



The Dune
Goh Beng Kwan



The Dune, by Singapore's Cultural Medallion recipient Mr Goh Beng Kwan, is part of the UOB Art Collection. The artwork is the winning piece at the inaugural UOB Painting Of The Year ("POY") Competition in 1982, and was inspired by a dune in a small town in Massachusetts, USA, where Mr Goh had studied to be an artist. The UOB POY Competition and Exhibition is a flagship event under the corporate social responsibility programme of United Overseas Bank Limited.

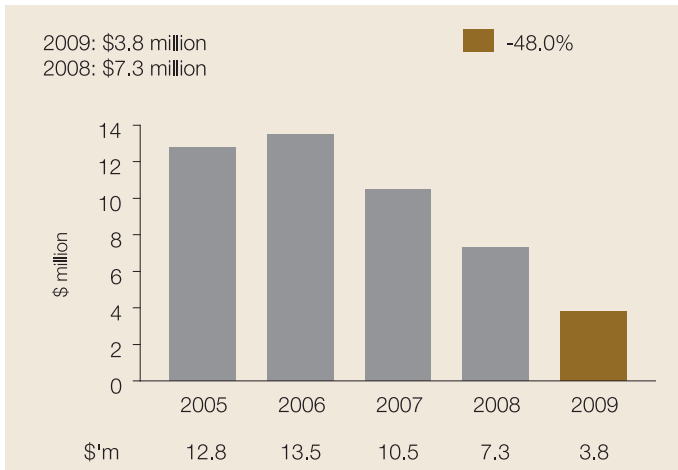
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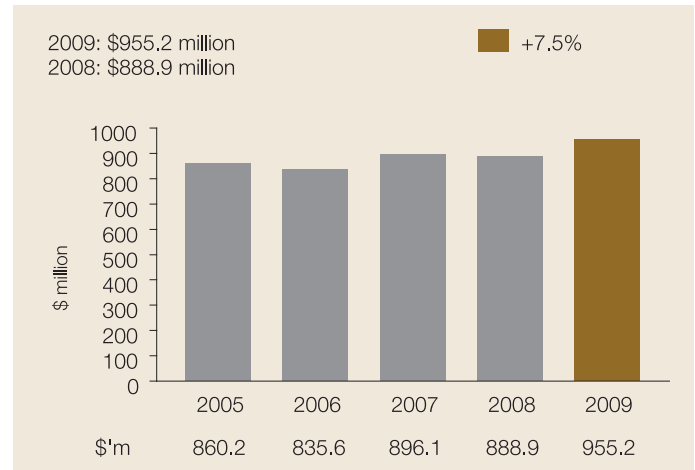
All figures in the Annual Report are in Singapore dollars unless otherwise specified.

Financial highlights

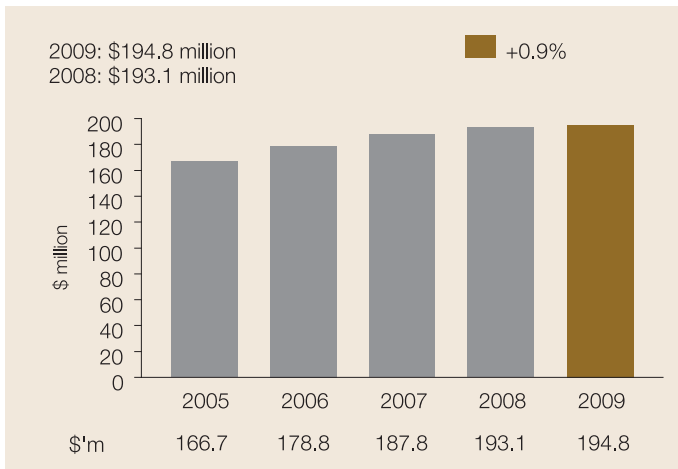
Net profit after tax



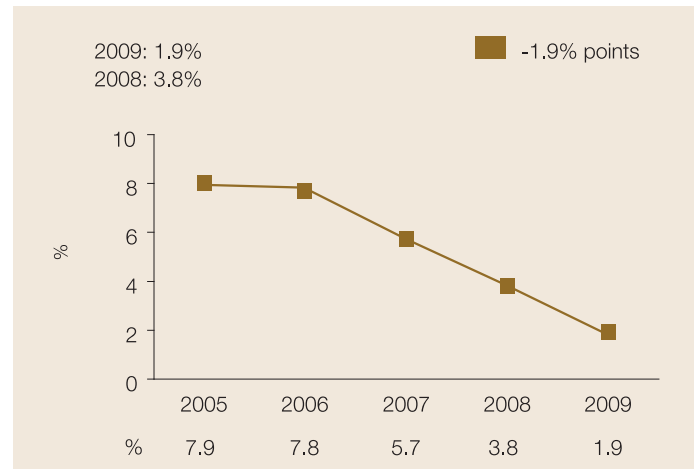
Total assets



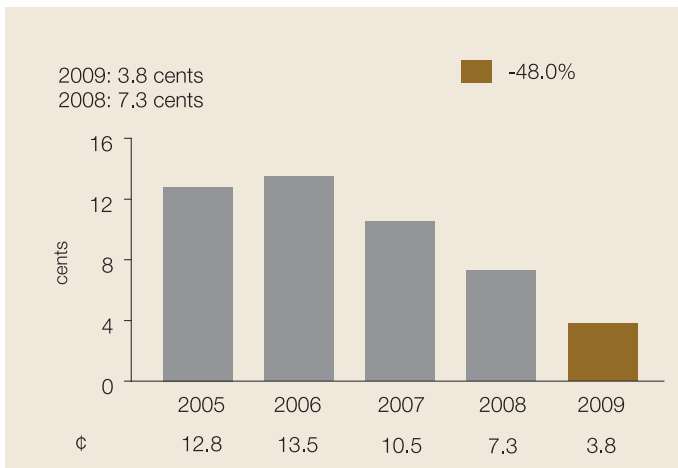
Shareholders' equity



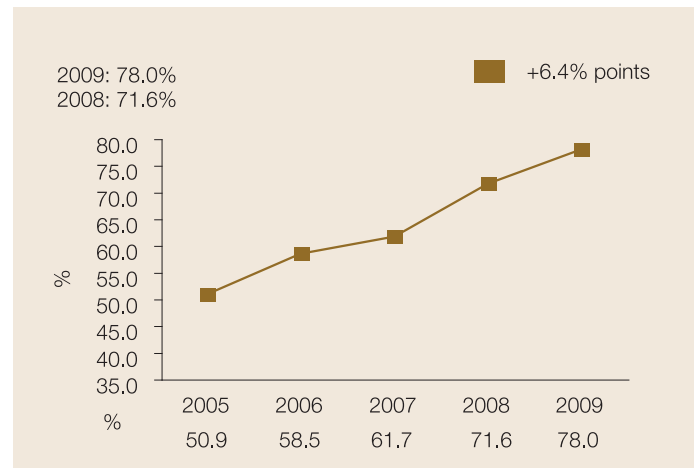
Return on average shareholders' equity



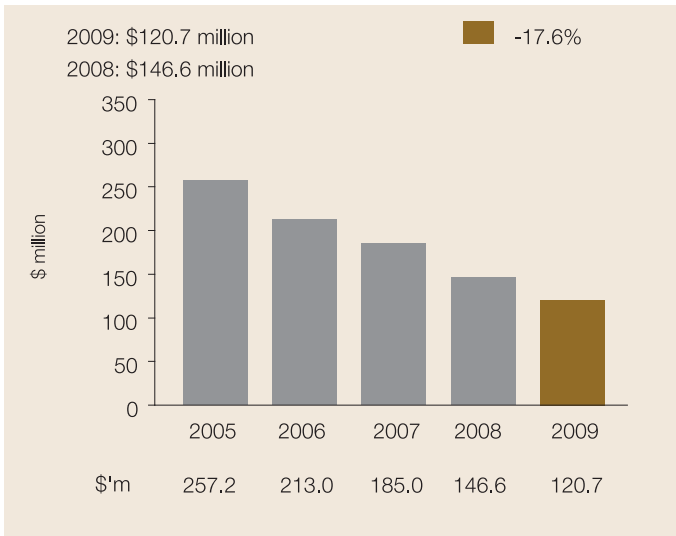
Earnings per share



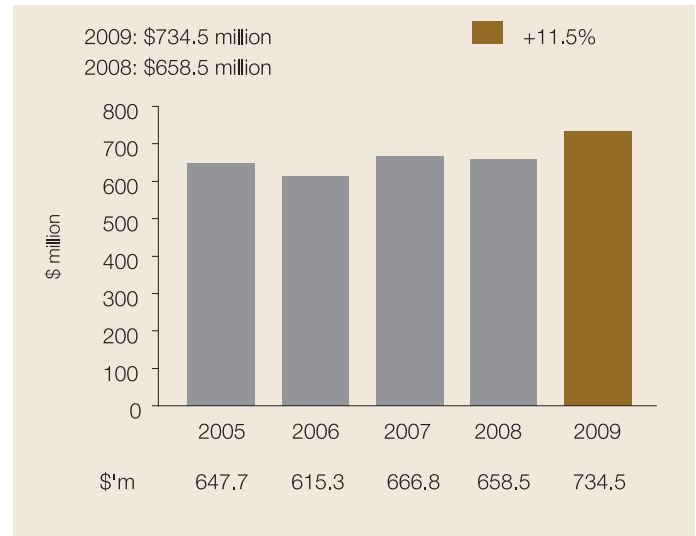
Capital adequacy ratio



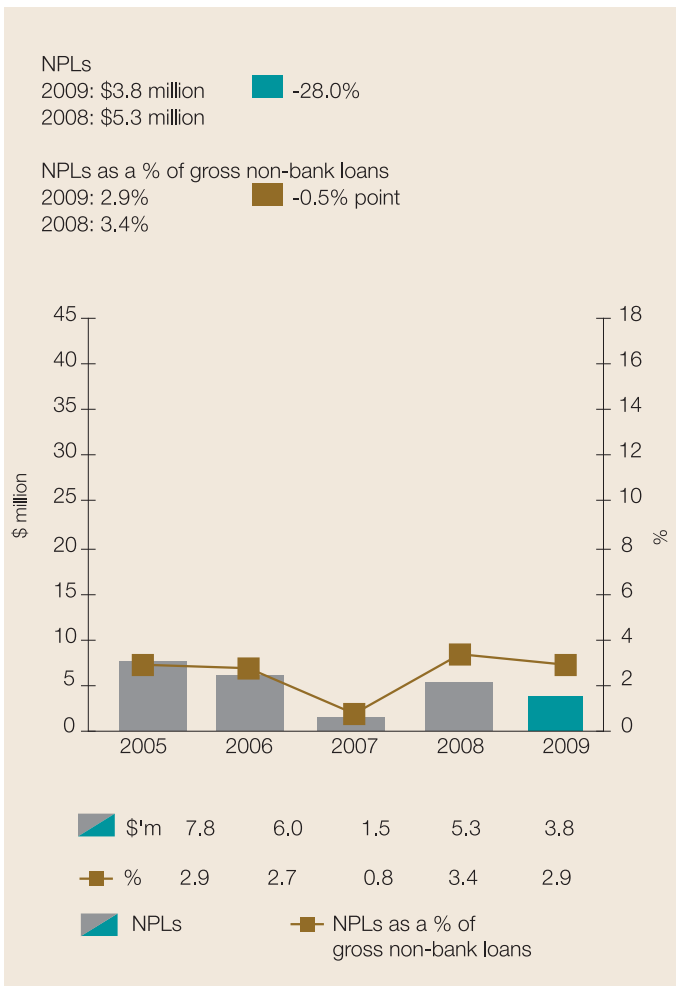
Customer loans



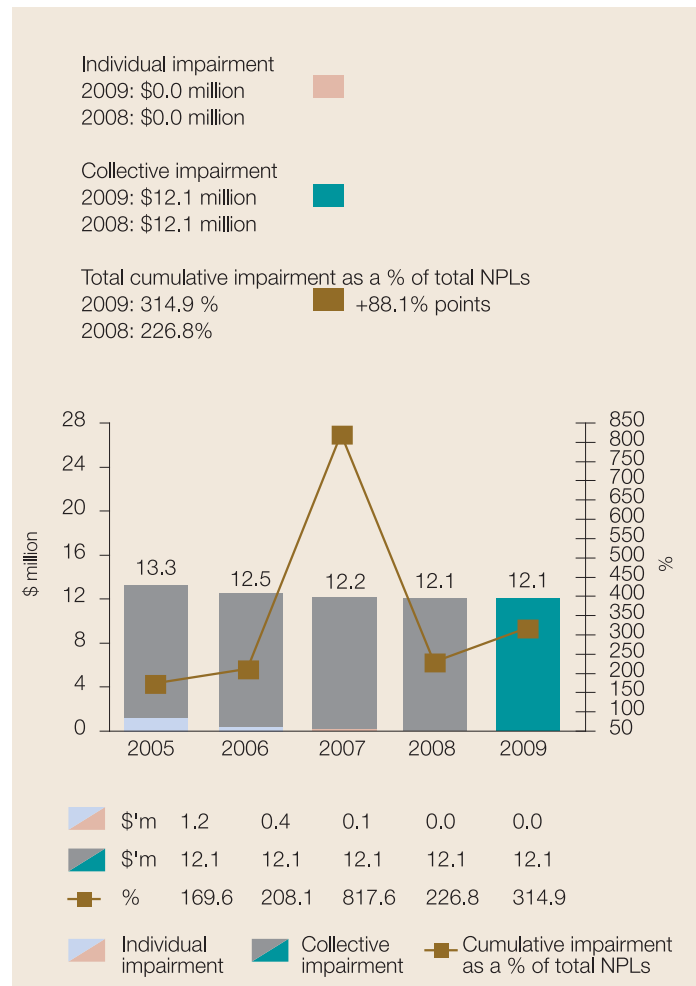
Customer deposits



Total non-performing loans (NPLs)



Total cumulative impairment



Chairman's statement



“We will continue to leverage the strengths of the United Overseas Bank Group to improve and expand our products and services to our customers.”

