Business units work with the Group's legal counsel and external legal counsel to ensure that legal risks are effectively managed.

Regulatory compliance risk is identified, assessed, monitored and managed under a Regulatory Compliance Risk Governance Framework. Regulatory compliance risk refers to the risk of regulatory sanctions, financial loss or damage to the Group's reputation and franchise value that may arise from non-compliance with laws, regulations, rules, standards or codes of conduct applicable to the Group's business and operations. The framework also manages the risk of breaches and sanctions relating to Anti-Money Laundering and Countering the Financing of Terrorism.

A framework to manage fraud risk is in place. It includes a policy on fraud, a whistle-blowing programme, a material risk notification protocol and a fraud risk awareness training programme for all new employees of the Bank.

A framework to manage bribery risk is also in place. The Bank's Code of Conduct sets out anti-bribery and corruption provisions. All employees are required to observe the Code of Conduct and comply with the guidelines. Disciplinary action will be taken against any employee who fails to do so. Such disciplinary action may include suspension or termination of employment. An anti-corruption digest is sent to all employees regularly to keep them updated of latest developments and to foster an anti-bribery culture.

Reputation risk is the adverse impact on earnings, liquidity or capital arising from 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.

Financial Statements

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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 subsidiary (collectively, the Group) for the financial year ended 31 December 2012.

Directors

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

Wee Cho Yaw (Chairman)
 Wee Ee Cheong (Deputy Chairman and Chief Executive Officer)
 Cham Tao Soon
 Wong Meng Meng
 Franklin Leo Lavin (Appointed on 27 March 2012)
 Hsieh Fu Hua (Appointed on 27 March 2012)

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 objects are, or one of whose objects is, to enable the directors of the Bank to acquire benefits by means of the acquisition of shares 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, Cap. 50, an interest in shares of the Bank or related corporations as stated below:

	Direct interest		Deemed interest	
	At 31.12.2012	At 1.1.2012 or date of appointment	At 31.12.2012	At 1.1.2012 or date of appointment
United Overseas Bank Limited				
Ordinary shares				
Wee Cho Yaw	18,820,027	17,382,921	262,395,874	263,862,980
Wee Ee Cheong	3,047,878	3,047,878	156,432,870	156,432,870
Cham Tao Soon	–	–	10,003	10,003
Class E non-cumulative non-convertible preference shares				
Wee Cho Yaw	–	–	167,700	167,700
Wee Ee Cheong	20,000	20,000	167,700	167,700
Cham Tao Soon	–	–	1,000	1,000
United Overseas Insurance Limited				
Ordinary shares				
Wee Cho Yaw	38,100	38,100	–	–

(b) There was no change in any of the above-mentioned interests in the Bank between the end of the financial year and 21 January 2013.

Directors' Report

for the financial year ended 31 December 2012

Directors' Contractual Benefits

Except as disclosed in the financial statements and for certain directors who had received remuneration from related parties in their capacity as directors, 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.

Directors' 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 2012 are as follows:

	Directors' fees %	Salary %	Bonus %	Benefits-in- kind and others %	Total %
Below \$250,000					
Wee Cho Yaw	100.0	–	–	–	100.0
Wee Ee Cheong	100.0	–	–	–	100.0
Wong Meng Meng	100.0	–	–	–	100.0
Yeo Liat Kok Philip (Retired on 25 April 2012)	100.0	–	–	–	100.0
Cham Tao Soon	100.0	–	–	–	100.0
Ngiam Tong Dow (Retired on 25 April 2012)	100.0	–	–	–	100.0
Franklin Leo Lavin (Appointed on 27 March 2012)	100.0	–	–	–	100.0
Hsieh Fu Hua (Appointed on 27 March 2012)	100.0	–	–	–	100.0

Auditors

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

On behalf of the Board of Directors,

Wee Cho Yaw

Chairman

Singapore
27 February 2013

Wee Ee Cheong

Deputy Chairman and Chief Executive Officer

Statement by Directors

for the financial year ended 31 December 2012

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 balance sheets, income statements, statements of comprehensive income, statements 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 2012, 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

Singapore

27 February 2013

Wee Ee Cheong

Deputy Chairman and Chief Executive Officer

Independent Auditor's Report

for the financial year ended 31 December 2012

Independent Auditor's Report to the Members of Far Eastern Bank Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Far Eastern Bank Limited (the "Bank") and its subsidiary (collectively, the "Group") set out on pages 33 to 70, which comprise the balance sheets of the Bank and Group as at 31 December 2012, the income statements, the statements of comprehensive income, and the statements of changes in equity of the Bank and the Group and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for 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 sheets and to maintain accountability of assets.

Auditor's 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 about 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 consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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, the financial statements of the Bank and the financial statements of the Group are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards, including the modification of the requirements of FRS39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning by Notice to Banks No.612 "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore, so as to give a true and fair view of the state of affairs of the Group and of the Bank as at 31 December 2012, of the results and changes in equity of the Group and of the Bank and cash flows of the Group for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, 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 2013

Income Statements

for the financial year ended 31 December 2012

	Note	The Group		The Bank	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Interest income	3	6,068	7,415	6,068	7,415
Less: Interest expense	4	1,660	2,001	1,660	2,001
Net interest income		4,408	5,414	4,408	5,414
Fee and commission income	5	883	1,167	883	1,167
Rental income	6	4,927	4,707	4,927	4,707
Other operating income	7	1,819	1,765	1,819	1,765
Non-interest income		7,629	7,639	7,629	7,639
Total operating income		12,037	13,053	12,037	13,053
Less: Staff costs	8	643	566	643	566
Other operating expenses	9	9,626	9,233	9,626	9,233
Total operating expenses		10,269	9,799	10,269	9,799
Operating profit before impairment charges		1,768	3,254	1,768	3,254
Less: Impairment/(write-back) of charges	10	168	(389)	168	(389)
Profit before tax		1,600	3,643	1,600	3,643
Less: Tax	11(a)	225	600	225	600
Profit for the financial year attributable to equity holders of the Bank		1,375	3,043	1,375	3,043

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

Statements of Comprehensive Income

for the financial year ended 31 December 2012

	Note	The Group		The Bank	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Profit for the financial year		1,375	3,043	1,375	3,043
Change in available-for-sale reserve					
Change in fair value		832	1,815	832	1,815
Transfer to income statement on disposal/impairment		(450)	(495)	(450)	(495)
Tax relating to available-for-sale reserve		(65)	(224)	(65)	(224)
Other comprehensive income for the financial year, net of tax	14(a)	317	1,096	317	1,096
Total comprehensive income for the financial year, net of tax		1,692	4,139	1,692	4,139

