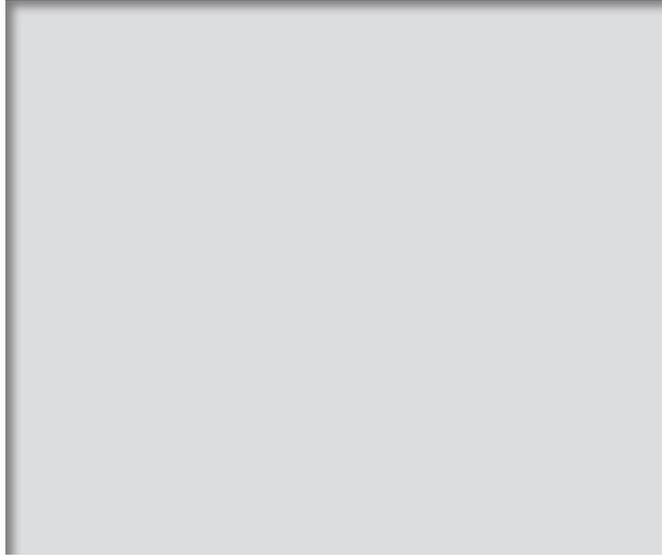




FAR EASTERN BANK LIMITED

Annual Report 2011



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***Sweet Rambutans* by Georgette Chen**
Oil on canvas

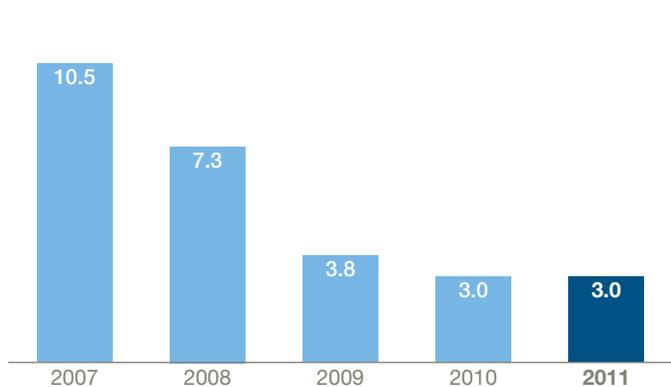
This painting by Georgette Chen is one of the most acclaimed pieces in UOB's art collection. The Group started its collection in the 1970s as a way to support the local arts scene. Through this programme, UOB has collected more than 1,500 artworks which are displayed at the Group's offices worldwide.

As UOB is acknowledged as one of the pioneer banks in Singapore, so too is Chen recognised as a forerunner of the visual arts scene in the country. The rambutan fruit is a signature element of Chen's still-life paintings. Chen who is known for her Post-Impressionist style has blended western and eastern elements in this artwork.

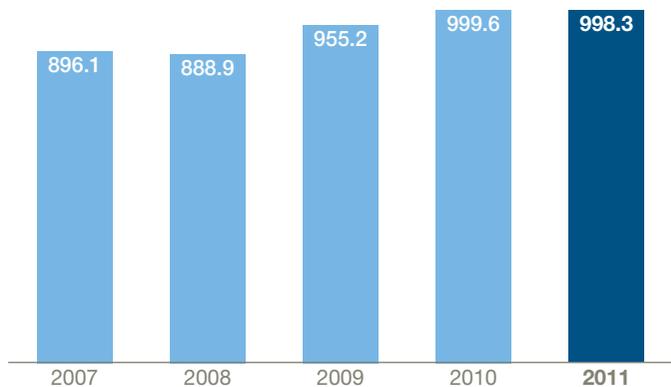
Chen has forged a reputation for her portraits, landscape and still-life paintings. She was conferred the Cultural Medallion in 1982. A national arts scholarship has been established in her name.

Financial Highlights

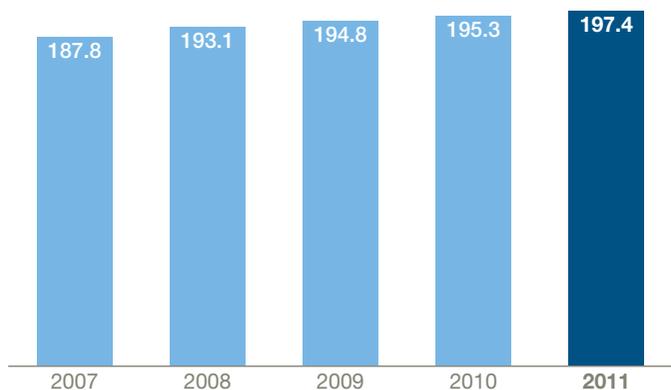
Net profit after tax \$3.0 million ▼ 0.1%