In anticipation of a global recession, Singapore started 2009 with concerns of a GDP contraction of as much as 9%. However, the worst-case scenario was averted, largely due to a massive \$20.5 billion government stimulus package tailored to save jobs and to assist financially-strapped small and medium enterprises (“SMEs”). Singapore ended the challenging year with an economic contraction of 2%.

The Far Eastern Bank (“FEB”) Group was severely affected by the business downturn because of its small size and its large SME base. The Group’s after tax profit fell by 48% to \$3.8 million (2008: \$7.3 million). Total income fell by 22% to \$15.3 million (2008: \$19.5 million) largely due to lower net interest income from inter-bank balances, lower loan volume and securities. Although non-performing loans decreased from \$5.3 million to \$3.8 million, impairment increased as there was lower write-back during the year.

On the positive side, non-bank deposits improved by 11.5% to \$734 million (2008: \$658 million), while total assets rose from \$889 million to \$955 million, and shareholders’ equity increased from \$193 million to \$195 million during the year. The lower loan portfolio was offset by better non-interest income as well as the Bank’s cost control efforts.

The Board proposes to transfer \$1 million to reserves, and to recommend a first and final dividend of 2 cents per share for the financial year ended 31 December 2009.

Signs of “green shoots” in the last quarter of 2009 have raised optimism about the global business outlook. Although Asia is expected to outperform the developed economies, much will depend on business recovery in the US and Europe, as well as the sustainability of China’s rapid pace of growth. Singapore is projecting GDP growth of 4.5% to 6.5% in 2010.

The Group intends to maximise all opportunities in the improving business environment. We will continue to leverage the strengths of the United Overseas Bank Group to improve and expand our products and services to our customers. As a small bank, we will continue to ensure that effective risk management and good corporate governance are maintained.

It has been a difficult past year for the Group, and I would like to thank the Board members for their wise counsel, management and staff for their understanding and contributions, and our customers for their continuing support.

Wee Cho Yaw
February 2010

Board of directors

Wee Cho Yaw

Chairman

Age 81. Dr Wee has been the Chairman and Chief Executive Officer (“CEO”) of United Overseas Bank (“UOB”) since 1974. He relinquished his position as CEO on 27 April 2007. He was appointed Chairman of the Far Eastern Bank Board on 17 August 1984 and last re-appointed as Director on 29 April 2009. He is the Chairman of the FEB Executive and Remuneration Committees, and a member of the Nominating Committee.

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

Dr Wee was conferred the Businessman of the Year award twice 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. In 2009, he was conferred the Lifetime Achievement Award by The Asian Banker. Dr Wee is the Honorary President of Singapore Chinese Chamber of Commerce & Industry, Pro-Chancellor of Nanyang Technological University and President of Singapore Federation of Chinese Clan Associations. He received Chinese high school education and was conferred Honorary Doctor of Letters by the National University of Singapore in 2008.

Wee Ee Cheong

Deputy Chairman & Chief Executive Officer

Age 57. Mr Wee was appointed to the Board on 3 January 1990. He was last re-elected as Director on 29 April 2009 and is a member of the Bank’s Executive Committee.

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

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

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

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

Wee Cho Yaw



Wee Ee Cheong



Board of directors

Wong Meng Meng



Wong Meng Meng

Age 61. Mr Wong was appointed to the Board on 24 March 2000 and last re-elected as Director on 30 April 2008. An independent and non-executive director, Mr Wong is the Chairman of the Bank's Nominating Committee.

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

Mr Wong has consistently been acknowledged as one of the world's leading lawyers in leading 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, amongst others.

Yeo Liat Kok Philip

Age 63. Mr Yeo was appointed to the Board on 26 May 2000 and last re-elected as Director on 27 April 2007. An independent and non-executive director, he is a member of the Bank's Executive, Nominating and Remuneration Committees.

Mr Yeo is the Special Advisor for Economic Development in the Prime Minister's Office and Chairman of SPRING Singapore. Recognised for his contributions to Singapore's economic development and pioneering role in promoting and developing the country's information technology, semiconductor, chemical and pharmaceutical industries, Mr Yeo brings to the Bank wide government and private sector experience over a 35-year career.

He is the Chairman of Accuron Technologies Pte Ltd, MTIC Holdings Pte Ltd, Singapore Aerospace Manufacturing Pte Ltd, Ascendas Property Fund Trustee Pte Ltd and Hexagon Development Advisors. He is the former Chairman of the Agency for Science, Technology & Research (A*STAR), and Dornier MedTech GmbH. Mr Yeo also serves on the board of United Overseas Bank.

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

Yeo Liat Kok Philip



Cham Tao Soon

Age 70. Prof Cham was appointed to the Board on 6 April 2001 and last re-elected as Director on 29 April 2009. An independent and non-executive director, he is a member of the Bank's Executive, Nominating and Remuneration Committees. Prof Cham is a director of United Overseas Bank ("UOB") and United Overseas Bank (China), a UOB subsidiary. He is the Chairman of NSL Ltd, MFS Technology, Singapore Symphonia Company and Singapore-China Foundation, and Deputy Chairman of Singapore Press Holdings. He is a director of WBL Corporation, Soup Restaurant Group and Singapore International Foundation. He is a former Director of Adroit Innovations, Keppel Corporation, Land Transport Authority, TPA Strategic Holdings and Robinson & Company.

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

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

Ngiam Tong Dow

Age 72. Mr Ngiam was appointed to the Board on 3 February 2005 and last re-appointed as Director on 29 April 2009. An independent and non-executive director, he is a member of the Bank's Executive and Nominating Committees.

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

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

Cham Tao Soon



Ngiam Tong Dow



Corporate governance

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

Board's Conduct of its Affairs

The Board provides entrepreneurial guidance and strategic direction to the Company.

The Board's main duties are to:

- 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 Executive, Nominating and Remuneration Committees assist the Board in the discharge of specific duties. The composition and functions of these board committees are set out in the subsequent pages of this report.

Board Composition and Independence

The Board members are:

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

The Board is of the view that the Board's present size of six is adequate.

The Nominating Committee ("NC") has reviewed the directors' background and is satisfied that they have the necessary expertise to act as bank directors. Information on the directors' background can be found on pages 5 to 7.

The Bank has a budget for directors' continual education and training.

Directors may obtain independent professional advice whenever necessary for the discharge of their duties.

The NC has reviewed the need to appoint a lead independent director. Having considered that all directors are readily available and accessible to address shareholders' concerns, the NC is of the view that it is unnecessary to appoint a lead independent director. Moreover, the Bank has an established process for handling complaints.

Board Meetings

The Board holds four scheduled meetings a year and additional meetings when necessary. The directors' meeting attendance record is set out on page 10.

The Chairman is responsible for ensuring that comprehensive financial and operational reports are provided to directors before meetings. In addition, directors may seek clarification on any matter or obtain additional information from management to whom they have direct access.

The Company Secretary updates the Board on changes in relevant laws and regulations and corporate governance matters.

Board Committees

The Board is assisted by the Executive Committee, Nominating Committee and Remuneration Committee.

The Executive Committee ("EXCO") is delegated certain discretionary limits and authority for approval of loans and other credit facilities, and for incurring of capital expenditure within the approved limits. The EXCO reviews the Bank's annual budget and business plans and is also responsible for overseeing the Bank's risk management processes. In 2009, the EXCO met 11 times.

The members of the EXCO are:

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

Corporate governance

The Nominating Committee (“NC”) reviews nominations of directors for appointment to the Board and board committees, and nominations for the key positions of CEO, President and Chief Financial Officer. The NC also assesses the independence and performance of directors and the Board. Directors’ performance are assessed based on a range of criteria such as attendance record, overall preparedness, participation, candour, and clarity in communication, expertise, strategic insight, financial literacy, business judgement and sense of accountability.

In reviewing the nominations for appointment of directors, the NC considers, among other things, the nominee’s skills, personal qualities, and his/her commitment.

The Board reviews the NC composition annually.

Mr Wong Meng Meng, an independent director, chairs the NC. The NC members are:

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

The Remuneration Committee (“RC”) reviews and recommends a sum to be paid as directors’ fees to the Board each year. The proposed fees are submitted to shareholders for approval at the annual general meeting. Directors who have additional responsibilities such as acting as chairman or members of board committees receive a higher portion of the approved fees. Directors’ fees and remuneration are disclosed in the Directors’ Report on page 25.

The Bank’s parent, United Overseas Bank (“UOB”), manages the Bank’s operations and provides the necessary infrastructure, services and management oversight for which the Bank pays an annual management fee.

There is no immediate family member of a director in the employ of the Bank whose annual remuneration exceeds \$150,000.

The MAS Guidelines on Corporate Governance recommend that the RC should be chaired by an independent and non-executive director. The Banking Regulations 2005 also requires the chairman of the RC to be independent, but makes an exception for incumbents. Dr Wee Cho Yaw is the incumbent RC Chairman. Because of his vast experience in remuneration matters as the UOB Group Chairman, the Board regards him as the most suitable person to chair the RC.

The members of the RC are:

Wee Cho Yaw (<i>Chairman</i>)	Non-independent
Yeo Liat Kok Philip	Independent
Cham Tao Soon	Independent

The RC meets at least once a year.

The UOB Audit Committee (“UOB AC”) oversees the Bank’s audit matters. The UOB AC reviews, among other things, the Bank’s financial statements, the internal and external audit plans and audit reports, the external auditors’ evaluation of the system of internal accounting controls, the scope and results of the internal and external audit procedures, the adequacy of internal audit resources and the cost effectiveness, independence and objectivity of the external auditors. The UOB AC reports the results of its review of the internal and external auditors’ evaluation of internal control systems and risk management processes to the Board. Having reviewed the AC’s report, the Board was of the view that the Bank’s internal control systems, including financial, operational and compliance controls and risk management processes were adequate.

The UOB AC has nominated Ernst & Young LLP for re-appointment as the Bank’s auditors.

Internal Audit

UOB Group Internal Audit (“Group Audit”) provides internal audit services to the Bank. The Group Audit adopts a risk-based approach in its work.

Risk Management

The Bank regards risk management as an integral part of its business and has in place a framework to identify, manage and control risks in all areas of its business. The Board which is assisted by the EXCO, is responsible for the Bank’s overall risk management processes.

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

Communication with Shareholders

Relevant information is disseminated to shareholders by way of notices, circulars, announcements and annual reports. Shareholders have the opportunity to raise questions and communicate their views at general meetings.

Ethical Standards

The Bank has adopted the Code of Conduct issued by the Association of Banks in Singapore on standards of good banking practice and its own Code of Conduct. The Bank also has a Code on Dealings in Securities for directors and officers and a whistle blowing policy.