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

Balance Sheets

as at 31 December 2012

	Note	The Group		The Bank	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Equity					
Share capital	12	100,011	100,011	100,011	100,011
Retained earnings	13	15,327	15,952	15,323	15,948
Other reserves	14	81,785	81,468	81,785	81,468
Total equity		197,123	197,431	197,119	197,427
Liabilities					
Deposits and balances of:					
Non-bank customers	16	821,364	766,485	821,364	766,485
Fellow subsidiaries		476	524	476	524
Subsidiary		–	–	12	12
Holding company		19,288	30,139	19,288	30,139
		841,128	797,148	841,140	797,160
Bills and drafts payable		893	1,170	893	1,170
Derivative financial liabilities	28	9	2	9	2
Other liabilities	17	1,879	1,725	1,876	1,722
Tax payable		504	863	504	863
Total liabilities		844,413	800,908	844,422	800,917
Total equity and liabilities		1,041,536	998,339	1,041,541	998,344
Assets					
Cash, balances and placements					
with central bank	30	25,144	28,114	25,144	28,114
Singapore Government treasury					
bills and securities	18	140,961	61,030	140,961	61,030
Placements and balances with banks	19	8,455	24,996	8,455	24,996
Loans to non-bank customers	20	87,950	97,271	87,950	97,271
Placements with fellow subsidiaries		249	223	249	223
Placements with and amount owing by holding company		685,800	776,113	685,800	776,113
Derivative financial assets	28	12	4	12	4
Investment securities	21	82,626	–	82,626	–
Other assets	22	1,305	1,178	1,305	1,178
Deferred tax assets	11(c)	928	986	928	986
Investment in a fellow associate	23	1,014	982	1,014	982
Investment in a subsidiary	24	–	–	5	5
Investment properties	25	6,715	7,054	6,715	7,054
Fixed assets	26	377	388	377	388
Total assets		1,041,536	998,339	1,041,541	998,344
Off-balance sheet items					
Contingent liabilities	27	19,190	16,867	19,190	16,867
Financial derivatives	28	876	371	876	371
Commitments	29	87,590	90,995	87,590	90,995

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 2012

	The Group			
	Share capital \$'000	Retained earnings \$'000	Other reserves \$'000	Total equity \$'000
2012				
Balance at 1 January	100,011	15,952	81,468	197,431
Profit for the financial year	–	1,375	–	1,375
Other comprehensive income for the financial year	–	–	317	317
Total comprehensive income for the financial year	–	1,375	317	1,692
Dividends	–	(2,000)	–	(2,000)
Balance at 31 December	100,011	15,327	81,785	197,123
2011				
Balance at 1 January	100,011	15,909	79,372	195,292
Profit for the financial year	–	3,043	–	3,043
Other comprehensive income for the financial year	–	–	1,096	1,096
Total comprehensive income for the financial year	–	3,043	1,096	4,139
Transfers	–	(1,000)	1,000	–
Dividends	–	(2,000)	–	(2,000)
Balance at 31 December	100,011	15,952	81,468	197,431
	Note	12	13	14

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 2012

	Share capital \$'000	Retained earnings \$'000	The Bank Other reserves \$'000	Total equity \$'000
2012				
Balance at 1 January	100,011	15,948	81,468	197,427
Profit for the financial year	–	1,375	–	1,375
Other comprehensive income for the financial year	–	–	317	317
Total comprehensive income for the financial year	–	1,375	317	1,692
Dividends	–	(2,000)	–	(2,000)
Balance at 31 December	100,011	15,323	81,785	197,119
2011				
Balance at 1 January	100,011	15,905	79,372	195,288
Profit for the financial year	–	3,043	–	3,043
Other comprehensive income for the financial year	–	–	1,096	1,096
Total comprehensive income for the financial year	–	3,043	1,096	4,139
Transfers	–	(1,000)	1,000	–
Dividends	–	(2,000)	–	(2,000)
Balance at 31 December	100,011	15,948	81,468	197,427
Note	12	13	14	

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 2012

	2012 \$'000	2011 \$'000
Cash flows from operating activities		
Operating profit before impairment charges	1,768	3,254
Adjustments for:		
Depreciation of assets	493	493
Operating profit before working capital changes	2,261	3,747
Increase/(decrease) in working capital:		
Deposit and balances of non-bank customers	54,879	(7,137)
Bills and drafts payable	(277)	637
Other liabilities	147	(7,673)
Investment securities	(82,626)	–
Amount owing by intercompany	79,377	(37,245)
Placement and balances with banks	16,541	(16,600)
Loans to non-bank customers	9,321	3,436
Other assets	(71)	8,405
Cash generated from/(used in) operations	79,552	(52,430)
Income tax paid	(591)	(489)
Net cash provided by/(used in) operating activities	78,961	(52,919)
Cash flows from financing activities		
Dividends paid on ordinary shares	(2,000)	(2,000)
Net cash used in financing activities	(2,000)	(2,000)
Net increase/(decrease) in cash and cash equivalents	76,961	(54,919)
Cash and cash equivalents at beginning of the financial year	89,144	144,063
Cash and cash equivalents at end of the financial year (Note 30)	166,105	89,144

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 2012

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

The Bank is principally engaged in the business of banking in all its aspects. The principal activities of its subsidiary are set out in Note 24 to the financial statements.

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements of the Bank and its subsidiary (collectively, the Group) have been prepared in accordance with Singapore Financial Reporting Standards (FRS) as required by the Singapore Companies Act, with modification to FRS39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning, as provided in Monetary Authority of Singapore (MAS) Notice 612 Credit Files, Grading and Provisioning.

The financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets and all financial derivatives.

The financial statements are presented in Singapore dollars and to the nearest thousand unless otherwise indicated.

(b) Changes in Accounting Policies

The Group adopted the following revised FRS during the financial year. The adoption of these FRS did not have any significant effect on the financial statements of the Group.

- Amendments to FRS12 Deferred Tax – Recovery of Underlying Assets
- Amendments to FRS107 Disclosures – Transfers of Financial Assets

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 new/revised FRS that are in issue will apply to the Group for the financial years as indicated:

Effective for financial year beginning on or after 1 January 2013

- FRS19 Employee Benefits
- FRS113 Fair Value Measurements
- Amendments to FRS1 – Presentation of Items of Other Comprehensive Income
- Amendments to FRS107 Disclosures – Offsetting of Financial Assets and Financial Liabilities

Effective for financial year beginning on or after 1 January 2014

- FRS27 Separate Financial Statements
- FRS28 Investments in Associates and Joint Ventures
- FRS110 Consolidated Financial Statements
- FRS112 Disclosure of Interests in Other Entities
- Amendments to FRS32 – Offsetting of Financial Assets and Financial Liabilities

These pronouncements are not expected to have a significant impact on the financial statements of the Group when adopted.

Notes to the Financial Statements

for the financial year ended 31 December 2012

2. Summary of Significant Accounting Policies (continued)

(c) 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.

Subsidiaries are consolidated from the date the Group obtains control until the date such control ceases. Inter-company transactions and balances are eliminated. Adjustments are made to align the accounting policies of the subsidiaries to those of the Group. Gain or loss arising from changes of the Bank's interest in subsidiaries is recognised in the income statement if they result in loss of control in the subsidiaries, otherwise, in equity.

In the Bank's separate financial statements, investment in subsidiaries is stated at cost less allowance for impairment, if any, determined on an individual basis.

(d) Foreign Currencies

On initial recognition, transactions in foreign currencies are recorded in the respective functional currencies of the Bank and its subsidiary at the exchange rate ruling at the transaction date. Subsequent to initial recognition, 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 rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate 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 income statement.

(e) Financial Assets and Financial Liabilities

(i) Classification

Financial assets and financial liabilities are classified as follows:

At Fair Value Through Profit or Loss

Financial instruments are classified at fair value through profit or loss if they are held for trading or designated as such upon initial recognition.

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 or 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 that would otherwise require bifurcation.

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.

2. Summary of Significant Accounting Policies (continued)

(e) Financial Assets and Financial Liabilities (continued)

(i) Classification (continued)

Loans and Receivables

Non-derivative financial assets with fixed or determinable payments that 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 that are not held for active trading or designated as fair value through profit or loss are classified as non-trading liabilities.