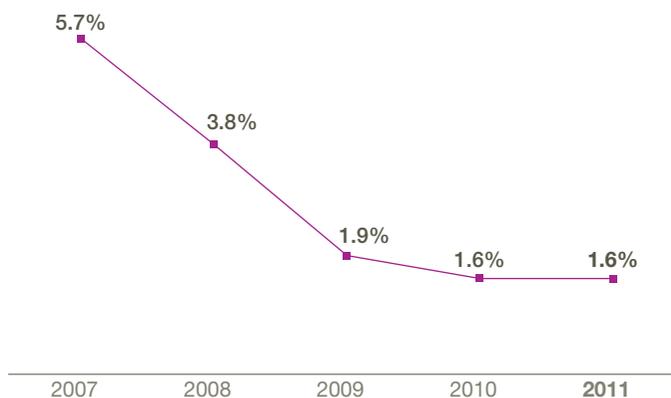
Total assets \$998.3 million ▼ 0.1%



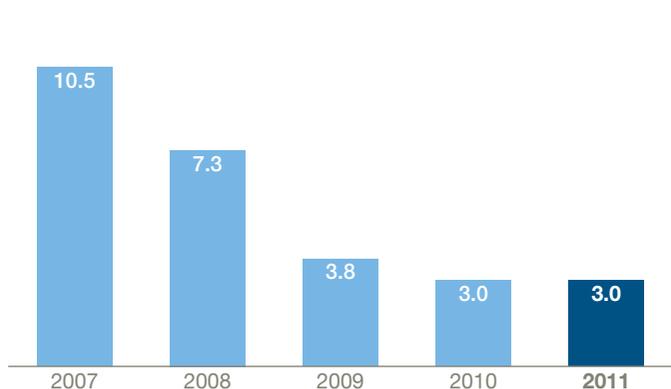
Shareholders' equity \$197.4 million ▲ 1.1%



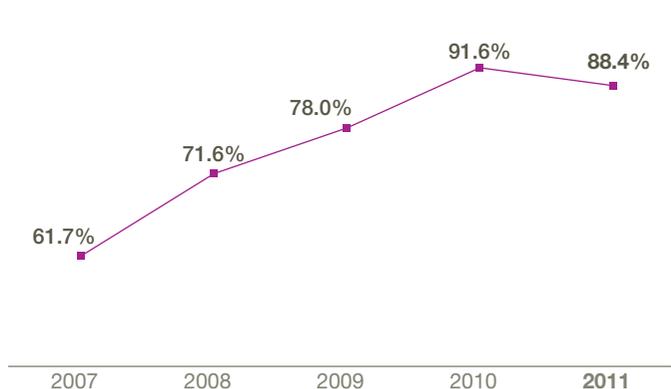
Return on average shareholders' equity 1.6%