Directors' Attendance for 2009

Name of Directors	Number of meetings attended in 2009			
	Board of Directors	Executive Committee	Nominating Committee	Remuneration Committee
Wee Cho Yaw	4	11	2	1
Wee Ee Cheong	4	10	NA	NA
Wong Meng Meng	4	NA	2	NA
Yeo Liat Kok Philip	3	11	2	1
Cham Tao Soon	4	11	2	1
Ngiam Tong Dow	4	11	2	NA
No. of meetings held in 2009	4	11	2	1

NA: Not applicable

Group financial review

Review of financial performance

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Notes:

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

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

Group financial review

Review of financial performance

Highlights and performance indicators

	2009	2008	+ / (-) %
Summarised profit and loss (\$ million)			
Net interest income ("NII")	7.3	13.0	(43.6)
Non-interest income ("Non-NII")	7.9	6.5	21.6
Total income	15.3	19.5	(21.9)
Less: Total expenses	10.5	10.9	(4.2)
Operating profit before impairment charges	4.8	8.6	(44.4)
Less: Impairment/(Write-back) of impairment charges	0.1	(0.1)	185.9
Less: Tax	0.9	1.4	(36.2)
Net profit after tax	3.8	7.3	(48.0)
Key indicators			
Income mix (%):			
NII/Total income	48.1	66.7	(18.6)% points
Non-NII/Total income	51.9	33.3	18.6% points
	100.0	100.0	
Return on average shareholders' equity ("ROE") (%)	1.9	3.8	(1.9)% points
Basic earnings per share ("EPS") (cents)	3.8	7.3	(48.0)
Return on average total assets ("ROA") (%)	0.4	0.8	(0.4)% point
Net interest margin (%)	0.81	1.53	(0.72)% point
Expense/Income ratio (%)	68.7	56.0	12.7% points
Final dividend per share (cents)	2.0	2.0	–
Other indicators			
Customer loans (net) (\$ million)	120.7	146.6	(17.6)
Customer deposits (\$ million)	734.5	658.5	11.5
Loans/Deposits ratio ⁺ (%)	16.4	22.3	(5.9)% points
Non-performing loans ("NPLs") (\$ million)	3.8	5.3	(28.0)
Cumulative impairment (\$ million)	12.1	12.1	0.0
NPLs/Gross customer loans (%)	2.9	3.4	(0.5)% point
Cumulative impairment/NPLs (%)	314.9	226.8	88.1% points
Total assets (\$ million)	955.2	888.9	7.5
Shareholders' equity (\$ million)	194.8	193.1	0.9
Revaluation surplus* (\$ million)	72.1	80.6	(10.5)
Net asset value ("NAV") per share (\$)	1.95	1.93	1.0
Revalued NAV per share (\$)	2.67	2.74	(2.6)
Capital adequacy ratio (%)	78.0	71.6	6.4% points

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

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

Review of Group performance

The Group recorded a net profit after tax ("NPAT") of \$3.8 million for the financial year ended 31 December 2009, representing a decrease of 48.0% over the \$7.3 million recorded for the financial year ended 31 December 2008. The decrease in NPAT was mainly attributed to lower net interest income and impairment charges as opposed to a write-back, partially offset by higher rental income, lower income tax and operating expenses.

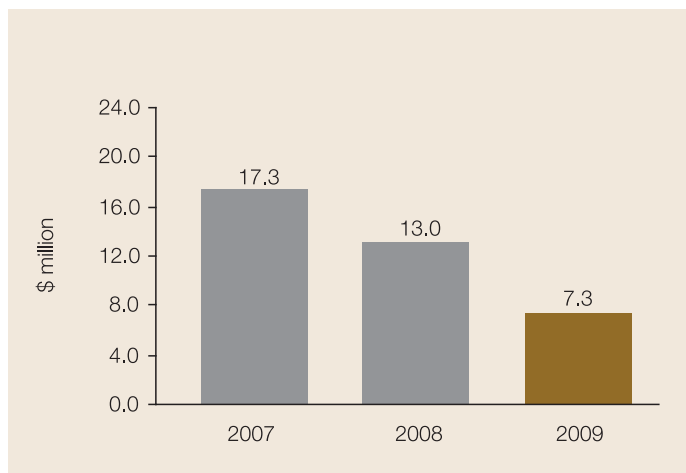
Net interest income

Net interest income for the Group decreased 43.6% to \$7.3 million in 2009 from \$13.0 million in 2008.

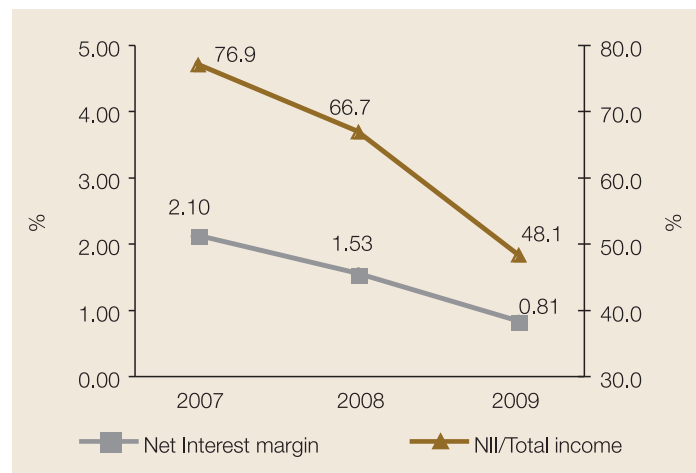
The drop in net interest income was mainly from inter-bank balances, loans and securities.

Net interest margin decreased 72 basis points to 0.81% in 2009 from 1.53% in 2008.

Net interest income



Net interest income (NII) ratios



Average interest rates and margin

	2009			2008		
	Average balance \$'000	Interest \$'000	Average interest rate %	Average balance \$'000	Interest \$'000	Average interest rate %
Total interest bearing assets	901,981	9,747	1.08	850,110	17,086	2.01
Total interest bearing liabilities	752,540	2,404	0.32	703,238	4,063	0.58
Net interest income		7,343			13,023	
Net interest margin ⁺			0.81			1.53

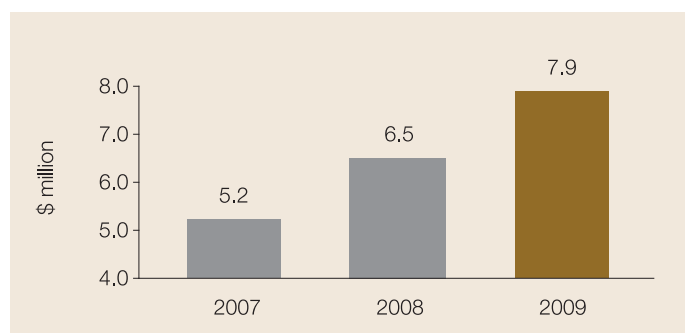
+ Net interest margin represents net interest income as a percentage of total interest bearing assets.

Group financial review

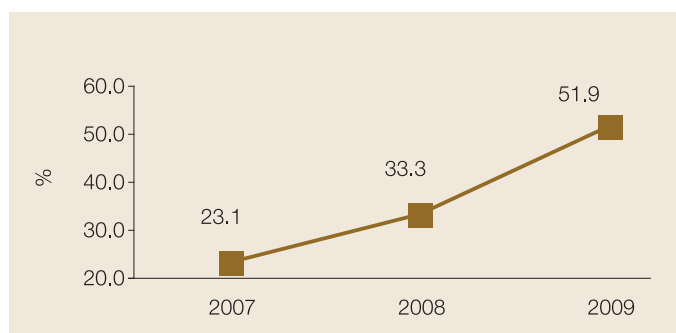
Non-interest income

The Group's non-interest income for 2009 accounted for 51.9% of total income. Total non-interest income increased by 21.6% to \$7.9 million in 2009 from \$6.5 million in 2008. The increase was mainly from higher rental income.

Non-interest income



Non-interest income/Total income



Composition of non-interest income

	2009 \$'000	2008 \$'000	+/(-) %
Fee and commission income			
Investment-related	45	60	(25.0)
Loan-related and trade-related	494	711	(30.5)
Other	431	440	(2.0)
	970	1,211	(19.9)
Dividend and rental income	5,810	4,205	38.2
Other operating income			
Net profit/(loss) from:			
Government securities	4	24	(83.3)
Foreign exchange	285	299	(4.7)
Other	853	777	9.8
	1,142	1,100	3.8
Total non-interest income	7,922	6,516	21.6

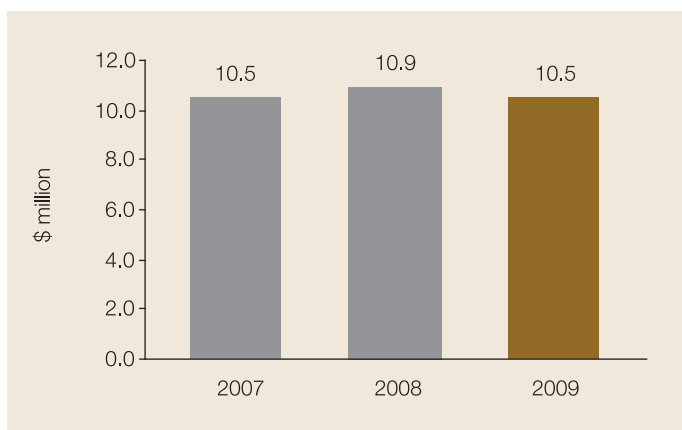
Operating expenses

Total operating expenses decreased to \$10.5 million in 2009 from \$10.9 million in 2008, mainly due to lower occupancy-related expenses and management fees payable to holding company.

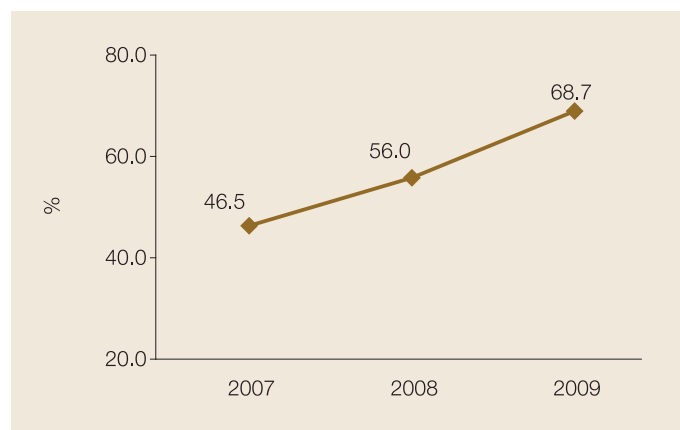
With the decrease in total income offset by the decrease in total expenses, the expense-to-income ratio of the Group increased 12.7% points to 68.7% in 2009 from 56.0% in 2008.

	2009 \$'000	2008 \$'000	+ / (-) %
Staff costs	605	713	(15.1)
Other operating expenses	9,877	10,223	(3.4)
Total operating expenses	10,482	10,936	(4.2)

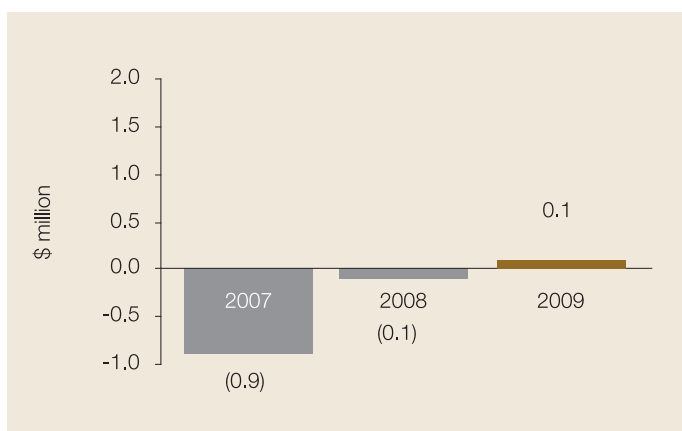
Total operating expenses



Expenses/Income



Impairment charged to profit and loss account



Impairment charged to profit and loss account

Total impairment charges of \$0.1 million in 2009 as opposed to a write-back of impairment of \$0.1 million in 2008 mainly on loans and properties.