(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 fair value through profit or loss, transaction costs are expensed off.

Subsequent Measurement

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

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

All other financial instruments are measured at amortised cost using the effective interest method less allowance for impairment.

Interest and dividend 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 ask 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 transactions or other comparable financial instruments, discounted cash flow method 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 derecognition, the difference between the carrying amount of the instruments and the consideration received/paid, less the accumulated gain or loss that has been recognised in equity are taken to the income statement.

Notes to the Financial Statements

for the financial year ended 31 December 2012

2. Summary of Significant Accounting Policies (continued)

(e) Financial Assets and Financial Liabilities (continued)

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when there is a legally enforceable right to set off and an intention to settle them on a net basis, or to realise the assets and settle the liabilities simultaneously.

(v) Impairment

Individual Impairment

Financial assets, other than those measured at fair value through profit or loss, 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 cost, 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 income statement.

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 income statement. The loss is transferred from the fair value reserve to the income statement. 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 allowance 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.

(f) 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 contracts and the host contracts are not carried at fair value through profit or loss.

(g) Investment Properties and Fixed Assets

Investment properties and fixed assets are stated at cost less accumulated depreciation and allowance for impairment.

Investment properties are properties held for rental income and/or capital appreciation while owner-occupied properties are those for office use.

Freehold land and leasehold land exceeding 99 years tenure are not depreciated. Other leasehold land is depreciated on a straight-line basis over the lease period. 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 their expected useful lives of five to ten years. The expected useful life, depreciation method and residual value of investment properties and fixed assets are reviewed annually.

2. Summary of Significant Accounting Policies (continued)

(g) Investment Properties and Fixed Assets (continued)

Investment properties and fixed assets are reviewed for impairment when events or changes in circumstances indicate that their recoverable amounts, being the higher of fair value less cost to sell and value in use, may be below their carrying amounts.

Investment properties and fixed assets are derecognised upon disposal and the resulting gain or loss is recognised in the income statement.

(h) 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 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 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 is not provided for temporary differences arising from initial recognition of goodwill or of an asset or liability that does not affect accounting or taxable profit, and taxable temporary differences related to investments 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 is taken to equity for gains and losses recognised directly in equity.

(i) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation where an outflow of resources to settle the obligation is probable and a reliable estimate can be made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. When an outflow of resources to settle the obligation is no longer probable, the provision is reversed.

(j) Revenue Recognition

Interest income is recognised 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. For services that are provided over a period of time, fee and commission income is recognised over the service period.

Rental income is recognised on a time proportion basis.

Notes to the Financial Statements

for the financial year ended 31 December 2012

2. Summary of Significant Accounting Policies (continued)

(k) Employee Compensation/Benefits

Base pay, cash bonuses, allowances, commissions and defined contributions under regulations are recognised in the income statement when incurred.

Leave entitlements are recognised when they accrue to employees. Provision for leave entitlements is made based on contractual terms with adjustment for expected attrition.

(l) 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.

(m) Significant Accounting Estimates and Judgements

Preparation of the financial statements in conformity with FRS requires certain accounting estimates and judgements to be made. Areas where such estimates and judgements could have significant effects on the financial statements are as follows:

- Individual impairment of financial assets – assessment of the timing and amount of future cash flows and collateral value and determination of prolonged decline in market prices.
- Collective impairment of financial assets – assessment of country, industry and other portfolio risk, historical loss experience and economic indicators.
- Fair valuation of financial instruments – selection of valuation models and data inputs for financial instruments with no active markets.
- Provision of income taxes – interpretation of tax regulations on certain transactions and computations.

As the estimates and judgements are made based on parameters at the time the financial statements are prepared, actual results could differ from those disclosed in the financial statements due to subsequent changes in the parameters.

3. Interest Income

	The Group and The Bank	
	2012	2011
	\$'000	\$'000
Loans to non-bank customers	3,336	3,994
Placements and balances with banks	1,741	2,559
Singapore Government treasury bills and securities	991	862
	6,068	7,415
Received/receivable from:		
Holding company	1,737	2,555
Third parties	4,331	4,860
	6,068	7,415

Notes to the Financial Statements

for the financial year ended 31 December 2012

4. Interest Expense

	The Group and The Bank	
	2012	2011
	\$'000	\$'000
Deposits of non-bank customers	1,655	1,989
Deposits of banks	5	12
	1,660	2,001
Paid/payable to:		
Holding company	4	12
Third parties	1,656	1,989
	1,660	2,001

5. Fee and Commission Income

	The Group and The Bank	
	2012	2011
	\$'000	\$'000
Investment-related	3	6
Loan and trade-related	467	728
Others	413	433
	883	1,167

6. 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 \$2,928,000 (2011: \$2,959,000) received from the holding company.

7. Other Operating Income

	The Group and The Bank	
	2012	2011
	\$'000	\$'000
Net profit on disposal of Singapore Government treasury bills and securities	450	495
Net profit on foreign exchange	283	157
Other income	1,086	1,113
	1,819	1,765

Notes to the Financial Statements

for the financial year ended 31 December 2012

8. Staff Costs

	The Group and The Bank	
	2012	2011
	\$'000	\$'000
Salaries, bonus and allowances	540	477
Employer's contribution to the Central Provident Fund	68	61
Other staff-related costs	35	28
	643	566
Number of employees at 31 December	10	10

9. Other Operating Expenses

	The Group and The Bank	
	2012	2011
	\$'000	\$'000
Included in other operating expenses are:		
Depreciation of assets	493	493
Maintenance of premises and other assets	354	254
Other expenses of premises	1,169	1,002
Audit fees paid/payable to auditors of the Bank	86	79
Management fees payable to holding company	7,097	6,972
Fees payable to directors of the Bank	64	55
Of which:		
Expenses on investment properties that generate rental income	1,781	1,566

10. Impairment Charge/(Write-Back) on Loans and Other Assets

	The Group and The Bank	
	2012	2011
	\$'000	\$'000
Individual impairment on:		
Loans	306	(20)
Investments	(32)	(33)
Properties	(106)	(336)
	168	(389)

Notes to the Financial Statements

for the financial year ended 31 December 2012

11. Tax

(a) Tax Expense

Tax charge to the income statements comprises the following:

	The Group and The Bank	
	2012	2011
	\$'000	\$'000
On profit of the financial year		
Current tax	232	611
Deferred tax	(7)	(11)
	225	600

(b) Tax Reconciliation

Tax charge on profit for the financial year differs from the theoretical amount computed using Singapore corporate tax rate due to the following factors:

	The Group and The Bank	
	2012	2011
	\$'000	\$'000
Profit before tax	1,600	3,643
Tax calculated at tax rate of 17% (2011: 17%)	272	619
Effect of:		
Singapore statutory stepped income exemption	(26)	(26)
Income taxed at concessionary rates	(8)	(13)
Income not subject to tax	(37)	(74)
Expenses not deductible for tax	24	94
Tax expense on profit of the financial year	225	600

(c) Deferred Tax

Deferred tax comprises the following:

	The Group and The Bank	
	2012	2011
	\$'000	\$'000
Deferred tax liabilities on:		
Unrealised gain on available-for-sale assets	263	198
Accelerated tax depreciation	243	250
	506	448
Amount offset against deferred tax assets	(506)	(448)
	-	-
Deferred tax assets on:		
Allowance for impairment	1,434	1,434
Amount offset against deferred tax liabilities	(506)	(448)
	928	986
Net deferred tax assets	928	986

Notes to the Financial Statements

for the financial year ended 31 December 2012

11. Tax (continued)

(c) Deferred Tax (continued)

Movements in the deferred tax during the financial year are as follows:

	The Group and The Bank	
	2012	2011
	\$'000	\$'000
Balance at 1 January	986	1,199
Credit to income statement	7	11
Charge to equity	(65)	(224)
Balance at 31 December	928	986

12. Share Capital

	The Group and The Bank	
	2012	2011
	\$'000	\$'000
Issued and fully paid 100,010,566 (2011: 100,010,566) ordinary shares	100,011	100,011

The ordinary shares have no par value and were fully paid. The holders of ordinary shares have unrestricted rights to dividends, return of capital and voting.