Earnings per share 3.0 cents ▼ 0.3%

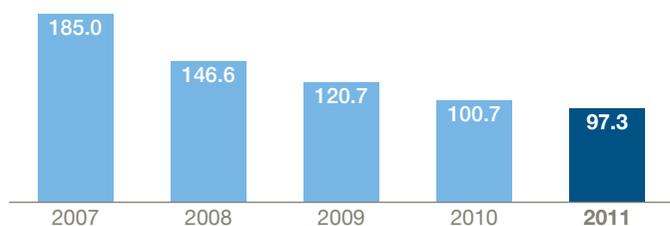


Capital adequacy ratio 88.4% ▼ 3.2%pt

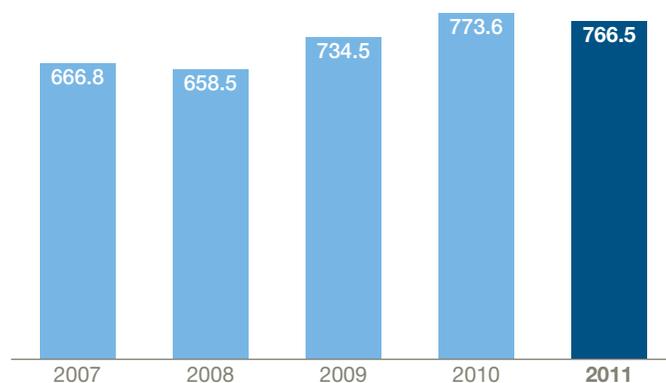


Financial Highlights

Customer loans \$97.3 million ▼ 3.4%



Customer deposits \$766.5 million ▼ 0.9%

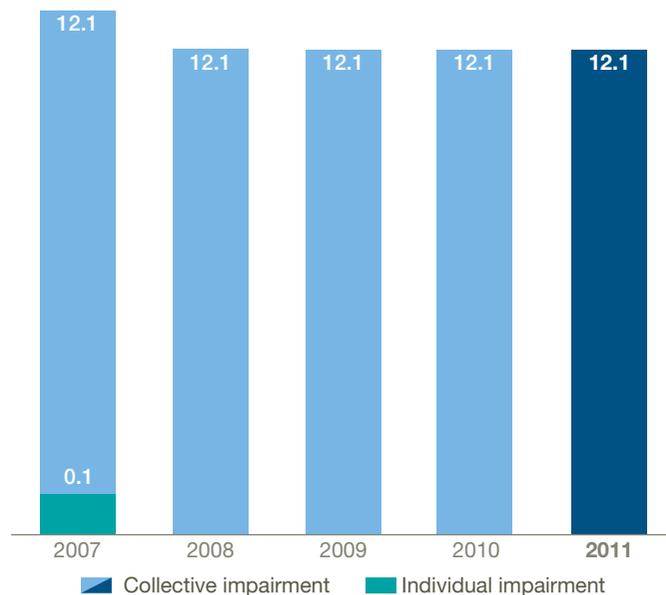
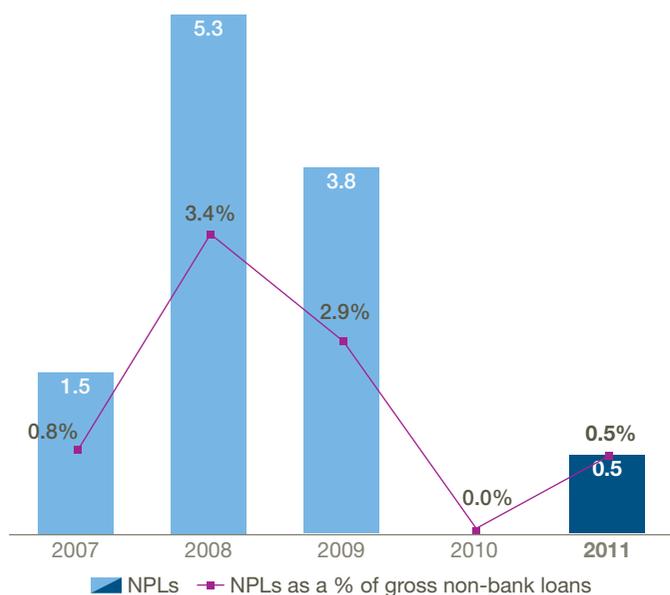


Total non-performing loans ("NPLs")

NPLs \$0.5 million NM
NPLs as a % of gross non-bank loans 0.5% ▲ 0.5%pt

Total cumulative impairment

Individual impairment \$0.0 million NM
Collective impairment \$12.1 million NM



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
Franklin Leo Lavin (*Appointed on 27 March 2012*)
Hsieh Fu Hua (*Appointed on 27 March 2012*)

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



Chairman's Statement

“Shareholders’ equity increased from \$195.3 million to \$197.4 million and total expenses decreased by \$152,000 to \$9.799 million.”

2011 saw a slowdown in global business due to the Eurozone crisis and volatile financial markets. As a consequence, Singapore’s gross domestic product (GDP) growth stumbled from a high of 14.5% in 2010 to a modest 4.9% in 2011. Reflecting the slower national growth, the Group’s business volume decreased.

Total income of \$13.053 million was 1.3% lower than 2010’s \$13.230 million, and the Group’s after tax profit fell marginally by 0.1% to \$3.043 million (2010: \$3.047 million).

Total assets were reduced by 0.1% to \$998.3 million (2010: \$999.6 million), and total customer loans fell by \$3.4 million to \$97.3 million. Customer deposits decreased by \$7.1 million to \$766.5 million.

On the positive side, shareholders’ equity increased from \$195.3 million to \$197.4 million and total expenses decreased by \$152,000 to \$9.799 million. There was a write-back on impairment of \$389,000 largely from properties due to higher market value.

The Board has transferred \$1 million to general reserves, and recommends a first and final dividend of 2 cents per share for the financial year ended 31 December 2011.

The global economic outlook remains uncertain with risk of further deterioration as the economic malaise of Europe and the United States impacts other markets. The Government has projected GDP growth of 1% to 3%.

In anticipation of more challenging times ahead, the Group will focus on capital and cost management. Business expansion will be tempered by a robust risk management structure.

Messrs Franklin Leo Lavin and Hsieh Fu Hua joined the Board in March this year. My fellow directors and I would like to extend a warm welcome to them.

After having served seven and 11 years respectively on the Board, Messrs Ngiam Tong Dow and Philip Yeo Liat Kok will not be seeking re-election at the forthcoming annual general election to facilitate board renewal. The Board and I would like to thank them for their invaluable contributions and guidance over the years. I would also like to thank my fellow Board Directors for their wise counsel, and management and staff members for their commitment and contributions in the past challenging year.