	2009 \$'000	2008 \$'000	+ / (-) %
Individual impairment on			
Loans	(43)	(144)	(70.1)
Investments	-	(19)	100.0
Properties and other fixed assets	128	64	100.0
Total write-back of impairment charges	85	(99)	185.9

Group financial review

Overview of balance sheet

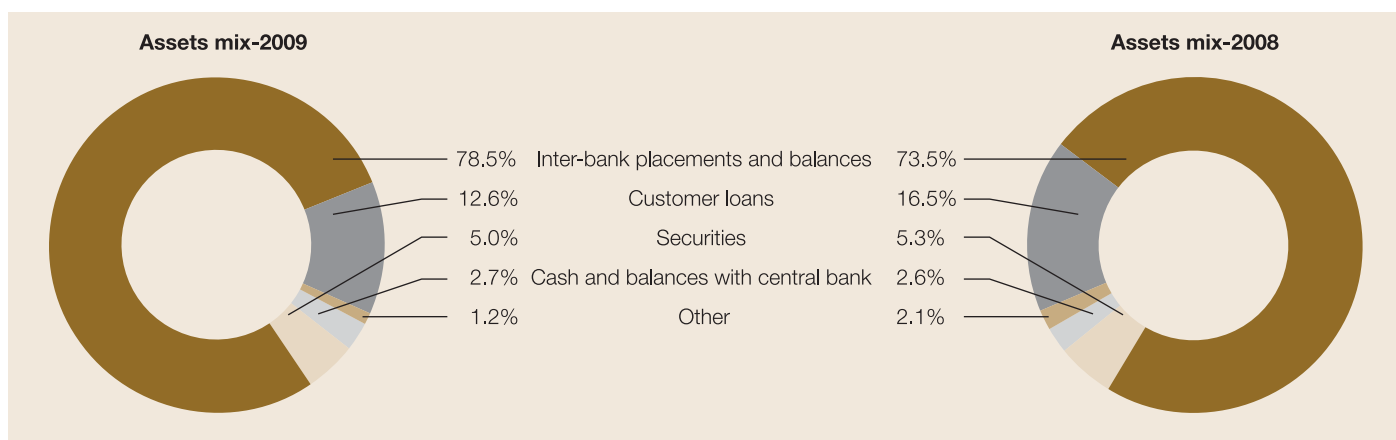
Total assets

Group total assets increased 7.5% to \$955.2 million as at 31 December 2009 from \$888.9 million as at 31 December 2008. The increase was primarily from inter-bank placement and balances, partially offset by decrease in customer loans.

Assets mix

	2009		2008	
	\$'000	%	\$'000	%
Cash and balances with central bank	25,746	2.7	22,658	2.6
Securities*	47,385	5.0	47,547	5.3
Inter-bank placements and balances	750,047	78.5	653,789	73.5
Customer loans	120,705	12.6	146,559	16.5
Other	11,366	1.2	18,377	2.1
Total assets	955,249	100.0	888,930	100.0

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



Securities

Securities held by the Group as at 31 December 2009 were \$47.3 million (2008: \$47.5 million), comprising mainly Singapore Government treasury bills and securities.

	2009		2008	
	\$'000	%	\$'000	%
Singapore Government treasury bills and securities	46,738	98.6	46,999	98.8
Quoted equity shares	647	1.4	548	1.2
Total securities	47,385	100.0	47,547	100.0

Customer loans

Net customer loans were lower at \$120.7 million as at 31 December 2009 compared to \$146.6 million as at 31 December 2008. The fall of \$25.9 million or 17.6% was mainly from overdrafts, housing loans and term loans.

Customer loans analysed by product group

	2009		2008	
	\$'000	%	\$'000	%
Housing loans	29,196	22.0	37,520	23.6
Term loans	60,365	45.5	66,620	42.0
Trade financing	15,580	11.7	18,214	11.5
Overdrafts	27,630	20.8	36,271	22.9
Total gross customer loans	132,771	100.0	158,625	100.0
Individual impairment	(7)		(7)	
Collective impairment	(12,059)		(12,059)	
Total net customer loans	120,705		146,559	

Gross customer loans analysed by industry

	2009		2008	
	\$'000	%	\$'000	%
Manufacturing	7,826	5.9	12,291	7.7
Building and construction	4,694	3.5	5,284	3.3
Housing loans	29,196	22.0	37,520	23.6
General commerce	42,173	31.8	44,712	28.2
Transport, storage and communication	1,733	1.3	2,165	1.4
Non-bank financial institutions	4,219	3.2	6,129	3.9
Professionals and private individuals	35,749	26.9	42,447	26.8
Other	7,181	5.4	8,077	5.1
Total gross customer loans	132,771	100.0	158,625	100.0

Gross customer loans analysed by currency and fixed/variable rates

	2009			2008		
	Fixed Rate \$'000	Variable Rate \$'000	Total \$'000	Fixed Rate \$'000	Variable Rate \$'000	Total \$'000
Singapore dollar	24,551	97,582	122,133	37,411	109,303	146,714
US dollar	6,251	191	6,442	6,507	179	6,686
Japanese yen	2,537	19	2,556	2,450	–	2,450
Other	1,640	–	1,640	2,775	–	2,775
Total gross customer loans	34,979	97,792	132,771	49,143	109,482	158,625

Group financial review

Gross customer loans analysed by remaining maturity

	2009		2008	
	\$'000	%	\$'000	%
Within 1 year	54,866	41.3	67,611	42.6
Over 1 year but within 3 years	15,191	11.5	17,048	10.8
Over 3 years but within 5 years	13,025	9.8	14,970	9.4
Over 5 years	49,689	37.4	58,996	37.2
Total gross customer loans	132,771	100.0	158,625	100.0

Deposits

Total deposits increased by 10.0% or \$68.6 million to \$755.7 million as at 31 December 2009 from \$687.2 million as at 31 December 2008, mainly attributed to higher current, savings accounts and other deposits.

Deposits analysed by product group

	2009		2008	
	\$'000	%	\$'000	%
Banker deposits	113	0.0	13	0.0
Customer deposits				
Fixed deposits	235,294	31.1	242,913	35.3
Current, savings and other deposits	499,185	66.1	415,545	60.5
	734,479	97.2	658,458	95.8
Fellow subsidiaries' deposits	2,362	0.3	1,953	0.3
Holding company's deposits	18,757	2.5	26,731	3.9
Total deposits	755,711	100.0	687,155	100.0

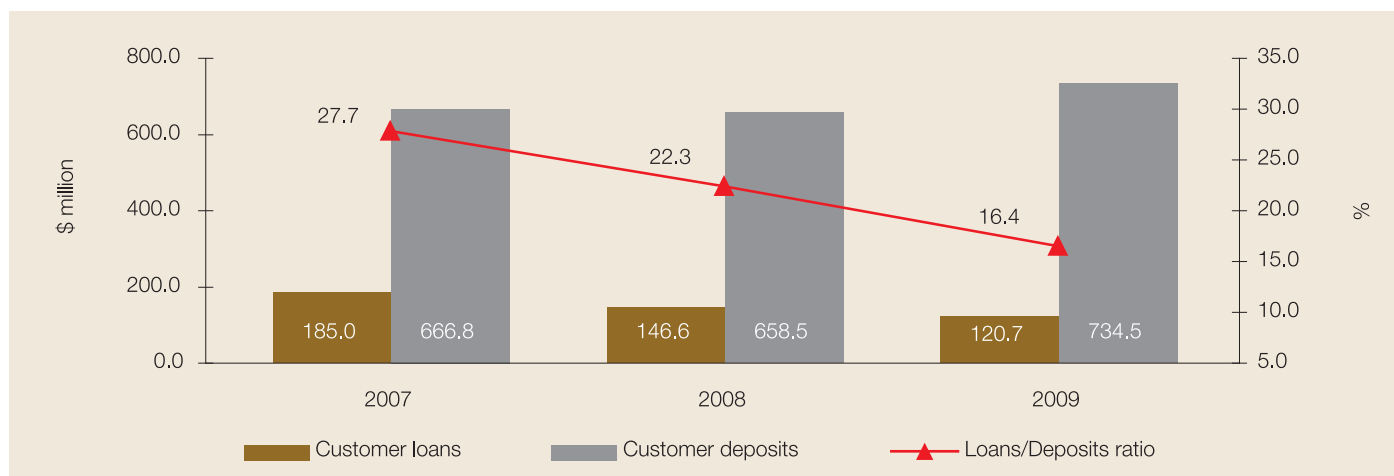
Deposits analysed by remaining maturity

	2009		2008	
	\$'000	%	\$'000	%
Within 1 year	727,898	96.3	660,023	96.0
Over 1 year but within 3 years	19,113	2.5	14,795	2.2
Over 3 years but within 5 years	4,133	0.6	7,247	1.1
Over 5 years	4,567	0.6	5,090	0.7
Total deposits	755,711	100.0	687,155	100.0

Loans/Deposits ratio

With the decrease in net customer loans of 17.6%, coupled with the increase in customer deposits of 11.5%, the loans-to-deposits ratio declined 5.9% points to 16.4% in 2009 from 22.3% in 2008.

Loans/Deposits ratio



Shareholders' equity

Shareholders' equity as at 31 December 2009 was \$194.8 million, representing a 0.9% increase over the \$193.1 million as at 31 December 2008.

As at 31 December 2009, revaluation surplus of \$72.1 million (2008: \$80.6 million) on properties was not included in the financial statements.

	2009 \$'000	2008 \$'000	+ / (-) %
Shareholders' equity	194,832	193,125	0.9
Add: Revaluation surplus	72,073	80,633	(10.6)
Shareholders' equity including revaluation surplus	266,905	273,758	(2.5)
Net asset value ("NAV") per share (\$)	1.95	1.93	1.0
Revaluation surplus per share (\$)	0.72	0.81	(11.1)
Revalued NAV per share (\$)	2.67	2.74	(2.6)

Group financial review

Capital adequacy ratios

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

As at 31 December 2009, the Group's total CAR was 78.0%, well above the minimum total CAR of 10% set by MAS. Compared to the total CAR of 71.6% as at 31 December 2008, it had increased 6.4% points attributed to higher current year profit and improved AFS equity reserve.

	2009 \$'000	2008 \$'000
Tier 1 Capital		
Share capital	100,011	100,011
Disclosed reserves/other	94,268	91,460
	194,279	191,471
Upper Tier 2 Capital		
Cumulative collective impairment/other	1,586	1,717
Total capital	195,865	193,188
Risk-weighted assets⁺	251,010	269,726
Capital adequacy ratios (%)		
Tier 1 capital	77.4	71.0
Total capital	78.0	71.6

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

Risk management

Increasing enterprise value through the careful understanding and management of risk

The assumption of financial and non-financial risks is an integral part of the Group's business. Our risk management strategy is targeted at ensuring on-going effective risk discovery and achieving effective capital management. Risks are managed within levels established by the management committees, and approved by the Board and its committees.

The Group applies the following risk management principles:

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

The Group has a comprehensive framework of policies and procedures for the identification, measurement, monitoring and control of risks. This framework is governed by the appropriate Board and senior management committees.

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 delegated the authority by the Board to oversee all credit matters.

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

Delinquency monitoring

All delinquent accounts, including credit limit excesses, are closely monitored and managed through a robust process by officers from the business units and Risk Management. Where appropriate, these accounts are also subjected to more frequent credit review. Delinquency trends are monitored, analysed and reported to the CC and the Board's Executive Committee ("EXCO") periodically.

Classification and loan loss impairment

The Group classifies its loan portfolios according to the borrower's ability to repay the loan from its normal source of income. All loans and advances to customers are classified into 'Pass', 'Special Mention' or 'Non-performing' categories. Non-performing loans ("NPLs") are further classified as 'Substandard', 'Doubtful' or 'Loss' in accordance with MAS 612 Notice to Banks (March 2005).

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

A restructured account is categorised as non-performing and placed on the appropriate classified grade depending on the assessment of the financial condition of the borrower and the ability of the borrower to repay based on the restructured terms. A restructured account must comply fully with the restructured terms in accordance with MAS 612 Notice to Banks (March 2005) before it can be declassified.

Write-off policy

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

Risk management

Market Risk

Market risk is governed by the Asset and Liability Committee (“ALCO”), which meets twice monthly to review and provide directions on market risk matters. The Market Risk Management Division supports the EXCO 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, robust risk architecture as well as a new Product/Service Programme process ensures that market risk issues identified 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, under delegated authority from the Board, approves policies, strategies and limits for the management of structural balance sheet risk exposures. These are monitored by Balance Sheet Risk Management Division. ALCO’s decisions and its risk management reports are reviewed by the Board and its EXCO. 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 managing interest rate risk is to manage the volatility in net interest income (“NII”) and economic value of equity (“EVE”). EVE is the present value of the Group’s assets less the present value of its liabilities.

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

The table in Note 32(c) (page 55) to the financial statements represents the Group’s interest rate risk sensitivity based on contractual repricing mismatches as at 31 December 2009. The Group had an overall positive interest rate sensitivity gap of \$352 million, which represented the net difference between interest rate sensitive assets and liabilities. Note 32(c) shows the EVE at risk sensitivities for 100 basis points (“bp”) and 200bp parallel rate shock to the banking book. The reported figures are based on the worst case of an upward and downward parallel movement of the yield curve for NII and EVE. The repricing profile of loans and deposits that do not have maturity dates are generally based on the earliest possible repricing dates, taking into account the notice period to be served to the customers.