13. Retained Earnings

(a)

	The Group		The Bank	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Balance at 1 January	15,952	15,909	15,948	15,905
Profit for the financial year attributable to equity holders of the Bank	1,375	3,043	1,375	3,043
Transfer to other reserves	–	(1,000)	–	(1,000)
Dividends				
Final dividend of 2 cents one-tier tax-exempt (2011: 2 cents one-tier tax-exempt) per share paid in respect of prior financial year	(2,000)	(2,000)	(2,000)	(2,000)
Balance at 31 December	15,327	15,952	15,323	15,948

(b) The retained earnings are distributable reserves.

(c) In respect of the financial year ended 31 December 2012, 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 2013 financial statements upon approval of the equity holders of the Bank.

Notes to the Financial Statements

for the financial year ended 31 December 2012

14. Other Reserves

(a)

	The Group and The Bank			Total \$'000
	Fair value reserve \$'000	Statutory reserve \$'000	General reserve \$'000	
2012				
Balance at 1 January	968	54,900	25,600	81,468
Other comprehensive income for the financial year attributable to equity holders of the Bank	317	–	–	317
Balance at 31 December	1,285	54,900	25,600	81,785
2011				
Balance at 1 January	(128)	54,900	24,600	79,372
Other comprehensive income for the financial year attributable to equity holders of the Bank	1,096	–	–	1,096
Transfer from retained earnings	–	–	1,000	1,000
Balance at 31 December	968	54,900	25,600	81,468

- (b) Fair value reserve contains cumulative fair value changes of outstanding available-for-sale assets.
- (c) Statutory reserve is maintained in accordance with the provisions of applicable laws and regulations. This reserve is non-distributable unless otherwise approved by the relevant authorities.

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

- (d) General reserve has not been earmarked for any specific purpose.

Notes to the Financial Statements

for the financial year ended 31 December 2012

15. Classification of Financial Assets and Financial Liabilities

(a)

	The Group and The Bank			
	Held for	Available-	Loans and	
	trading	for-sale	receivables/ amortised	Total
	\$'000	\$'000	cost	\$'000
			\$'000	
2012				
Cash, balances and placements with central bank	–	–	25,144	25,144
Singapore Government treasury bills and securities ¹	–	140,961	–	140,961
Placements and balances with banks	–	–	8,455	8,455
Loans to non-bank customers	–	–	87,950	87,950
Placements with and amount owing by related companies	–	–	686,049	686,049
Derivative financial assets	12	–	–	12
Investment securities ¹	–	82,626	–	82,626
Other assets	–	–	1,305	1,305
Total financial assets	12	223,587	808,903	1,032,502
Non-financial assets				9,034
Total assets				1,041,536
Deposits and balances of non-bank customers and related companies ²	–	–	841,128	841,128
Bills and drafts payable	–	–	893	893
Derivative financial liabilities	9	–	–	9
Other liabilities	–	–	1,839	1,839
Total financial liabilities	9	–	843,860	843,869
Non-financial liabilities				544
Total liabilities				844,413

¹ Includes Singapore Government treasury bills and securities of \$127.3 million and debt securities of \$82.6 million, which were purchased from United Overseas Bank Limited at market prices.

² Deposits and balances of non-bank customers and related companies under the Bank consist of current account balance of \$12,000 maintained by a subsidiary.

Notes to the Financial Statements

for the financial year ended 31 December 2012

15. Classification of Financial Assets and Financial Liabilities (continued)

(a) (continued)

	The Group and The Bank			
	Held for	Available-	Loans and	Total
	trading	for-sale	receivables/ amortised	
	\$'000	\$'000	cost	\$'000
			\$'000	
2011				
Cash, balances and placements with central bank	–	–	28,114	28,114
Singapore Government treasury bills and securities ¹	–	61,030	–	61,030
Placements and balances with banks	–	–	24,996	24,996
Loans to non-bank customers	–	–	97,271	97,271
Placements with and amount owing by related companies	–	–	776,113	776,113
Derivative financial assets	4	–	–	4
Other assets	–	–	1,178	1,178
Total financial assets	4	61,030	927,672	988,706
Non-financial assets				9,633
Total assets				998,339
Deposits and balances of non-bank customers and related companies ²	–	–	797,148	797,148
Bills and drafts payable	–	–	1,170	1,170
Derivative financial liabilities	2	–	–	2
Other liabilities	–	–	1,687	1,687
Total financial liabilities	2	–	800,005	800,007
Non-financial liabilities				901
Total liabilities				800,908

¹ Include Singapore Government treasury bills and securities of \$48.4 million, which was purchased from United Overseas Bank Limited at market prices.

² Deposits and balances of non-bank customers and related companies under the Bank consist of current account balance of \$12,000 maintained by a subsidiary.

Notes to the Financial Statements

for the financial year ended 31 December 2012

15. Classification of Financial Assets and Financial Liabilities (continued)

(b) The Group classified financial instruments carried at fair value by level of the following fair value measurement hierarchy:

- Level 1 - Unadjusted quoted prices in active markets for identical financial instruments
- Level 2 - Inputs other than quoted prices that are observable either directly or indirectly
- Level 3 - Inputs that are not based on observable market data

	The Group					
	2012 Level 1 \$'000	2012 Level 2 \$'000	2012 Level 3 \$'000	2011 Level 1 \$'000	2011 Level 2 \$'000	2011 Level 3 \$'000
Singapore Government						
treasury bills and securities	140,961	–	–	61,030	–	–
Investment securities	82,626	–	–	–	–	–
Derivative financial assets	–	12	–	–	4	–
	223,587	12	–	61,030	4	–
Total financial assets carried at fair value			223,599			61,034
Derivative financial liabilities	–	9	–	–	2	–
	–	9	–	–	2	–
Total financial liabilities carried at fair value			9			2

During the year, the Group reviewed its valuation framework, which led to changes in the fair value measurement hierarchy classifications of certain financial assets and liabilities. Accordingly, comparatives have been restated to conform to current year's presentation.

16. Deposits and Balances of Non-Bank Customers

	The Group and The Bank	
	2012 \$'000	2011 \$'000
Fixed deposits	253,772	243,891
Current, savings and other deposits ¹	567,592	522,594
	821,364	766,485

¹ Current, savings and other deposits consist of a balance of \$195,000 maintained by a related company.