Wee Cho Yaw

Chairman

February 2012

Board of Directors



WEE CHO YAW

Chairman

Age 83. A banker with more than 50 years' experience, Dr Wee has been the Chairman and Chief Executive Officer (CEO) of United Overseas Bank (UOB) since 1974. He relinquished his CEO position on 27 April 2007. He was appointed as Chairman of the Far Eastern Bank (FEB) Board on 17 August 1984 and last re-appointed as Director on 28 April 2011. 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 Supervisor of United Overseas Bank (China). He is the Chairman of United International Securities, Haw Par Corporation, UOL Group, Pan Pacific Hotels Group, United Industrial Corporation, and Singapore Land and its subsidiary, Marina Centre Holdings. He is also the Chairman of the Wee Foundation.

Dr Wee was 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 Pro-Chancellor of Nanyang Technological University and Honorary President of the Singapore Chinese Chamber of Commerce & Industry, Singapore Federation of Chinese Clan Associations and Singapore Hokkien Huay Kuan. He received Chinese high school education and was conferred an Honorary Doctor of Letters by National University of Singapore in 2008. He was also conferred the Distinguished Service Order, Singapore's highest National Day Awards in 2011, for his outstanding contributions in community work.



WEE EE CHEONG

Deputy Chairman and Chief Executive Officer

Age 59. 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.

A career banker, Mr Wee joined United Overseas Bank (UOB) in 1979, and has extensive experience handling various functions across UOB. He served as Deputy Chairman and President of UOB from 2000 to April 2007 before being appointed as Chief Executive Officer on 27 April 2007.

He also holds directorships in several UOB subsidiaries and affiliates including United Overseas Insurance, United Overseas Bank (Malaysia), United Overseas Bank (Thai) Public Company and United International Securities. He is the Chairman of United Overseas Bank (China) and Vice President Commissioner of PT Bank UOB Indonesia.

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

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

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



WONG MENG MENG

Age 63. Mr Wong was appointed to the Board on 24 March 2000 and last re-elected as Director on 28 April 2011. 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 the President of The Law Society of Singapore, a Vice President of Singapore Academy of Law, and a member of the Public Guardian Board. Mr Wong is the Chairman of Mapletree Industrial Trust Management and FSL Trust Management. He had previously served as a member of the Military Court of Appeal and the Advisory Committee of Singapore International Arbitration Centre. Mr Wong also serves on the board of United Overseas Bank.

While in active practice, Mr Wong had 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*, among others.



YEO LIAT KOK PHILIP

Age 65. Mr Yeo was appointed to the Board on 26 May 2000 and last re-elected as Director on 29 April 2010. An independent and non-executive director, he is a member of the Bank's Executive, Nominating and Remuneration Committees.

Mr Yeo is the 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.

Mr Yeo serves as a member of the United Nations Committee of Experts in Public Administration (CEPA), established by the Economic and Social Council (ECOSOC) from 2010 to 2013 for the promotion and development of public administration and governance among Member States, in connection with the United Nations Development Agenda.

He is the former Chairman of the Agency for Science, Technology & Research (A*STAR) and Economic Development Board, and former Special Advisor for Economic Development in the Prime Minister's Office. He is the Chairman of Accuron Technologies, MTIC Holdings, Singapore Aerospace Manufacturing, Ascendas Property Fund Trustee and Hexagon Development Advisors. Mr Yeo is a director of City Developments and Vallar PLC (UK). He also serves on the board of United Overseas Bank.

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

Board of Directors



CHAM TAO SOON

Age 72. Prof Cham was appointed to the Board on 6 April 2001 and last re-appointed as Director on 28 April 2011. 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 and the Board of Governors of Singapore-China Foundation, and Deputy Chairman of Singapore Press Holdings. He is a director of Soup Restaurant Group and Singapore International Foundation. He is a former director of Adroit Innovations, Keppel Corporation, Land Transport Authority, TPA Strategic Holdings, Robinson & Company and WBL Corporation, and the former Chairman of Singapore Symphonia Company.

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

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



NGIAM TONG DOW

Age 74. Mr Ngiam was appointed to the Board on 3 February 2005 and last re-appointed as Director on 28 April 2011. 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 Hap Seng. He served as Chairman of the Housing & Development Board from 1998 to 2003 and Surbana Corporation 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 University of Malaya, Singapore, and a Master of Public Administration from Harvard University, USA.



FRANKLIN LEO LAVIN

Age 54. Mr Lavin was appointed to the Board on 27 March 2012. An independent and non-executive director, he will stand for re-election at FEB's annual general meeting on 25 April 2012.