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

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

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

Liquidity Risk

The Group maintains sufficient liquidity to fund its day-to-day operations, meet deposit withdrawals and loan disbursements, participate in new investments, and repay borrowings. Hence, liquidity is managed in a manner to address known, as well as unanticipated, cash funding needs.

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

The Group takes a conservative stance in its liquidity management by continuing to gather core deposits, ensuring that liquidity limits are strictly adhered to and that there is adequate liquid asset to meet cash shortfall.

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

Liquidity risk is aligned with the regulatory liquidity risk management framework, and is measured and managed on a projected cash flow basis. The Group is monitored under 'business as usual', 'bank-specific crisis' and 'general market crisis' scenarios. Behavioural modelling is carried out regularly to ensure that the cash flow requirements for 'business as usual' and crisis scenarios are realistic. Cash flow mismatch limits are established to limit the Group's liquidity exposure. The Group also employs liquidity early-warning indicators and trigger points to signal possible contingency situations.

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 32(e) (page 58) to the financial statements presents the maturity mismatch analysis of the Group's near and long-term time bands relating to the cash inflows and outflows based on contractual maturity arising from the Group's activities. Behavioural adjustments were made on significant balance sheet items that have actual maturity dates that differ substantially from their contractual profile.

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

Operational Risk

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

Operational Risk Self Assessments involve identifying and assessing inherent risks, as well as assessing the effectiveness of controls to mitigate the identified risks. Action plans to address issues are documented and monitored via Operational Risk Action Plans.

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

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

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

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

Risk management

With the increasing need to outsource for cost and operational efficiency, the Group's Outsourcing Policy and Framework ensures that outsourcing risks are adequately identified and managed prior to entering 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.

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.

Directors' report

for the financial year ended 31 December 2009

The directors are pleased to present their report to the members together with the audited financial statements of Far Eastern Bank Limited (the "Bank") and its subsidiaries (the "Group") for the financial year ended 31 December 2009.

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*)

Wong Meng Meng

Yeo Liat Kok Philip

Cham Tao Soon

Ngiam Tong Dow

Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Bank a party to any arrangement whose object was to enable the directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

Directors' interests in shares or debentures

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

	Direct interest		Deemed interest	
	At 31.12.2009	At 1.1.2009	At 31.12.2009	At 1.1.2009
Ordinary shares				
United Overseas Bank Limited				
Wee Cho Yaw	16,390,248	16,390,248	248,208,142	247,208,142
Wee Ee Cheong	2,865,357	2,865,357	147,064,793	146,064,793
Cham Tao Soon	–	–	9,775	9,775
Ngiam Tong Dow	–	–	13,600	8,600
Class E non-cumulative non-convertible preference shares				
Wee Cho Yaw	–	155,900	167,700	–
Wee Ee Cheong	20,000	20,000	167,700	–
Cham Tao Soon	–	–	1,000	1,000
Ngiam Tong Dow	2,000	2,000	2,000	2,000
Yeo Liat Kok Philip	–	–	1,000	1,000
United Overseas Insurance Limited				
Wee Cho Yaw	38,100	38,100	–	–

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

Directors' contractual benefits

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

Directors' report

for the financial year ended 31 December 2009

Directors' fees and other remuneration

Details of the total fees and other remuneration paid/payable by the Group to the directors of the Bank for the financial year ended 31 December 2009 are as follows:

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

Share options

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

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

There was no unissued share under option in respect of the Bank or its subsidiaries as at 31 December 2009.

Auditors

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

On behalf of the Board of Directors,

Wee Cho Yaw

Chairman

Wee Ee Cheong

Deputy Chairman & Chief Executive Officer

Singapore
26 February 2010

Statement by directors

for the financial year ended 31 December 2009

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

- (a) the accompanying profit and loss accounts, balance sheets, 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 2009, the results of the business and changes in equity of the Bank and the Group and cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

Wee Cho Yaw

Chairman

Wee Ee Cheong

Deputy Chairman & Chief Executive Officer

Singapore
26 February 2010

Independent auditors' report

for the financial year ended 31 December 2009

To the members of Far Eastern Bank Limited

We have audited the accompanying financial statements of Far Eastern Bank Limited (the "Bank") and its subsidiaries (the "Group") set out on pages 29 to 62, which comprise the balance sheets of the Bank and the Group as at 31 December 2009, the profit and loss accounts, the statements of comprehensive income and the statements of changes in equity of the Bank and the Group, and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap.50 (the "Act") and Singapore Financial Reporting Standards ("FRS"). This responsibility includes devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheet and to maintain accountability of assets; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion,

- (i) the financial statements of the Bank and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Act and FRS, including the modification of the requirements of FRS 39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning by Notice to Banks No. 612 'Credit Files, Grading and Provisioning' issued by the Monetary Authority of Singapore, so as to give a true and fair view of the state of affairs of the Bank and the Group as at 31 December 2009, the results of the Bank and of the Group, the changes in equity of the Bank and the changes in equity and cash flows of the Group for the year ended on that date; and
- (ii) the accounting and other records required by the Act to be kept by the Bank and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG LLP

Public Accountants and
Certified Public Accountants

Singapore
26 February 2010

Profit and loss accounts

for the financial year ended 31 December 2009

	Note	The Group		The Bank	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Interest income	3	9,747	17,086	9,747	17,086
Less: Interest expense	4	2,404	4,063	2,404	4,064
Net interest income		7,343	13,023	7,343	13,022
Dividend income	5	44	48	44	48
Fee and commission income	6	970	1,211	970	1,211
Rental income	7	5,766	4,157	5,766	4,157
Other operating income	8	1,142	1,100	1,142	1,100
Non-interest income		7,922	6,516	7,922	6,516
Total operating income		15,265	19,539	15,265	19,538
Less: Staff costs	9	605	713	605	713
Other operating expenses	10	9,877	10,223	9,877	10,221
Total operating expenses		10,482	10,936	10,482	10,934
Operating profit before impairment charges		4,783	8,603	4,783	8,604
Less: Impairment/(write-back) of charges	11	85	(99)	85	(99)
Profit before tax		4,698	8,702	4,698	8,703
Less: Tax	12a	925	1,450	925	1,450
Profit for the financial year attributable to equity holders of the Bank		3,773	7,252	3,773	7,253

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 2009

	Note	The Group		The Bank	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Profit for the financial year		3,773	7,252	3,773	7,253
Change in available-for-sale reserve					
Change in fair value		(53)	247	(53)	247
Transfer to profit and loss account on disposal/impairment		(34)	(137)	(34)	(137)
Tax on net movement		21	(20)	21	(20)
Other comprehensive income for the financial year	15a	(66)	90	(66)	90
Total comprehensive income for the financial year		3,707	7,342	3,707	7,343

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

Balance sheets

as at 31 December 2009

	Note	The Group		The Bank	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Equity					
Share capital	13	100,011	100,011	100,011	100,011
Retained earnings	14	15,862	15,089	15,858	15,085
Other reserves	15	78,959	78,025	78,959	78,025
Total equity		194,832	193,125	194,828	193,121
Liabilities					
Deposits and balances of:					
Banks and agents		113	13	113	13
Non-bank customers	17	734,479	658,458	734,479	658,458
Fellow subsidiaries		2,362	1,953	2,362	1,953
Subsidiaries		–	–	12	113
Holding company		18,757	26,731	18,757	26,731
		755,711	687,155	755,723	687,268
Bills and drafts payable		1,119	801	1,119	801
Derivative financial liabilities	29	3	13	3	13
Tax payable		1,170	1,894	1,170	1,894
Other liabilities	18	2,414	5,942	2,411	5,938
Total liabilities		760,417	695,805	760,426	695,914
Total equity and liabilities		955,249	888,930	955,254	889,035
Assets					
Cash, balances and placements with central bank		25,746	22,658	25,746	22,658
Singapore Government treasury bills and securities	19	46,738	46,999	46,738	46,999
Placements and balances with banks and agents	20	4,896	6,424	4,896	6,424
Loans to non-bank customers	21a	120,705	146,559	120,705	146,559
Placements with fellow subsidiaries		70	48	70	48
Placements with and amount owing by holding company		745,081	647,317	745,081	647,317
Derivative financial assets	29	12	18	12	18
Investment securities	22	647	548	647	548
Other assets	23	1,572	7,991	1,572	7,991
Investment in a fellow associate	24a	898	897	898	897
Investment in subsidiaries	25a	–	–	5	105
Investment properties	26	7,313	7,472	7,313	7,472
Fixed assets	27	492	877	492	877
Deferred tax assets	12c	1,079	1,122	1,079	1,122
Total assets		955,249	888,930	955,254	889,035
Off-balance sheet items					
Contingent liabilities	28	11,901	14,147	11,901	14,147
Financial derivatives	29	3,299	1,343	3,299	1,343
Commitments	30	112,918	115,265	112,918	115,265

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 2009

	The Group			
	Share capital \$'000	Retained earnings \$'000	Other reserves \$'000	Total equity \$'000
2009				
Balance at 1 January	100,011	15,089	78,025	193,125
Profit for the financial year	-	3,773	-	3,773
Other comprehensive income for the financial year	-	-	(66)	(66)
Total comprehensive income for the financial year	-	3,773	(66)	3,707
Transfer from retained earnings to other reserves	-	(1,000)	1,000	-
Dividends	-	(2,000)	-	(2,000)
Balance at 31 December	100,011	15,862	78,959	194,832
2008				
Balance at 1 January	100,011	12,837	74,935	187,783
Profit for the financial year	-	7,252	-	7,252
Other comprehensive income for the financial year	-	-	90	90
Total comprehensive income for the financial year	-	7,252	90	7,342
Transfer from retained earnings to other reserves	-	(3,000)	3,000	-
Dividends	-	(2,000)	-	(2,000)
Balance at 31 December	100,011	15,089	78,025	193,125
Note	13	14	15	

	The Bank			
	Share capital \$'000	Retained earnings \$'000	Other reserves \$'000	Total equity \$'000
2009				
Balance at 1 January	100,011	15,085	78,025	193,121
Profit for the financial year	-	3,773	-	3,773
Other comprehensive income for the financial year	-	-	(66)	(66)
Total comprehensive income for the financial year	-	3,773	(66)	3,707
Transfer from retained earnings to other reserves	-	(1,000)	1,000	-
Dividends	-	(2,000)	-	(2,000)
Balance at 31 December	100,011	15,858	78,959	194,828
2008				
Balance at 1 January	100,011	12,832	74,935	187,778
Profit for the financial year	-	7,253	-	7,253
Other comprehensive income for the financial year	-	-	90	90
Total comprehensive income for the financial year	-	7,253	90	7,343
Transfer from retained earnings to other reserves	-	(3,000)	3,000	-
Dividends	-	(2,000)	-	(2,000)
Balance at 31 December	100,011	15,085	78,025	193,121
Note	13	14	15	

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

Consolidated cash flow statement

for the financial year ended 31 December 2009

	2009 \$'000	2008 \$'000
Cash flows from operating activities:		
Operating profit before impairment charges	4,783	8,603
Adjustments for:		
Depreciation of assets	503	505
Operating profit before working capital changes	5,286	9,108
Changes in working capital:		
Increase/(decrease) in deposits	76,121	(8,736)
Increase/(decrease) in bills and drafts payable	318	(2,559)
(Decrease)/increase in other liabilities	(3,538)	331
Decrease in placements and balances with banks and agents	1,528	4,755
Decrease in loans to non-bank customers	25,854	38,582
Decrease/(increase) in other assets	6,106	(3,911)
Increase in net balance with related companies	(105,351)	(41,090)
Cash generated from/(used in) operations	6,324	(3,520)
Income tax paid	(1,585)	(2,140)
Net cash provided by/(used in) operating activities	4,739	(5,660)
Cash flows from investing activities:		
Net cash flow from liquidation of subsidiary	88	–
Net cash used in investing activities	88	–
Cash flows from financing activities:		
Dividend paid by the Bank	(2,000)	(2,000)
Net cash used in financing activities	(2,000)	(2,000)
Net increase/(decrease) in cash and cash equivalents for the financial year	2,827	(7,660)
Cash and cash equivalents at beginning of the financial year	69,657	77,317
Cash and cash equivalents at end of the financial year (Note 31)	72,484	69,657

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 2009

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

1. Corporate information

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

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

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

2. Summary of significant accounting policies

(a) Basis of preparation

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

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

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

(b) Changes in accounting policies

The Group adopted the following new or amended FRS during the financial year:

- FRS1 Presentation of Financial Statements
- FRS107 Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments
- Amendments to FRS27 Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

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

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

Future changes in accounting policies

The following FRS that is in issue applies to the Group for accounting period beginning 1 January 2010:

- FRS27 Consolidated and Separate Financial Statement
- FRS103 Business Combinations

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

(c) Basis of consolidation

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

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

2. Summary of significant accounting policies (continued)

(d) Subsidiaries

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

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

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

(e) Foreign currencies

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

(f) Financial assets and financial liabilities

(i) Classification

Financial assets and financial liabilities are classified as follows:

At fair value through profit and loss

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

Financial instruments are designated as fair value through profit and loss if they meet the following criteria:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities on a different basis;
- the assets and liabilities are managed on a fair value basis in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, except where such derivative does not significantly modify the cash flows of the instrument.