17. Other Liabilities

	The Group		The Bank	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Accrued interest payable	603	540	603	540
Accrued operating expenses	269	195	269	195
Unclaimed balances	896	879	896	879
Others	111	111	108	108
	1,879	1,725	1,876	1,722

Notes to the Financial Statements

for the financial year ended 31 December 2012

18. Singapore Government Treasury Bills and Securities

	The Group and The Bank	
	2012	2011
	\$'000	\$'000
Available-for-sale	140,961	61,030

19. Placements and Balances with Banks

	The Group and The Bank	
	2012	2011
	\$'000	\$'000
Analysed by remaining maturity:		
Within 1 year	8,455	24,996

20. Loans to Non-Bank Customers

(a)

	The Group and The Bank	
	2012	2011
	\$'000	\$'000
Loans to non-bank customers (gross)	100,365	109,378
Individual impairment	(356)	(48)
Collective impairment	(12,059)	(12,059)
Loans to non-bank customers (net)	87,950	97,271
Comprising:		
Trade bills	86	136
Advances to customers	87,864	97,135
	87,950	97,271

(b) Gross loans to non-bank customers analysed by industry

	The Group and The Bank	
	2012	2011
	\$'000	\$'000
Transport, storage and communication	1,544	1,410
Building and construction	715	916
Manufacturing	4,252	5,818
Financial institutions	9,523	10,036
General commerce	33,302	35,476
Professionals and private individuals	37,641	38,243
Housing loans	11,372	14,643
Others	2,016	2,836
	100,365	109,378

Notes to the Financial Statements

for the financial year ended 31 December 2012

20. Loans to Non-Bank Customers (continued)

(c) Movements of allowance for impairment on loans

	The Group and The Bank					
	2012			2011		
	Individual impairment \$'000	Collective impairment \$'000	Total \$'000	Individual impairment \$'000	Collective impairment \$'000	Total \$'000
Balance at 1 January	48	12,059	12,107	7	12,059	12,066
Net charge to income statement	308	–	308	41	–	41
Balance at 31 December	356	12,059	12,415	48	12,059	12,107

21. Investment Securities

	The Group and The Bank	
	2012 \$'000	2011 \$'000
Quoted debt securities	80,559	–
Unquoted debt securities	2,067	–
Investment securities	82,626	–

22. Other Assets

	The Group and The Bank	
	2012 \$'000	2011 \$'000
Interest receivable	1,252	1,061
Others	53	117
	1,305	1,178

23. Investment in a Fellow Associate

(a) Unquoted equity shares

	The Group and The Bank	
	2012 \$'000	2011 \$'000
At cost	1,250	1,250
Allowance for impairment	(236)	(268)
	1,014	982

(b) Movements of allowance for impairment

	The Group and The Bank	
	2012 \$'000	2011 \$'000
Balance at 1 January	268	301
Write-back to income statement	(32)	(33)
Balance at 31 December	236	268

Notes to the Financial Statements

for the financial year ended 31 December 2012

24. Investment in a Subsidiary

(a)

	The Bank	
	2012 \$'000	2011 \$'000
Unquoted equity shares, at cost	5	5

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

Name of subsidiary	Principal activities	Country of incorporation and place of business	Cost of investment by the Bank	
			2012 \$'000	2011 \$'000
Far Eastern Bank Nominee Private Limited	Nominees services (Dormant)	Singapore	5	5

25. Investment Properties

	The Group and The Bank	
	2012 \$'000	2011 \$'000
Balance at 1 January	7,054	6,813
Depreciation charge	(445)	(447)
Write-back of impairment	106	336
Reclassification	–	352
Balance at 31 December	6,715	7,054
Represented by:		
Cost	17,245	17,245
Accumulated depreciation	(10,530)	(10,085)
Allowance for impairment	–	(106)
Net carrying amount	6,715	7,054
Freehold property	2,377	2,300
Leasehold property	4,338	4,754
	6,715	7,054
Market value of properties at 31 December	159,230	120,615

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

Notes to the Financial Statements

for the financial year ended 31 December 2012

26. Fixed Assets

	The Group and The Bank					
	2012			2011		
	Owner-occupied properties \$'000	Others \$'000	Total \$'000	Owner-occupied properties \$'000	Others \$'000	Total \$'000
Balance at 1 January	293	95	388	668	107	775
Additions	–	37	37	–	11	11
Depreciation charge	(26)	(22)	(48)	(23)	(23)	(46)
Reclassification	–	–	–	(352)	–	(352)
Balance at 31 December	267	110	377	293	95	388
Represented by:						
Cost	1,552	2,612	4,164	1,552	2,582	4,134
Accumulated depreciation	(1,285)	(2,502)	(3,787)	(1,259)	(2,487)	(3,746)
Net carrying amount	267	110	377	293	95	388
Leasehold property	267			293		
	<u>267</u>			<u>293</u>		
Market value of properties at 31 December	<u>9,570</u>			<u>7,285</u>		

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

Other assets comprise mainly computer equipment, application software and furniture and fittings.

27. Contingent Liabilities

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

	The Group and The Bank	
	2012 \$'000	2011 \$'000
Direct credit substitutes	9,631	9,888
Transaction-related contingencies	6,122	5,565
Trade-related contingencies	3,437	1,414
	<u>19,190</u>	<u>16,867</u>

Notes to the Financial Statements

for the financial year ended 31 December 2012

28. Financial Derivatives

The table below shows the Group's and the Bank's financial derivatives and their fair values 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					
	2012			2011		
	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	876	12	9	371	4	2

29. Commitments

	The Group and The Bank	
	2012 \$'000	2011 \$'000
Undrawn credit facilities	87,590	90,995

30. Cash and Cash Equivalents

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

	The Group and The Bank	
	2012 \$'000	2011 \$'000
Cash, balances and placements with central bank ¹	25,144	28,114
Singapore Government treasury bills and securities	140,961	61,030
	166,105	89,144

¹ Cash, balances and placements with central banks include mandatory reserve deposits of \$23,120,000 (2011: \$22,501,000) for the Group and the Bank.

31. Financial Risk Management

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

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

The Risk Management Sector of the UOB Group assumes the independent oversight of risks undertaken by the Group, and takes the lead in the formulation and approval of risk policies, controls and processes. 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 2012

31. Financial Risk Management (continued)

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 Credit Committee is delegated the authority by the Board of Directors to oversee all credit matters. It maintains oversight of the effectiveness of the Group's credit and country risk management structure including framework, people, processes, information, infrastructure, methodologies and systems.

Credit risk exposures are managed through a robust credit underwriting, structuring and monitoring process. The process includes a 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.

(i) Credit exposure

The Group's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, before taking into account any collateral held, other credit enhancements and netting arrangements, is shown in the table below:

	The Group	
	2012	2011
	\$'000	\$'000
Balances and placements with central bank	24,503	25,875
Singapore Government treasury bills and securities	140,961	61,030
Placements and balances with banks	8,455	24,996
Loans to non-bank customers	87,950	97,271
Derivative financial assets	12	4
Others	1,247	1,055
	263,128	210,231
Contingent liabilities	19,190	16,867
Commitments	87,590	90,995
	369,908	318,093

As a fundamental credit principle, the Group generally does not grant credit facilities solely on the basis of the collateral provided. All credit facilities are granted based on the credit standing of the borrower, source of repayment and debt servicing ability.

Collateral is taken whenever possible to mitigate the credit risk assumed. The value of the collateral is monitored periodically. The frequency of valuation depends on the type, liquidity and volatility of the collateral value. The main types of collateral taken by the Group are cash, marketable securities, real estate, equipment, inventory and receivables. Policies and processes are in place to monitor collateral concentration.