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

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

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



HSIEH FU HUA

Age 61. Mr Hsieh was appointed to the Board on 27 March 2012. An independent and non-executive director, he will stand for re-election at FEB's annual general meeting on 25 April 2012.

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

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

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

Corporate Governance

INTRODUCTION

FEB is committed to upholding good corporate governance standards and is guided in this regard by:

- Guidelines on Corporate Governance for Banks, Financial Holding Companies and Direct Insurers issued by the Monetary Authority of Singapore in 2005 and amended in 2010 (“MAS Guidelines”);
- Banking (Corporate Governance) Regulations 2005 as amended in 2007 and 2010 (“Banking Regulations”); and
- Code of Corporate Governance 2005 (“Code”).

CONDUCT OF AFFAIRS

The Board’s main duties and responsibilities are:

- reviewing and approving business plans and budgets;
- monitoring financial performance;
- determining capital structure;
- setting dividend policy and declaring dividends;
- approving major acquisitions and divestments;
- reviewing risk management framework;
- setting company values and standards; and
- performing succession planning.

The Board has delegated some of its roles and responsibilities to three Board committees, namely, the Nominating Committee (“NC”), Remuneration Committee (“RC”) and Executive Committee (“EXCO”). Membership and details of the respective committees are set out on subsequent pages.

The audit and risk management functions of the Board are performed by the audit and board risk management committees respectively of United Overseas Bank Limited (“UOB”), the parent company of FEB. In addition, UOB manages the day-to-day operations of FEB. This provides FEB with access to UOB’s infrastructure and management resources and enables FEB to reap economies of scale.

All Board and board committee meetings and the annual general meeting (“AGM”) are scheduled in advance. Board meetings are held quarterly and whenever there is urgent business to be dealt with. Directors who are unable to attend a meeting in person may participate via telephonic and/or video conference or communicate their views through another director or the company secretary.

The attendance record of directors at the Board and FEB board committee meetings in 2011 is set out in the table below.

Name of director	Number of meetings attended in 2011			
	Board of Directors	Nominating Committee	Remuneration Committee	Executive Committee
Wee Cho Yaw	4	2	1	5
Wee Ee Cheong	4	–	–	5
Wong Meng Meng	4	2	–	–
Yeo Liat Kok Philip	2	2	1	3
Cham Tao Soon	4	2	1	5
Ngiam Tong Dow	4	2	–	5
No. of meetings held in 2011	4	2	1	5

BOARD COMPOSITION

The Board comprises eight members whose names are set out below. More information on the directors can be found in the 'Board of Directors' section of this Annual Report.

Wee Cho Yaw <i>(Chairman)</i>	Non-executive and non-independent
Wee Ee Cheong <i>(Deputy Chairman and Chief Executive Officer ("CEO"))</i>	Executive and non-independent
Wong Meng Meng	Non-executive and independent
Yeo Liat Kok Philip	Non-executive and independent
Cham Tao Soon	Non-executive and independent
Ngiam Tong Dow	Non-executive and independent
Franklin Leo Lavin <i>(Appointed on 27 March 2012)</i>	Non-executive and independent
Hsieh Fu Hua <i>(Appointed on 27 March 2012)</i>	Non-executive and independent

The NC assesses the independence of directors annually. Directors are considered independent if they are independent from substantial shareholders and management and business relationships that could materially interfere with, or be reasonably perceived to materially interfere with, the exercise of their unfettered and independent judgement. With effect from the 2012 AGM, a director who has served on the Board for nine continuous years will no longer be regarded as independent.

Messrs Wee Cho Yaw and Wee Ee Cheong are substantial shareholders of UOB, the parent company of FEB, and are not independent. With effect from the conclusion of the 2012 AGM, Messrs Wong Meng Meng, Yeo Liat Kok Philip and Cham Tao Soon will not be regarded as independent as they have each served on the Board for more than nine continuous years.

Messrs Ngiam Tong Dow and Yeo Liat Kok Philip will not be seeking re-appointment/re-election at the Bank's forthcoming AGM. As part of its progressive renewal,

the Board appointed Messrs Franklin Leo Lavin and Hsieh Fu Hua as directors in March 2012. They are not substantial shareholders and have no management and business relationships with the Bank that would compromise their independence. The NC is satisfied that both of them are independent.

The NC reviews the size of the Board and its composition annually. Having considered factors such as the complexity of the Bank's business, its scale of operations and the operating environment, the NC is of the view that the current board size is appropriate. The NC also reviews the composition of the Board and board committees annually and recommends the re-constitution of the board committees as may be necessary.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Dr Wee Cho Yaw is the non-executive Chairman of the Board. He provides leadership to the Board, sees that meetings are held as needed, ensures that directors are given adequate information to discharge their duties and oversees corporate governance matters, among others. Dr Wee Cho Yaw is eligible for re-appointment yearly subject to the approval of the regulatory authority.