Held to maturity

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

Loans and receivables

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

Available-for-sale

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

Non-trading liabilities

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

Notes to the financial statements

for the financial year ended 31 December 2009

2. Summary of significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

(ii) Measurement

Initial measurement

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

Subsequent measurement

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

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

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

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

Fair value determination

Fair values of financial assets and financial liabilities with active markets are determined based on the market bid and 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 arm's length transactions or other comparable financial instruments, discounted cash flow analysis and option pricing models.

(iii) Recognition and derecognition

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

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

(iv) Impairment

Individual impairment

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

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

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

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

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

2. Summary of significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

(iv) Impairment (continued)

Collective impairment

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

(g) Financial derivatives

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

(h) Investment properties and fixed assets

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

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

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

Freehold land and leasehold land exceeding 99 years tenure are not depreciated. Other leasehold land is depreciated on a straight-line basis over the period of the lease. Buildings are depreciated on a straight-line basis over 50 years or the lease period, whichever is shorter. Other fixed assets are depreciated on a straight-line basis over five or ten years.

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

(i) Tax

(i) Current tax

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

(ii) Deferred tax

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

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

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

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

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

Notes to the financial statements

for the financial year ended 31 December 2009

2. Summary of significant accounting policies (continued)

(j) Provision

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

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

(k) Revenue recognition

Interest income is recognised using the effective interest method.

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

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

Rental income is recognised on a time proportion basis.

(l) Employee benefits

(i) Equity compensation benefits

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

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

This scheme has been phased out in November 2009.

(ii) Defined contribution plans

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

(m) Government grants

Grants from the government are recognised as receivables at their fair value when there is reasonable assurance that the grants will be received and the Group has complied with the specified conditions. Government grants relating to assets are deducted against the carrying amount of the assets and those relating to expenses are deducted against the related expenses.

(n) 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.

(o) Significant accounting estimates and judgements

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

3. Interest income

	The Group and The Bank	
	2009 \$'000	2008 \$'000
Singapore Government treasury bills and securities	596	1,220
Loans to non-bank customers	6,504	8,492
Placements and balances with banks and agents	2,647	7,374
	9,747	17,086
Received/receivable from:		
Holding company	2,644	7,265
Third parties	7,103	9,821
	9,747	17,086

4. Interest expense

	The Group		The Bank	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Deposits of non-bank customers	2,400	4,042	2,400	4,043
Deposits of banks and agents	4	21	4	21
	2,404	4,063	2,404	4,064
Paid/payable to:				
Holding company	3	20	3	20
Subsidiaries	–	–	–	1
Fellow subsidiaries	5	353	5	353
Third parties	2,396	3,690	2,396	3,690
	2,404	4,063	2,404	4,064

5. Dividend income

	The Group and The Bank	
	2009 \$'000	2008 \$'000
Other quoted investments	44	48
	44	48

6. Fee and commission income

	The Group and The Bank	
	2009 \$'000	2008 \$'000
Investment-related	45	60
Loan and trade-related	494	711
Other	431	440
	970	1,211

Notes to the financial statements

for the financial year ended 31 December 2009

7. Rental income

Rental income represents income from the tenanted areas of the buildings owned by the Bank. Included in the rental income for the financial year was income of \$3,646,000 (2008: \$2,772,000) received from the holding company.

8. Other operating income

	The Group and The Bank	
	2009 \$'000	2008 \$'000
Net profit on disposal of Singapore Government treasury bills and securities	4	24
Net profit on foreign exchange	285	299
Other income	853	777
	1,142	1,100

9. Staff costs

	The Group and The Bank	
	2009 \$'000	2008 \$'000
Salaries, bonus and allowances	503	610
Employer's contribution to the Central Provident Fund	71	79
Other staff-related costs	31	24
	605	713
Number of employees at 31 December	15	16

10. Other operating expenses

	The Group		The Bank	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Included in other operating expenses are:				
Depreciation of assets	503	505	503	505
Maintenance of premises and other assets	296	326	296	326
Other expenses of premises	876	1,019	876	1,019
Audit fees	74	78	74	76
Management fees payable to holding company	7,713	7,813	7,713	7,813
Fees payable to directors of the Bank	55	58	55	58
	1,055	919	1,055	919
Expenses on investment properties that generate rental income				

11. Impairment charges

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

	The Group and The Bank	
	2009 \$'000	2008 \$'000
Net write-back of individual impairment on loans	(43)	(144)
Write-back of impairment on investments	–	(19)
Provision for impairment on properties	128	64
	85	(99)

12. Tax

(a) Tax expense

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

	The Group and The Bank	
	2009 \$'000	2008 \$'000
On the profit of the financial year		
Current tax	861	1,637
Deferred tax	(5)	(13)
	856	1,624
Under/(over) provision of tax in respect of prior financial year		
Current tax	–	(174)
Deferred tax	1	–
Effect of change in tax rate	68	–
	925	1,450

(b) Tax reconciliation

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

	The Group		The Bank	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Profit before tax	4,698	8,702	4,698	8,703
Tax calculated at a tax rate of 17% (2008: 18%)	799	1,566	799	1,566
Effects on:				
Singapore statutory stepped income exemption	(26)	(27)	(26)	(27)
Income not subject to tax	(22)	(15)	(22)	(15)
Income taxed at a concessionary rate of 10%	(15)	(34)	(15)	(34)
Expenses not deductible for tax purposes	120	134	120	134
Tax expense on profit of the financial year	856	1,624	856	1,624

The Singapore corporate tax rate has reduced from 18% to 17% with effect from the year of assessment 2010.

Notes to the financial statements

for the financial year ended 31 December 2009

12. Tax (continued)

(c) Deferred tax

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

	The Group and The Bank	
	2009 \$'000	2008 \$'000
Deferred tax assets on non-tax deductible collective impairment		
Balance at 1 January and 31 December	1,519	1,519
Amount offset against deferred tax liabilities	(355)	(397)
Effect of change in tax rate	(85)	–
Net balance at 31 December	1,079	1,122

	The Group and The Bank		
	Accelerated tax depreciation \$'000	Available- for-sale financial assets \$'000	Total \$'000
Deferred tax liabilities			
2009			
Balance at 1 January	282	115	397
Credited to profit and loss account	(5)	–	(5)
Credited to equity	–	(15)	(15)
Effect of change in tax rate	(16)	(6)	(22)
Balance at 31 December	261	94	355
Amount offset against deferred tax assets			(355)
Net balance at 31 December			–
2008			
Balance at 1 January	295	95	390
Credited to profit and loss account	(13)	–	(13)
Charged to equity	–	20	20
Balance at 31 December	282	115	397
Amount offset against deferred tax assets			(397)
Net balance at 31 December			–

13. Share capital

	The Group and The Bank	
	2009 \$'000	2008 \$'000
Issued and fully paid 100,010,566 (2008: 100,010,566) ordinary shares	100,011	100,011

The ordinary shares have no par value. The holders of ordinary shares (excluding treasury shares) have unrestricted rights to dividends, return of capital and voting.

14. Retained earnings

(a)

	The Group		The Bank	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Balance at 1 January	15,089	12,837	15,085	12,832
Profit for the financial year attributable to equity holders of the Bank	3,773	7,252	3,773	7,253
Transfer to other reserves	(1,000)	(3,000)	(1,000)	(3,000)
Dividends				
Final dividend of 2 cents one-tier tax exempt (2008: 2 cents one-tier tax exempt) per share paid in respect of the prior financial year	(2,000)	(2,000)	(2,000)	(2,000)
Balance at 31 December	15,862	15,089	15,858	15,085

(b) The retained earnings are distributable reserves.

(c) In respect of the financial year ended 31 December 2009, 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 2010 financials upon approval of the equity holders of the Bank.

15. Other reserves

(a)

	The Group and The Bank			
	Fair value reserve \$'000	Statutory reserve \$'000	General reserve \$'000	Total \$'000
2009				
Balance at 1 January	525	54,900	22,600	78,025
Other comprehensive income for the financial year attributable to equity holders of the Bank	(66)	–	–	(66)
Transfer from retained earnings	–	–	1,000	1,000
Balance at 31 December	459	54,900	23,600	78,959
2008				
Balance at 1 January	435	54,900	19,600	74,935
Other comprehensive income for the financial year attributable to equity holders of the Bank	90	–	–	90
Transfer from retained earnings	–	–	3,000	3,000
Balance at 31 December	525	54,900	22,600	78,025

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

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

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

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

Notes to the financial statements

for the financial year ended 31 December 2009

16. Classification of financial assets and financial liabilities

(a)

	The Group				Total \$'000
	Held for trading \$'000	Designated as fair value through profit and loss \$'000	Available- for-sale \$'000	Loans and receivables/ amortised cost \$'000	
2009					
Cash, balances and placements with central bank	-	-	-	25,746	25,746
Singapore Government treasury bills and securities	-	-	46,738	-	46,738
Placements and balances with banks and agents	-	-	-	4,896	4,896
Loans to non-bank customers	-	-	-	120,705	120,705
Placements with and amount owing by related companies	-	-	-	745,151	745,151
Derivative financial assets	12	-	-	-	12
Investment securities	-	-	647	-	647
Other assets	-	-	-	1,530	1,530
Total financial assets	12	-	47,385	898,028	945,425
Non-financial assets					9,824
Total assets					955,249
Deposits and balances of banks and agents, non-bank customers and related companies					
	-	-	-	755,711	755,711
Bills and drafts payable	-	-	-	1,119	1,119
Derivative financial liabilities	3	-	-	-	3
Other liabilities	-	-	-	2,375	2,375
Total financial liabilities	3	-	-	759,205	759,208
Non-financial liabilities					1,209
Total liabilities					760,417
2008					
Cash, balances and placements with central bank	-	-	-	22,658	22,658
Singapore Government treasury bills and securities	-	-	46,999	-	46,999
Placements and balances with banks and agents	-	-	-	6,424	6,424
Loans to non-bank customers	-	-	-	146,559	146,559
Placements with and amount owing by related companies	-	-	-	647,365	647,365
Derivative financial assets	18	-	-	-	18
Investment securities	-	-	548	-	548
Other assets	-	-	-	7,990	7,990
Total financial assets	18	-	47,547	830,996	878,561
Non-financial assets					10,369
Total assets					888,930
Deposits and balances of banks and agents, non-bank customers and related companies					
	-	-	-	687,155	687,155
Bills and drafts payable	-	-	-	801	801
Derivative financial liabilities	13	-	-	-	13
Other liabilities	-	-	-	5,911	5,911
Total financial liabilities	13	-	-	693,867	693,880
Non-financial liabilities					1,925
Total liabilities					695,805

16. 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

	2009		
	The Group		
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Singapore Government treasury bills and securities	46,738	-	-
Derivative financial assets	12	-	-
Investment securities	647	-	-
	47,397	-	-
Total financial assets carried at fair value			47,397
Derivative financial liabilities	3	-	-
	3	-	-
Total financial liabilities carried at fair value			3

17. Deposits and balances of non-bank customers

	The Group and The Bank	
	2009 \$'000	2008 \$'000
Deposits and balances of non-bank customers comprise:		
Fixed deposits	235,294	242,913
Current, savings and other deposits	499,185	415,545
	734,479	658,458

18. Other liabilities

	The Group		The Bank	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Accrued interest payable	470	926	470	926
Accrued operating expenses	276	297	276	297
Unclaimed balances	845	834	845	834
Gold savings accounts	725	656	725	656
Other	98	3,229	95	3,225
	2,414	5,942	2,411	5,938

19. Singapore Government treasury bills and securities

	The Group and The Bank	
	2009 \$'000	2008 \$'000
Available-for-sale	46,738	46,999

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for the financial year ended 31 December 2009

20. Placements and balances with banks and agents

	The Group and The Bank	
	2009 \$'000	2008 \$'000
Analysed by remaining maturity:		
Within 1 year	4,896	6,424

21. Loans to non-bank customers

(a)