In extending credit facilities to small and medium enterprises, personal guarantees are often taken as a form of moral support to ensure moral commitment from the principal shareholders and directors.

Corporate guarantees are often obtained when the borrower's credit worthiness is not sufficient to justify an extension of credit.

Notes to the Financial Statements

for the financial year ended 31 December 2012

31. Financial Risk Management (continued)

(a) Credit Risk (continued)

(i) Credit exposure (continued)

For internal risk management, master agreements such as International Swaps and Derivatives Association Master Agreements and Credit Support Annex have been established with active counterparties to manage counterparty credit risk arising from foreign exchange and derivative activities. The agreements allow the Group to settle all outstanding transactions in the event of counterparty default, resulting in a single net claim against or in favour of the counterparty.

(ii) Credit quality of gross loans

Gross loans are graded in accordance with MAS Notice 612 as follows:

	The Group	
	2012 \$'000	2011 \$'000
Pass	99,486	107,523
Special mention	82	1,354
Substandard	424	449
Doubtful	366	29
Loss	7	23
	100,365	109,378

(iii) Ageing analysis of past due but not impaired and non-performing loans

	The Group			
	2012		2011	
	Past due but not impaired \$'000	Non- performing \$'000	Past due but not impaired \$'000	Non- performing \$'000
Within 90 days	4,661	8	1,731	449
Over 90 to 180 days	-	443	-	49
Over 180 days	-	346	-	3
	4,661	797	1,731	501

(iv) Past due but not impaired and non-performing loans analysed by industry

	The Group					
	2012			2011		
	Past due but not impaired \$'000	Non- performing \$'000	Individual impairment \$'000	Past due but not impaired \$'000	Non- performing \$'000	Individual impairment \$'000
General commerce	3,626	353	342	1,373	-	-
Professionals and private individuals	1,035	20	14	358	52	-
Housing loans	-	424	-	-	449	48
	4,661	797	356	1,731	501	48

Notes to the Financial Statements

for the financial year ended 31 December 2012

31. Financial Risk Management (continued)

(a) Credit Risk (continued)

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

	The Group	
	2012 \$'000	2011 \$'000
NPLs secured by:		
Properties	424	449
Unsecured NPLs	373	52
	797	501

(b) Foreign Exchange Risk

Foreign exchange risk is the risk to earnings and economic 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 non-bank customer deposits and foreign currency forwards to hedge its foreign exchange exposures.

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

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	Others \$'000	Total \$'000
2012			
Cash, balances and placements with central bank	25,144	–	25,144
Singapore Government treasury bills and securities	140,961	–	140,961
Placements and balances with banks and related companies	669,000	25,504	694,504
Loans to non-bank customers	81,651	6,299	87,950
Derivative financial assets	12	–	12
Investment securities	82,626	–	82,626
Others	10,317	22	10,339
Total assets	1,009,711	31,825	1,041,536
Deposits and balances of non-bank customers	803,421	17,943	821,364
Deposits and balances of related companies, and bills and drafts payable	9,058	11,599	20,657
Derivative financial liabilities	9	–	9
Others	2,255	128	2,383
Total liabilities	814,743	29,670	844,413
Net on-balance sheet open position	194,968	2,155	
Net off-balance sheet open position	873	(873)	
Net open position	195,841	1,282	

Notes to the Financial Statements

for the financial year ended 31 December 2012

31. Financial Risk Management (continued)

(b) Foreign Exchange Risk (continued)

	The Group		
	Singapore dollars \$'000	Others \$'000	Total \$'000
2011			
Cash, balances and placements with central bank	28,111	3	28,114
Singapore Government treasury bills and securities	61,030	–	61,030
Placements and balances with banks and related companies	772,000	29,332	801,332
Loans to non-bank customers	87,589	9,682	97,271
Derivative financial assets	4	–	4
Others	10,557	31	10,588
Total assets	959,291	39,048	998,339
Deposits and balances of non-bank customers	749,305	17,180	766,485
Deposits and balances of related companies, and bills and drafts payable	10,034	21,799	31,833
Derivative financial liabilities	2	–	2
Others	2,455	133	2,588
Total liabilities	761,796	39,112	800,908
Net on-balance sheet open position	197,495	(64)	
Net off-balance sheet open position	(17)	17	
Net open position	197,478	(47)	

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

(c) Interest Rate Risk

Interest rate risk is the impact to earnings and economic value of the Group due to 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.

Notes to the Financial Statements

for the financial year ended 31 December 2012

31. Financial Risk Management (continued)

(c) Interest Rate Risk (continued)

The table below shows the Group's sensitivity to interest rates by time band based on the earlier of contractual repricing dates and maturity dates. Actual repricing dates may differ from contractual repricing dates due to prepayment of loans or early withdrawal of deposits.

	The Group							Total \$'000
	Up to 7 days \$'000	Over 7 days to 1 month \$'000	Over 1 to 3 months \$'000	Over 3 to 12 months \$'000	Over 1 to 3 years \$'000	Over 3 years \$'000	Non- interest bearing \$'000	
2012								
Cash, balances and placements with central bank	-	-	-	-	-	-	25,144	25,144
Singapore Government treasury bills and securities	-	101,000	-	1,000	-	36,000	2,961	140,961
Placements and balances with banks and related companies	174,504	150,000	170,000	200,000	-	-	-	694,504
Loans to non-bank customers	21,117	51,715	14,585	9,481	2,671	-	(11,619)	87,950
Derivative financial assets	-	-	-	-	-	-	12	12
Investment securities	-	-	-	2,000	56,500	20,500	3,626	82,626
Others	-	-	-	-	-	-	10,339	10,339
Total assets	195,621	302,715	184,585	212,481	59,171	56,500	30,463	1,041,536
Deposits and balances of non- bank customers	375,863	39,582	110,467	87,117	12,036	260	196,039	821,364
Deposits and balances of related companies, and bills and drafts payable	12,191	-	-	-	-	-	8,466	20,657
Derivative financial liabilities	-	-	-	-	-	-	9	9
Others	-	-	40	-	-	-	2,343	2,383
Total liabilities	388,054	39,582	110,507	87,117	12,036	260	206,857	844,413
Total equity	-	-	-	-	-	-	197,123	197,123
Net on-balance sheet position	(192,433)	263,133	74,078	125,364	47,135	56,240	(373,517)	
Net off-balance sheet position	-	-	(10)	10	-	-	-	
Net interest rate sensitivity gap	(192,433)	263,133	74,068	125,374	47,135	56,240	(373,517)	

Notes to the Financial Statements

for the financial year ended 31 December 2012

31. Financial Risk Management (continued)

(c) Interest Rate Risk (continued)