Mr Wee Ee Cheong, the son of Dr Wee Cho Yaw, is the CEO of the Bank. He is also the Deputy Chairman of the Board. Mr Wee Ee Cheong is responsible for the day-to-day running of the Bank.

The MAS Guidelines recommend that where the Chairman and CEO are related by close family ties, a bank may appoint an independent non-executive director to be the lead independent director. After deliberation, the NC does not consider it necessary to appoint a lead independent director as all directors may be approached for assistance. Further, the Bank has an established process for receiving and responding to shareholders' feedback and complaints.

Corporate Governance

NOMINATING COMMITTEE

The NC comprises five members, a majority of whom (including the NC Chairman) are independent directors. The members are Messrs Wong Meng Meng (Chairman), Wee Cho Yaw, Yeo Liat Kok Philip, Cham Tao Soon and Ngiam Tong Dow. Mr Wee Ee Cheong is the alternate member to Dr Wee Cho Yaw on the NC.

Appointment of New Directors

The NC identifies and assesses the nominations of new directors against a range of criteria including the candidates' background, experience, skills, personal qualities and their availability to commit time to the Board's activities. The NC is responsible for identifying the right balance of independent and non-independent directors and for nominating directors with the right expertise, skills and ability. Two new directors were appointed in March 2012.

Annual Reviews

The NC reviews the re-appointment and re-election of directors annually. Pursuant to the Bank's Articles of Association, one-third of the directors retire from office by rotation and are eligible for re-election at each AGM. Directors who are above 70 years of age are subject to annual re-appointment under the Companies Act while new directors appointed by the Board during the year are subject to re-election at the AGM.

Each year, the NC also performs an annual assessment of the performance of each director and the Board as a whole. Directors are assessed individually based on a range of criteria including their attendance record, skills, overall preparedness, participation, candour and clarity in communication, maintenance of relevant expertise, strategic insight, financial literacy, business judgement and sense of accountability. Each NC member recuses himself from the deliberation on his own performance. The Board's performance is assessed based on factors such as strategic directions given, quality of oversight of risk management and internal controls, and the Bank's performance. Feedback from and the views of other Board members based on a questionnaire are taken into consideration in the process.

Training and Development

UOB has established an in-house continuous development programme to equip directors with the skills and knowledge to perform their duties. During 2011, directors attended the UOB in-house programme as well as external programmes. The UOB in-house continuous development programme covered topics such as Basel guidelines, risk management, anti-money laundering and counter-terrorism financing regulations, fair dealing guidelines, accounting and human resource management and compensation best practices. Through these programmes, the directors are kept abreast of prudential requirements and best practices for the oversight of a bank.

REMUNERATION COMMITTEE

The RC comprises Messrs Wee Cho Yaw (Chairman), Yeo Liat Kok Philip and Cham Tao Soon. Except for an incumbent, the Banking Regulations require the chairman of a remuneration committee to be an independent director. The NC is of the view that Dr Wee Cho Yaw, the incumbent RC Chairman and a non-independent director, is the most appropriate person to chair the RC given his vast experience as the UOB Group chairman.

The RC reviews directors' fees annually and recommends to the Board the amount of fees to be paid. Directors' fees are subject to shareholders' approval and are shared among directors, with directors having additional responsibilities as chairmen or members of board committees receiving more. Each RC member abstains from the deliberation on his own remuneration. Directors' fees and remuneration are disclosed in the 'Directors' Report' section. During the year, no director was granted any share option or other equity incentive.

The Bank is managed by UOB and shares the management resources and infrastructure of UOB. As FEB is a subsidiary of UOB, the remuneration policy and systems of the UOB Group also apply to the Bank. FEB does not have any employee share scheme.

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

EXECUTIVE COMMITTEE

The EXCO comprises five members, a majority of whom are independent directors. They are Messrs Wee Cho Yaw (Chairman), Wee Ee Cheong, Yeo Liat Kok Philip, Cham Tao Soon and Ngiam Tong Dow.

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

UOB AUDIT COMMITTEE

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

The members of the UOB AC are Messrs Cham Tao Soon (Chairman), Yeo Liat Kok Philip and Thein Reggie.

Accounting Policies and Practices

The UOB AC reviews the financial statements of the Bank. This includes verifying that accounting policies and practices adopted are appropriate and have been consistently applied, and ascertaining whether any applicable accounting policy has been changed and whether judgements, which have a significant impact on the financial results, have been made during the reporting period.