	The Group and The Bank	
	2009 \$'000	2008 \$'000
Loans to non-bank customers (gross)	132,771	158,625
Individual impairment	(7)	(7)
Collective impairment	(12,059)	(12,059)
Loans to non-bank customers (net)	120,705	146,559
Comprising:		
Trade bills	1,759	2,472
Advances to customers	118,946	144,087
	120,705	146,559

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

	The Group and The Bank	
	2009 \$'000	2008 \$'000
Transport, storage and communication	1,733	2,165
Building and construction	4,694	5,284
Manufacturing	7,826	12,291
Non-bank financial institutions	4,219	6,129
General commerce	42,173	44,712
Professionals and private individuals	35,749	42,447
Housing Loans	29,196	37,520
Other	7,181	8,077
	132,771	158,625

(c) Movements of provision for impairment

	The Group and The Bank					
	2009			2008		
	Individual impairment \$'000	Collective impairment \$'000	Total \$'000	Individual impairment \$'000	Collective impairment \$'000	Total \$'000
Balance at 1 January	7	12,059	12,066	83	12,059	12,142
Write-off	(5)	–	(5)	(3)	–	(3)
Net charged/(write-back) to profit and loss account	5	–	5	(73)	–	(73)
Balance at 31 December	7	12,059	12,066	7	12,059	12,066

22. Investment securities

	The Group and The Bank	
	2009 \$'000	2008 \$'000
Quoted equity shares Available-for-sale	647	548

23. Other assets

	The Group and The Bank	
	2009 \$'000	2008 \$'000
Interest receivable	1,366	4,778
Other	206	3,213
	1,572	7,991

24. Investment in a fellow associate

(a) Unquoted equity shares

	The Group and The Bank	
	2009 \$'000	2008 \$'000
At cost	1,250	1,250
Provision for impairment	(352)	(353)
	898	897

(b) Movements of provision for impairment

	The Group and The Bank	
	2009 \$'000	2008 \$'000
Balance at 1 January	353	372
Write-back to profit and loss accounts	(1)	(19)
Balance at 31 December	352	353

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25. Investment in subsidiaries

(a)

	The Bank	
	2009 \$'000	2008 \$'000
Unquoted equity shares, at cost	5	105

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

Name of subsidiary	Principal activities	Country of incorporation and place of business	Cost of Investment by the Bank	
			2009 \$'000	2008 \$'000
FEB Realty Company Pte Ltd (<i>under liquidation</i>)	Property	Singapore	–	100
Far Eastern Bank Nominees Private Limited (<i>dormant</i>)	Nominee services	Singapore	5	5
			5	105

26. Investment properties

	The Group and The Bank	
	2009 \$'000	2008 \$'000
Balance at 1 January	7,472	7,917
Depreciation charge	(447)	(454)
Provision for impairment	(122)	(48)
Reclassification	410	57
Balance at 31 December	7,313	7,472
Represented by:		
Cost	17,953	16,989
Accumulated depreciation	(9,944)	(8,979)
Provision for impairment	(696)	(538)
Net carrying amount	7,313	7,472
Comprising:		
Freehold properties	1,661	1,717
Leasehold properties	5,652	5,755
	7,313	7,472
Market value of properties at 31 December	75,787	80,350

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

27. Fixed assets

	2009			2008		
	Owner-occupied properties \$'000	Other \$'000	Total \$'000	Owner-occupied properties \$'000	Other \$'000	Total \$'000
The Group and The Bank						
Balance at 1 January	795	82	877	885	116	1,001
Additions	–	87	87	–	1	1
Depreciation charge	(23)	(33)	(56)	(16)	(35)	(51)
Provision for impairment	(6)	–	(6)	(17)	–	(17)
Reclassification	(410)	–	(410)	(57)	–	(57)
Balance at 31 December	356	136	492	795	82	877
Represented by:						
Cost	844	2,810	3,654	1,807	2,823	4,630
Accumulated depreciation	(461)	(2,674)	(3,135)	(955)	(2,741)	(3,696)
Provision for impairment	(27)	–	(27)	(57)	–	(57)
Net carrying amount	356	136	492	795	82	877
Comprising:						
Freehold properties	81			183		
Leasehold properties	275			612		
	356			795		
Market value of properties at 31 December	3,955			8,550		

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

28. Contingent liabilities

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

	The Group and The Bank	
	2009 \$'000	2008 \$'000
Direct credit substitutes	4,282	7,970
Transaction-related contingencies	4,031	3,599
Trade-related contingencies	3,588	2,578
	11,901	14,147

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29. Financial derivatives

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

	The Group and The Bank					
	2009			2008		
	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	3,299	12	3	1,343	18	13

30. Commitments

	The Group and The Bank	
	2009 \$'000	2008 \$'000
Undrawn credit facilities	112,918	114,266
Other	–	999
	112,918	115,265

31. 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. In the consolidated cash flow statement, cash and cash equivalents comprise the following:

	The Group and The Bank	
	2009 \$'000	2008 \$'000
Cash, balances and placements with central bank	25,746	22,658
Singapore Government treasury bills and securities	46,738	46,999
	72,484	69,657

32. 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, equity risk and liquidity risk.

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

The Risk Management Sector of the UOB Group assumes the independent oversight of risk undertaken by the Group, and takes the lead in the formulation and approval of risk policy, controls and processes. This is further enhanced by the periodic risk assessment audit carried out by UOB Group Audit.

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

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

(i) Credit exposure

	The Group	
	2009 \$'000	2008 \$'000
Balances and placements with central bank	25,374	21,846
Singapore Government treasury bills and securities	46,738	46,999
Placements and balances with banks and agents	4,896	6,424
Loans to non-bank customers	120,705	146,559
Derivative financial assets	12	18
Other	1,427	4,780
	199,152	226,626
Contingent liabilities	11,901	14,147
Commitments	112,918	115,265
	323,971	356,038

(ii) Credit quality of gross loans

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

	The Group	
	2009 \$'000	2008 \$'000
Performing		
Passed	127,592	151,356
Special mention	1,347	1,949
	128,939	153,305
Non-performing		
Substandard	3,825	5,313
Loss	7	7
	3,832	5,320

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

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for the financial year ended 31 December 2009

32. Financial risk management (continued)

(a) Credit risk (continued)

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

	The Group			
	2009		2008	
	Past due but not impaired \$'000	Non-performing \$'000	Past due but not impaired \$'000	Non-performing \$'000
Current	-	-	-	-
Within 90 days	3,389	2	10,508	5,117
Over 90 to 180 days	-	-	-	196
Over 180 days	-	3,830	-	7
Total	3,389	3,832	10,508	5,320

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

	The Group					
	2009			2008		
	Past due but not impaired \$'000	Non-performing \$'000	Individual impairment \$'000	Past due but not impaired \$'000	Non-performing \$'000	Individual impairment \$'000
Transport, storage and communication	-	-	-	-	-	-
Building and construction	-	-	-	-	-	-
Manufacturing	-	2	2	1,508	1	1
Non-bank financial institutions	-	-	-	-	-	-
General commerce	131	-	-	3,618	-	-
Professionals and private individuals	318	7	5	4,746	26	5
Housing loans	2,940	-	-	636	700	-
Other	-	3,823	-	-	4,593	1
	3,389	3,832	7	10,508	5,320	7

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

	The Group	
	2009 \$'000	2008 \$'000
NPLs secured by		
Properties	3,823	5,012
Marketable securities, fixed deposits and other	-	300
Unsecured NPLs	9	8
	3,832	5,320

32. Financial risk management (continued)

(b) Foreign exchange risk

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

The Group does not engage in a significant amount of foreign exchange position-taking or proprietary business. Its foreign exchange exposures arise mainly from its customer facilitation business. The Group utilises mainly non-bank customer deposits, foreign currency forwards to hedge its foreign exchange exposures.

Foreign exchange risk is managed through risk limits and policies 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	Other \$'000	Total \$'000
2009			
Cash, balances and placement with central bank	25,746	–	25,746
Treasury bills and securities	47,385	–	47,385
Placements and balances with banks, agents and related companies	733,000	17,047	750,047
Loans to non-bank customers	110,067	10,638	120,705
Derivative financial assets	12	–	12
Other	11,322	32	11,354
Total assets	927,532	27,717	955,249
Deposits and balances of non-bank customers	719,669	14,810	734,479
Deposits and balances of banks, agents and related companies, and bills and drafts payable	12,703	9,648	22,351
Derivative financial liabilities	3	–	3
Other	325	3,259	3,584
Total liabilities	732,700	27,717	760,417
Net on-balance sheet open position	194,832	–	194,832
Net off-balance sheet open position	(1,685)	1,685	–
Net open position	193,147	1,685	194,832

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32. Financial risk management (continued)

(b) Foreign exchange risk (continued)

	The Group		
	Singapore dollars \$'000	Other \$'000	Total \$'000
2008			
Cash, balances and placement with central bank	22,658	–	22,658
Treasury bills and securities	47,547	–	47,547
Placements and balances with banks, agents and related companies	638,000	15,789	653,789
Loans to non-bank customers	134,648	11,911	146,559
Derivative financial assets	18	–	18
Other	18,283	76	18,359
Total assets	861,154	27,776	888,930
Deposits and balances of non-bank customers	644,335	14,123	658,458
Deposits and balances of banks, agents and related companies, and bills and drafts payable	17,806	11,692	29,498
Derivative financial liabilities	13	–	13
Other	5,875	1,961	7,836
Total liabilities	668,029	27,776	695,805
Net on-balance sheet open position	193,125	–	193,125
Net off-balance sheet open position	(462)	462	–
Net open position	192,663	462	193,125

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

(c) Interest rate risk

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

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

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

32. Financial risk management (continued)

(c) Interest rate risk (continued)

	The Group							Total interest bearing \$'000	Effective interest rate %	Total \$'000
	Non-interest bearing \$'000	Up to 7 days \$'000	Over 7 days to 1 month \$'000	Over 1 to 3 months \$'000	Over 3 to 12 months \$'000	Over 1 to 3 years \$'000	Over 3 years \$'000			
2009										
Cash, balances and placement with central bank	25,746	-	-	-	-	-	-	-	-	25,746
Treasury bills and securities	1,385	-	3,000	7,000	25,000	4,000	7,000	46,000	2.19	47,385
Placements and balances with banks, agents and related companies	-	575,047	-	175,000	-	-	-	750,047	0.23	750,047
Loans to non-bank customers	(8,282)	38,398	60,536	10,711	15,491	3,579	272	128,987	4.18	120,705
Derivative financial assets	12	-	-	-	-	-	-	-	-	12
Other	11,354	-	-	-	-	-	-	-	-	11,354
Total assets	30,215	613,445	63,536	192,711	40,491	7,579	7,272	925,034	-	955,249
Deposits and balances of non-bank customers	182,882	311,798	58,754	69,383	103,555	6,647	1,460	551,597	0.40	734,479
Deposits and balances of banks, agents and related companies, and bills and drafts payable	1,119	21,232	-	-	-	-	-	21,232	0.16	22,351
Derivative financial liabilities	3	-	-	-	-	-	-	-	-	3
Other	3,584	-	-	-	-	-	-	-	-	3,584
Total liabilities	187,588	333,030	58,754	69,383	103,555	6,647	1,460	572,829	-	760,417
Total equity	194,832	-	-	-	-	-	-	-	-	194,832
	382,420	333,030	58,754	69,383	103,555	6,647	1,460	572,829	-	955,249
Net interest rate sensitivity gap	(352,205)	280,415	4,782	123,328	(63,064)	932	5,812	352,205	-	-

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32. Financial risk management (continued)

(c) Interest rate risk (continued)

	The Group							Total interest bearing \$'000	Effective interest rate %	Total \$'000
	Non-interest bearing \$'000	Up to 7 days \$'000	Over 7 days to 1 month \$'000	Over 1 to 3 months \$'000	Over 3 to 12 months \$'000	Over 1 to 3 years \$'000	Over 3 years \$'000			
2008										
Cash, balances and placement with central bank	22,658	-	-	-	-	-	-	-	-	22,658
Treasury bills and securities	1,547	-	12,000	1,000	4,000	24,000	5,000	46,000	2.06	47,547
Placements and balances with banks, agents and related companies	-	328,789	-	325,000	-	-	-	653,789	0.77	653,789
Loans to non-bank customers	(6,836)	47,819	64,348	14,592	12,317	13,946	373	153,395	4.67	146,559
Derivative financial assets	18	-	-	-	-	-	-	-	-	18
Other	18,359	-	-	-	-	-	-	-	-	18,359
Total assets	35,746	376,608	76,348	340,592	16,317	37,946	5,373	853,184	-	888,930
Deposits and balances of non-bank customers	162,677	251,359	35,076	77,481	121,876	8,424	1,565	495,781	0.71	658,458
Deposits and balances of banks, agents and related companies, and bills and drafts payable	801	27,347	-	1,350	-	-	-	28,697	0.28	29,498
Derivative financial liabilities	13	-	-	-	-	-	-	-	-	13
Other	7,836	-	-	-	-	-	-	-	-	7,836
Total liabilities	171,327	278,706	35,076	78,831	121,876	8,424	1,565	524,478	-	695,805
Total equity	193,125	-	-	-	-	-	-	-	-	193,125
	364,452	278,706	35,076	78,831	121,876	8,424	1,565	524,478	-	888,930
Net interest rate sensitivity gap	(328,706)	97,902	41,272	261,761	(105,559)	29,522	3,808	328,706	-	-

The economic value of equity ("EVE") sensitivity at 100 and 200 basis points parallel interest rate shocks were negative \$0.1 million and \$0.2 million (2008: negative \$0.4 million and \$0.8 million) respectively. This is computed on the static banking book. EVE is the present value of assets less present value of liabilities of the Group. The reported figures are based on the worst case of an upward and downward parallel shift in the yield curve. The repricing profile of loans and deposits that do not have maturity dates are generally based on the earliest possible repricing dates, taking into account the notice period to be served to the customers.