	The Group							Total \$'000
	Up to 7 days \$'000	Over 7 days to 1 month \$'000	Over 1 to 3 months \$'000	Over 3 to 12 months \$'000	Over 1 to 3 years \$'000	Over 3 years \$'000	Non- interest bearing \$'000	
2011								
Cash, balances and placements with central bank	3,374	–	–	–	–	–	24,740	28,114
Singapore Government treasury bills and securities	–	–	–	19,000	–	39,000	3,030	61,030
Placements and balances with banks and related companies	137,060	253,899	410,398	–	–	–	(25)	801,332
Loans to non-bank customers	23,487	52,642	22,817	5,749	4,185	–	(11,609)	97,271
Derivative financial assets	–	–	–	–	–	–	4	4
Others	–	–	–	–	–	–	10,588	10,588
Total assets	163,921	306,541	433,215	24,749	4,185	39,000	26,728	998,339
Deposits and balances of non- bank customers	347,459	49,179	82,335	74,734	24,617	3,847	184,314	766,485
Deposits and balances of related companies, and bills and drafts payable	23,167	–	–	–	–	–	8,666	31,833
Derivative financial liabilities	–	–	–	–	–	–	2	2
Others	–	–	38	–	–	–	2,550	2,588
Total liabilities	370,626	49,179	82,373	74,734	24,617	3,847	195,532	800,908
Total equity	–	–	–	–	–	–	197,431	197,431
Net on-balance sheet position	(206,705)	257,362	350,842	(49,985)	(20,432)	35,153	(366,235)	
Net off-balance sheet position	(1)	(2)	3	–	–	–	–	
Net interest rate sensitivity gap	(206,706)	257,360	350,845	(49,985)	(20,432)	35,153	(366,235)	

Notes to the Financial Statements

for the financial year ended 31 December 2012

31. Financial Risk Management (continued)

(c) Interest Rate Risk (continued)

The economic value of equity ("EVE") sensitivity at 100 and 200 basis points parallel interest rate shocks were negative \$3.8 million and negative \$7.3 million (2011: negative \$1.9 million and negative \$3.5 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 is generally based on the earliest possible repricing dates, taking into account the notice period to be served to the customers. Loan prepayment is generally estimated based on past statistics and trends where possible and material.

(d) 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.

Notes to the Financial Statements

for the financial year ended 31 December 2012

31. Financial Risk Management (continued)

(d) Liquidity Risk (continued)

- (i) The following table shows the cashflow analysis of the Group's assets and liabilities by remaining contractual maturities on an undiscounted basis. Actual maturity dates may differ from contractual maturity dates due to behavioural patterns such as prepayment of loans. 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							Total \$'000
	Up to 7 days \$'000	Over 7 days to 1 month \$'000	Over 1 to 3 months \$'000	Over 3 to 12 months \$'000	Over 1 to 3 years \$'000	Over 3 years \$'000	No specific maturity \$'000	
2012								
Cash, balances and placements with central bank	2,016	(821)	-	-	-	-	23,949	25,144
Singapore Government treasury bills and securities	-	101,000	134	1,627	1,523	39,535	2,961	146,780
Placements and balances with banks and related companies	174,569	150,113	170,130	200,187	-	-	-	694,999
Loans to non- bank customers	705	7,327	4,891	10,157	12,959	64,415	440	100,894
Derivative financial assets	-	-	-	-	-	-	12	12
Investment securities	-	-	313	3,946	60,067	20,974	3,626	88,926
Others	-	-	-	-	-	178	8,907	9,085
Total assets	177,290	257,619	175,468	215,917	74,549	125,102	39,895	1,065,840
Deposits and balances of non-bank customers	571,241	39,678	110,849	87,577	12,117	930	-	822,392
Deposits and balances of related companies, and bills and drafts payable	20,657	-	-	-	-	-	-	20,657
Derivative financial liabilities	-	-	-	-	-	-	9	9
Others	909	-	(9)	49	-	-	839	1,788
Total liabilities	592,807	39,678	110,840	87,626	12,117	930	848	844,846
Total equity	-	-	-	-	-	-	197,123	197,123
Net on-balance sheet position	(415,517)	217,941	64,628	128,291	62,432	124,172	(158,076)	
Net off-balance sheet position	(3,093)	-	(323)	(550)	-	-	-	
Net maturity mismatch	(418,610)	217,941	64,305	127,741	62,432	124,172	(158,076)	

Notes to the Financial Statements

for the financial year ended 31 December 2012

31. Financial Risk Management (continued)

(d) Liquidity Risk (continued)

(i) (continued)

	The Group							Total \$'000
	Up to 7 days \$'000	Over 7 days to 1 month \$'000	Over 1 to 3 months \$'000	Over 3 to 12 months \$'000	Over 1 to 3 years \$'000	Over 3 years \$'000	No specific maturity \$'000	
2011								
Cash, balances and placements with central bank	5,612	(475)	–	–	–	–	22,977	28,114
Singapore Government treasury bills and securities	–	–	184	20,155	1,723	43,772	3,030	68,864
Placements and balances with banks and related companies	137,062	254,113	410,847	–	–	–	(25)	801,997
Loans to non-bank customers	1,468	8,081	10,184	8,827	13,524	69,678	(53)	111,709
Derivative financial assets	–	–	–	–	–	–	4	4
Others	–	–	–	–	–	8,860	660	9,520
Total assets	144,142	261,719	421,215	28,982	15,247	122,310	26,593	1,020,208
Deposits and balances of non-bank customers	531,181	49,299	82,524	75,203	24,897	4,481	–	767,585
Deposits and balances of related companies, and bills and drafts payable	31,833	–	–	–	–	–	–	31,833
Derivative financial liabilities	–	–	–	–	–	–	2	2
Others	890	–	38	–	–	–	1,120	2,048
Total liabilities	563,904	49,299	82,562	75,203	24,897	4,481	1,122	801,468
Total equity	–	–	–	–	–	–	197,431	197,431
Net on-balance sheet position	(419,762)	212,420	338,653	(46,221)	(9,650)	117,829	(171,960)	
Net off-balance sheet position ¹	(1,441)	(1)	4	–	–	–	–	
Net maturity mismatch	(421,203)	212,419	338,657	(46,221)	(9,650)	117,829	(171,960)	

¹ Profiling of undrawn commitments includes only committed credit facilities.

Notes to the Financial Statements

for the financial year ended 31 December 2012

31. Financial Risk Management (continued)

(d) Liquidity Risk (continued)

(i) (continued)

The Group is subject to liquidity requirements to support calls under outstanding contingent liabilities and undrawn credit facility commitments as disclosed in Notes 27 and 29. These have been incorporated in the net off-balance sheet position for the year ended 31 December 2012 and 2011. The total outstanding contractual amounts of these items 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 because many of the contingent liabilities (such as letters of credit) are reimbursable by customers. The behavioural adjustments based on historical trends are disclosed in Note 31d(ii).

(ii) The table on the next page shows the cashflow analysis of the Group's assets and liabilities with behavioural adjustments on significant balance sheet items on an undiscounted basis. The maturity profile for loans and deposits that do not have maturity dates, and fixed deposits that are frequently rolled over, is estimated based on past statistics and historical trends wherever possible.