Investigative Powers

The UOB AC has authority to investigate any matter within its terms of reference. Matters investigated may arise from internal processes of the Bank such as internal audit, or from a report made pursuant to the Bank's whistle-blowing policy. In the discharge of its duties, the UOB AC is entitled to the full co-operation of Management, employees and the internal and external auditors.

External Auditors

During the year, the UOB AC reviews the audit process and in particular, the external audit plan, the audit reports submitted by the external auditors and the non-audit services performed by the external auditors. Where appropriate, the UOB AC meets the external auditors in the absence of the internal auditors and Management. The UOB AC assesses the performance, effectiveness, independence and objectivity of the external auditors before recommending the re-appointment of the external auditors to the Board. In assessing the external auditors' performance, the UOB AC obtains feedback on the external auditors' work from the internal auditors and Management and takes into account its own assessment of the external auditors' work, among other things. The UOB AC also approves the terms of engagement of the external auditors.

Corporate Governance

Having reviewed the external auditors' work, conduct and professional relationship with FEB, and having noted that the external auditors did not receive any fee for any non-audit service rendered to FEB during the year, the UOB AC was satisfied that Ernst & Young LLP was objective and independent. The UOB AC was also satisfied that the external auditors had the expertise and adequate resources to perform their audit. Accordingly, the UOB AC has nominated Ernst & Young LLP for re-appointment as external auditors at the forthcoming AGM.

Internal Auditors

The UOB AC also oversees the internal audit function of the Bank which is performed by UOB Group Audit. This includes reviewing the scope of audit for each year and monitoring the progress of audits. The UOB AC further ensures that UOB Group Audit is adequately and appropriately resourced in order to discharge its responsibilities. More information about the internal audit function is set out on this page.

UOB BOARD RISK MANAGEMENT COMMITTEE

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

The UOB BRMC comprises five members. They are Messrs Wee Cho Yaw (Chairman), Wee Ee Cheong, Cham Tao Soon, Ngiam Tong Dow and Tan Lip-Bu.

INTERNAL CONTROLS

The Bank has in place a comprehensive system of internal controls that safeguards its business. Various board committees (including the UOB AC and UOB BRMC), which are assisted by UOB Group Audit, UOB Group Risk Management and UOB Group Compliance, help the Board to ensure that the system of internal controls is adequate and working satisfactorily.

UOB Group Audit

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

UOB Group Compliance

UOB Group Compliance provides independent support to FEB to ensure compliance with applicable laws and adoption of industry best practices. UOB Group Compliance also monitors regulatory developments in and outside Singapore which may have an impact on the UOB Group's (including FEB's) operations and provides advice accordingly.

UOB Group Risk Management

The UOB Group's risk management framework, policies and processes are applied to FEB. The Board reviews the reports from the UOB BRMC on matters which relate to the business of FEB.

Having made enquiries and based on its own assessment of FEB's control environment, the Board, with the concurrence of the UOB AC and UOB BRMC, was of the view that the internal controls, including financial, operational and compliance controls and risk management processes, were generally adequate.

ACCESS TO INFORMATION

Directors have unfettered access to information and Management, and receive timely and detailed financial, risk management and operational reports to facilitate informed discussions during meetings. Directors also have access to the company secretary whose responsibilities include advising the Board on regulatory changes and best practices in corporate governance. In discharging their duties, directors may seek independent professional advice, if necessary, at the Bank's expense.

Company Secretary

The company secretary attends all Board, board committee and general meetings and ensures that Board procedures and applicable regulations are complied with. She also facilitates communications between the Board and Management and the induction of new directors, and generally assists directors in the discharge of their duties.

RELATED PARTY TRANSACTIONS

The Bank has in place, a procedure to monitor and disclose related party transactions. These transactions are disclosed in the Notes to the Financial Statements.

COMMUNICATION WITH SHAREHOLDERS

During the year, FEB communicates with shareholders through notices and circulars. Annual reports on the Bank's performance and financial position are sent to shareholders at least 14 days before the AGM. The annual report is also posted on uobgroup.com.

Feedback Management

The Board values all feedback from stakeholders and has established clear channels for the receipt of feedback and complaints. Procedures have been put in place so that all complaints are investigated and dealt with in an appropriate manner. Shareholders may give feedback and views at the AGM or by contacting the company secretary.

SHAREHOLDER PARTICIPATION

All shareholders are entitled to attend the general meetings of the Bank. At each general meeting, shareholders may pose questions and give comments to the Board on relevant matters. A shareholder may appoint a proxy to attend and vote in his place at general meetings.

ETHICAL STANDARDS

The Bank's core values are integrity, performance excellence, teamwork, trust and respect. The Bank has a general code of conduct for staff, a specific code on dealing in securities, and a whistle-blowing policy.