32. Financial risk management (continued)

(d) **Market price risk**

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

Sensitivity analysis for equity price risk

At 31 December 2009, if equity market prices increase by 5% (2008: 5%) with all other variables being held constant, the carrying amount of the available-for-sale investments will increase by \$32,334 (2008: \$27,400), and vice-versa.

(e) **Liquidity risk**

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

The Group manages liquidity risk in accordance with the liquidity framework approved by the ALCO. This framework comprises policies, controls and limits. These controls and policies include setting of cash flow mismatch limits, monitoring of liquidity early warning indicators, stress test analysis of cash flows in liquidity crisis scenarios and establishment of a comprehensive contingency funding plan. The Group is also required by the respective local regulators to maintain a certain percentage of its liability base in the form of cash and other liquid assets as a buffer against unforeseen liquidity requirements. The main objectives are honouring all cash outflow commitments on an on-going basis, satisfying statutory liquidity and reserve requirements, and avoiding raising funds at market premiums or through forced sale of assets.

The table on the next page shows the maturity analysis of the Group's assets and liabilities based on remaining contractual maturities. The contractual maturity profile often does not reflect the actual behavioural patterns. In particular, the Group has a significant amount of "core deposits" of non-bank customers which are contractually at call (included in the "Up to 7 days" time band) but historically a stable source of long-term funding for the Group.

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32. Financial risk management (continued)

(e) Liquidity 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- specific maturity \$'000	
2009								
Cash, balances and placements with central bank	372	-	-	-	-	-	25,374	25,746
Treasury bills and securities	-	3,000	7,000	25,000	4,000	7,000	1,385	47,385
Placements and balances with banks, agents and related companies	575,047	-	175,000	-	-	-	-	750,047
Loans to non-bank customers	236	6,004	9,481	9,633	13,125	50,802	31,424	120,705
Derivative financial assets	-	-	-	-	-	-	12	12
Other	4	104	164	166	227	877	9,812	11,354
Total assets	575,659	9,108	191,645	34,799	17,352	58,679	68,007	955,249
Deposits and balances of non-bank customers	506,458	19,923	70,723	110,756	14,515	12,104	-	734,479
Deposits and balances of banks, agents and related companies, and bills and drafts payable	21,232	-	-	-	-	-	1,119	22,351
Derivative financial liabilities	-	-	-	-	-	-	3	3
Other	324	13	45	71	9	8	3,114	3,584
Total liabilities	528,014	19,936	70,768	110,827	14,524	12,112	4,236	760,417
Total equity	-	-	-	-	-	-	194,832	194,832
Net maturity mismatch	47,645	(10,828)	120,877	(76,028)	2,828	46,567	(131,061)	

32. Financial risk management (continued)

(e) Liquidity 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- specific maturity \$'000	
2008								
Cash, balances and placements with central bank	1,938	–	–	–	–	–	20,720	22,658
Treasury bills and securities	–	12,000	1,000	4,000	24,000	5,000	1,547	47,547
Placements and balances with banks, agents and related companies	328,789	–	325,000	–	–	–	–	653,789
Loans to non-bank customers	1,532	7,117	9,011	10,898	15,016	61,821	41,164	146,559
Derivative financial assets	–	–	–	–	–	–	18	18
Other	56	310	414	436	702	2,889	13,552	18,359
Total assets	332,315	19,427	335,425	15,334	39,718	69,710	77,001	888,930
Deposits and balances of non-bank customers	422,015	24,334	72,086	112,891	14,795	12,337	–	658,458
Deposits and balances of banks, agents and related companies, and bills and drafts payable	28,148	–	1,350	–	–	–	–	29,498
Derivative financial liabilities	–	–	–	–	–	–	13	13
Other	593	34	101	159	21	17	6,911	7,836
Total liabilities	450,756	24,368	73,537	113,050	14,816	12,354	6,924	695,805
Total equity	–	–	–	–	–	–	193,125	193,125
Net maturity mismatch	(118,441)	(4,941)	261,888	(97,716)	24,902	57,356	(123,048)	

In addition to the above, the Group is also subject to liquidity requirements to support calls under outstanding contingent liabilities and undrawn credit facility commitments as disclosed in Notes 28 and 30. The total outstanding contractual amounts do not represent future cash requirements since the Group expects many of these contingent liabilities and commitments (such as direct credit substitutes and undrawn credit facilities) to expire without being called or drawn upon, and many of the contingent liabilities (such as letters of credit) are reimbursable by customers.

Notes to the financial statements

for the financial year ended 31 December 2009

32. Financial risk management (continued)

(e) Liquidity risk (continued)

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

	The Group					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	
2009						
Cash, balances and placements with central bank	372	–	–	–	25,374	25,746
Treasury bills and securities	–	3,000	7,000	25,000	12,385	47,385
Placements and balances with banks, agents and related companies	575,047	–	175,000	–	–	750,047
Loans to non-bank customers	454	6,902	9,754	9,911	93,684	120,705
Derivative financial assets	–	–	–	–	12	12
Other	6	91	129	131	10,997	11,354
Total assets	575,879	9,993	191,883	35,042	142,452	955,249
Deposits and balances of non-bank customers	7,513	19,853	–	–	707,113	734,479
Deposits and balances of banks, agents and related companies, and bills and drafts payable	21,232	–	–	–	1,119	22,351
Derivative financial liabilities	–	–	–	–	3	3
Other	5	13	–	–	3,566	3,584
Total liabilities	28,750	19,866	–	–	711,801	760,417
Total equity	–	–	–	–	194,832	194,832
Net maturity mismatch	547,129	(9,873)	191,883	35,042	(764,181)	

32. Financial risk management (continued)

(e) Liquidity 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 year \$'000	
2008						
Cash, balances and placements with central bank	1,938	–	–	–	20,720	22,658
Treasury bills and securities	–	12,000	1,000	4,000	30,547	47,547
Placements and balances with banks, agents and related companies	328,789	–	325,000	–	–	653,789
Loans to non-bank customers	1,885	8,399	9,260	11,161	115,854	146,559
Derivative financial assets	–	–	–	–	18	18
Other	54	273	315	332	17,385	18,359
Total assets	332,666	20,672	335,575	15,493	184,524	888,930
Deposits and balances of non-bank customers	12,977	41,024	–	–	604,457	658,458
Deposits and balances of banks, agents and related companies, and bills and drafts payable	28,148	–	1,350	–	–	29,498
Derivative financial liabilities	–	–	–	–	13	13
Other	18	58	–	–	7,760	7,836
Total liabilities	41,143	41,082	1,350	–	612,230	695,805
Total equity	–	–	–	–	193,125	193,125
Net maturity mismatch	291,523	(20,410)	334,225	15,493	(620,831)	

33. Capital management

The Group's capital management objective is to maintain an optimal level of capital. Policies are set to ensure that the capital maintained is adequate to support business growth, taking into consideration regulatory requirements and the underlying risk of the Group's business. The policies endorsed by the Board of Directors are overseen by senior management.

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

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

Notes to the financial statements

for the financial year ended 31 December 2009

33. Capital management (continued)

	The Group	
	2009 \$'000	2008 \$'000
Tier 1 Capital		
Share capital	100,011	100,011
Disclosed reserves/other	94,268	91,460
	194,279	191,471
Upper Tier 2 Capital		
Cumulative collective impairment/other	1,586	1,717
	195,865	193,188
Risk-weighted assets¹	251,010	269,726
Capital adequacy ratios (%)		
Tier 1	77.4	71.0
Total	78.0	71.6

¹ Include operational risk with effect from 1 January 2008 and market risk

34. Related party transactions

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

35. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2009 were authorised for issue in accordance with a resolution of the directors on 26 February 2010.

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-First Annual General Meeting** of members of the Company will be held at the Penthouse of United Overseas Bank Limited, 80 Raffles Place, 61st Storey UOB Plaza 1, Singapore 048624 on Thursday, 29 April 2010, at 11.00 am to transact the following business:

As Ordinary Business

Resolution 1 To receive Financial Statements, the Directors' Report and Auditors' Report for the year ended 31 December 2009.

Resolution 2 To declare a first and final one-tier tax exempt dividend of 2 cents per share for the year ended 31 December 2009.

Resolution 3 To approve Directors' fees of \$55,000 for 2009 (2008: \$57,500).

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

Resolution 5 To re-elect Mr Yeo Liat Kok Philip.

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

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

in respect of:-

Resolution 6 Dr Wee Cho Yaw

Resolution 7 Mr Ngiam Tong Dow

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

Notes to Resolutions

Resolution 2 to approve a first and final dividend. The Transfer Books and Register of Members will be closed from 12 April 2010 to 13 April 2010, both dates inclusive, for the preparation of dividend warrants. Registrable transfers received up to 5.00 pm on 9 April 2010 will be entitled to the dividend. If approved, the first and final dividend will be paid on 3 May 2010.

Resolution 9 is to enable the Directors to issue shares in the Company (other than on a bonus or rights issue) up to an amount not exceeding 10% of the issued shares in the capital of the Company for the time being. This approval will expire at the conclusion of the next Annual General Meeting. The Directors would only issue shares under this resolution where they consider it appropriate and in the interest of the Company to do so.

BY ORDER OF THE BOARD

Chan Vivien
Secretary

Singapore, 5 April 2010

Notes

- (1) A member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
- (2) To be effective, the instrument appointing a proxy must be deposited at 80 Raffles Place #04-20 UOB Plaza 2, Singapore 048624 (Attention: The Company Secretary) not less than 48 hours before the time set for holding the meeting.

Proxy form

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

Number of Shares Held

--



I/We _____ (Name)

of _____ (Address)

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

Name	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-First Annual General Meeting of members of the Company, to be held at the Penthouse of United Overseas Bank Limited, 80 Raffles Place, 61st Storey, UOB Plaza 1, Singapore 048624 on Thursday, 29 April 2010 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 & Auditors' Report		
Resolution 2	Final Dividend		
Resolution 3	Directors' Fees		
Resolution 4	Auditors & their remuneration		
Resolution 5	Re-election (Mr Yeo Liat Kok Philip)		
Resolution 6	Re-appointment (Dr Wee Cho Yaw)		
Resolution 7	Re-appointment (Mr Ngiam Tong Dow)		
Resolution 8	Re-appointment (Professor Cham Tao Soon)		
Resolution 9	Authority to issue shares (General)		

Dated this _____ day of _____, 2010

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

Important: Please read notes overleaf

Notes:

1. To be effective, this proxy form must be deposited at 80 Raffles Place #04-20 UOB Plaza 2, Singapore 048624 (Attention: The Company Secretary), not less than 48 hours before the time set for holding the Meeting. A proxy need not be a member of the Company.
2. If the member is a corporation, this proxy form must be executed under its common seal or the hand of its duly authorised officer or attorney.
3. Any alteration made in this form should be initialed by the person who signs it.

1st fold

2nd fold



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

Fold and glue overleaf. Do not staple.



Corporate information

Board of Directors

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

Executive Committee

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

Nominating Committee

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

Remuneration Committee

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

Secretary

Chan Vivien

Share Transfer Office

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

Auditors

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

Registered Office

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

Main Branch

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

Correspondents

In all principal cities of the world

uobgroup.com

Far Eastern Bank Limited

Registered Office

80 Raffles Place

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Singapore 048624

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