Notes to the Financial Statements

for the financial year ended 31 December 2012

31. Financial Risk Management (continued)

(d) Liquidity Risk (continued)

(ii) (continued)

	The Group					Total \$'000
	Up to 7 days \$'000	Over 7 days to 1 month \$'000	Over 1 to 3 months \$'000	Over 3 to 12 months \$'000	Over 1 year \$'000	
2012						
Cash, balances and placements with central bank	2,016	(821)	–	–	23,949	25,144
Singapore Government treasury bills and securities	–	101,000	134	1,627	44,019	146,780
Placements and balances with banks and related companies	174,569	150,113	170,130	200,187	–	694,999
Loans to non-bank customers	1,966	8,993	5,565	12,606	68,625	97,755
Derivative financial assets	–	–	–	–	12	12
Investment securities	–	–	313	3,946	84,667	88,926
Others	–	–	–	–	9,085	9,085
Total assets	178,551	259,285	176,142	218,366	230,357	1,062,701
Deposits and balances of non-bank customers ¹	33,939	46,621	–	–	740,804	821,364
Deposits and balances of related companies, and bills and drafts payable	20,478	179	–	–	–	20,657
Derivative financial liabilities	–	–	–	–	9	9
Others	909	–	(9)	49	839	1,788
Total liabilities	55,326	46,800	(9)	49	741,652	843,818
Total equity	–	–	–	–	197,123	197,123
Net on-balance sheet position	123,225	212,485	176,151	218,317	(708,418)	
Net off-balance sheet position	(579)	(1,021)	(479)	(550)	–	
Net maturity mismatch	122,646	211,464	175,672	217,767	(708,418)	

¹ Excludes interest cashflows which are negligible within the time horizon against which the Bank manages its liquidity risk.

Notes to the Financial Statements

for the financial year ended 31 December 2012

31. Financial Risk Management (continued)

(d) Liquidity Risk (continued)

(ii) (continued)

	The Group					Total \$'000
	Up to 7 days \$'000	Over 7 days to 1 month \$'000	Over 1 to 3 months \$'000	Over 3 to 12 months \$'000	Over 1 year \$'000	
2011						
Cash, balances and placements with central bank	5,612	(475)	–	–	22,977	28,114
Singapore Government treasury bills and securities	–	–	184	20,155	48,525	68,864
Placements and balances with banks and related companies	137,062	254,113	410,847	–	(25)	801,997
Loans to non-bank customers	2,817	10,073	11,349	13,187	68,607	106,033
Derivative financial assets	–	–	–	–	4	4
Others	–	170	–	–	9,350	9,520
Total assets	145,491	263,881	422,380	33,342	149,438	1,014,532
Deposits and balances of non-bank customers ¹	31,733	35,635	–	–	699,117	766,485
Deposits and balances of related companies, and bills and drafts payable	31,599	234	–	–	–	31,833
Derivative financial liabilities	–	–	–	–	2	2
Others	11	–	38	–	1,999	2,048
Total liabilities	63,343	35,869	38	–	701,118	800,368
Total equity	–	–	–	–	197,431	197,431
Net on-balance sheet position	82,148	228,012	422,342	33,342	(749,111)	
Net off-balance sheet position	(67)	(79)	4	–	–	
Net maturity mismatch	82,081	227,933	422,346	33,342	(749,111)	

¹ Excludes interest cashflows which are negligible within the time horizon against which the Bank manages its liquidity risk.

Notes to the Financial Statements

for the financial year ended 31 December 2012

32. Capital Management

The Group's capital management objective is to maintain an optimal level of capital. Policies are set to ensure that the capital maintained is adequate to support business growth, taking into consideration regulatory requirements and the underlying risks 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 Group's Tier 1 capital comprises mainly share capital, reserves and retained earnings, and Tier 2 capital comprises collective impairment allowance. Risk-weighted assets include both on-balance sheet and off-balance sheet exposures adjusted for credit, market and operational risks.

	The Group	
	2012	2011
	\$'000	\$'000
Tier 1 capital		
Share capital	100,011	100,011
Disclosed reserves/others	95,630	96,479
Eligible Tier 1 capital	195,641	196,490
Tier 2 capital		
Cumulative collective impairment/others	1,360	1,383
Eligible total capital	197,001	197,873
Risk-weighted assets	235,175	223,874
Capital adequacy ratios (%)		
Core Tier 1/Tier 1	83.2	87.8
Total	83.8	88.4

33. Related Party Transactions

All related party transactions of the Group were done in the ordinary course of business and have been disclosed in the relevant notes to the financial statements.

34. Authorisation of Financial Statements

The financial statements were authorised for issue by the Board of Directors on 27 February 2013.

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 **Fifty-Fourth 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, 24 April 2013, at 11.00 am to transact the following business:

AS ORDINARY BUSINESS

Resolution 1 To receive the Financial Statements, Directors' Report and Auditors' Report for the year ended 31 December 2012.

Resolution 2 To declare a first and final one-tier tax-exempt dividend of two cents per share for the year ended 31 December 2012.

Resolution 3 To approve Directors' fees of \$64,375 for 2012 (2011: \$55,000).

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 Mr Wong Meng Meng

To pass the following resolution under Section 153(6) of the Companies Act, Chapter 50 of Singapore (**Companies Act**):

"THAT pursuant to Section 153(6) of the Companies Act, 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 Professor Cham Tao Soon

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, Chapter 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 ten per cent of the issued shares in the capital of the Company for the time being."

Notice of Annual General Meeting

Notes to Resolutions

- Resolution 2** is to approve a first and final dividend. The Transfer Books and Register of Members will be closed from 8 April 2013 to 9 April 2013, both dates inclusive, for the preparation of dividend warrants. Registrable transfers received up to 5.00 pm on 5 April 2013 will be entitled to the dividend. If approved, the first and final dividend will be paid on 29 April 2013.
- Resolution 5** is to re-elect Mr Wee Ee Cheong who will, if re-elected, remain as the non-independent Deputy Chairman and Chief Executive Officer, a member of the Executive Committee, and an alternate member of the Nominating Committee.
- Resolution 6** is to re-elect Mr Wong Meng Meng who will, if re-elected, remain as the non-independent Chairman of the Nominating Committee.
- Resolution 7** is to re-appoint Dr Wee Cho Yaw who will, if re-appointed, be Chairman Emeritus and remain as the non-independent Chairman of the Executive and Remuneration Committees and a member of the Nominating Committee.
- Resolution 8** is to re-appoint Professor Cham Tao Soon who will, if re-appointed, remain as a non-independent member of the Executive, Nominating and Remuneration Committees.
- 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 ten per cent of the issued shares in the capital of the Company for the time being. This approval will expire at the conclusion of the next Annual General Meeting. The Directors will 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, 2 April 2013

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.

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Proxy Form



**Far Eastern
Bank**
遠東銀行

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

Number of Shares

I/We _____ (Name), NRIC/Passport No. _____
of _____ (Address)

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

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

and/or *

Name	NRIC/Passport No.	Proportion of Shareholdings	
		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 **Fifty-Fourth Annual General Meeting** of members of the Company, to be held at the Penthouse of United Overseas Bank Limited, 80 Raffles Place, 61st Storey, UOB Plaza 1, Singapore 048624 on Wednesday, 24 April 2013 at 11.00 am 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 and Auditors' Report		
Resolution 2	Final Dividend		
Resolution 3	Directors' Fees		
Resolution 4	Auditors and their remuneration		
Resolution 5	Re-election (Mr Wee Ee Cheong)		
Resolution 6	Re-election (Mr Wong Meng Meng)		
Resolution 7	Re-appointment (Dr Wee Cho Yaw)		
Resolution 8	Re-appointment (Professor Cham Tao Soon)		
Resolution 9	Authority to issue shares (General)		

Dated this _____ day of _____ 2013

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 initialled by the person who signs it.

FEB

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

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Far Eastern Bank Limited | Company Registration No.: 195800116D

Head Office | 80 Raffles Place, UOB Plaza, Singapore 048624 | Phone: (65) 6533 9898 Fax: (65) 6534 2334

www.UOBGroup.com