Group Financial Review

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Review of financial performance

Highlights and performance indicators

	2011	2010	+ / (-) %
Summarised profit and loss (\$ million)			
Net interest income ("NII")	5.4	6.1	(11.9)
Non-interest income ("Non-NII")	7.6	7.1	7.9
Total income	13.0	13.2	(1.3)
Less: Total expenses	9.8	10.0	(1.5)
Operating profit before impairment charges	3.2	3.2	(0.8)
Less: (Write-back)/impairment charges	(0.4)	(0.4)	(0.3)
Less: Tax	0.6	0.6	(3.2)
Net profit after tax	3.0	3.0	(0.1)

Key indicators

Income mix (%):

NII/Total income	41.5	46.5	(5.0)% points
Non-NII/Total income	58.5	53.5	5.0% points
	100.0	100.0	
Return on average shareholders' equity ("ROE") (%)	1.6	1.6	–
Basic earnings per share ("EPS") (cents)	3.0	3.0	(0.3)
Return on average total assets ("ROA") (%)	0.3	0.3	–
Net interest margin (%)	0.56	0.67	(0.11)% point
Expense/Income ratio (%)	75.1	75.2	(0.1)% point
Final dividend per share (cents)	2.0	2.0	–

Other indicators

Customer loans (net) (\$ million)	97.3	100.7	(3.4)
Customer deposits (\$ million)	766.5	773.6	(0.9)
Loans/Deposits ratio * (%)	12.7	13.0	(0.3)% point
Non-performing loans ("NPLs") (\$ million)	0.5	0.0	NM
Cumulative impairment (\$ million)	12.1	12.1	0.0
NPLs/Gross customer loans (%)	0.5	0.0	0.5% point
Cumulative impairment/NPLs (%)	NM	NM	NM
Total assets (\$ million)	998.3	999.6	(0.1)
Shareholders' equity (\$ million)	197.4	195.3	1.1
Revaluation surplus * (\$ million)	120.6	94.1	28.1
Net asset value ("NAV") per share (\$)	1.97	1.95	1.0
Revalued NAV per share (\$)	3.18	2.89	10.0
Capital adequacy ratio (%)	88.4	91.6	(3.2)% points

NM: Not Meaningful

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

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

Group Financial Review

Review of Group performance

The Group's net profit after tax ("NPAT") for 2011 decreased 0.1% to \$3.0 million. The decrease in NPAT was mainly attributed to lower net interest income, partially offset by higher non-interest income, fees income and lower operating expenses.

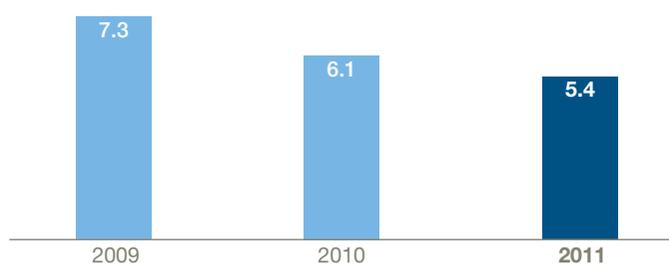
Net interest income

Net interest income for the Group decreased 11.9% to \$5.4 million in 2011 from \$6.1 million in 2010.

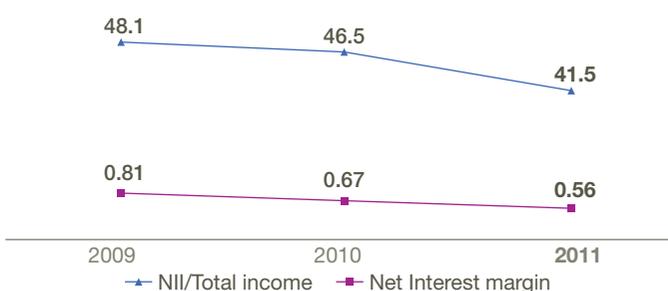
The drop in net interest income was mainly from loans, partially offset by higher contribution from securities.

The net interest margin decreased 11 basis points to 0.56% in 2011 from 0.67% in 2010.

Net interest income **\$5.4 million** ▼ 11.9%



Net interest income ("NII") ratios %



Average interest rate and net interest margin

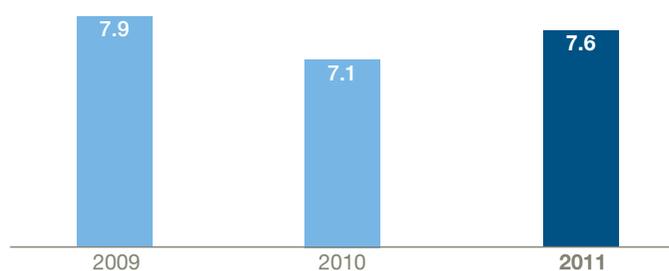
	2011			2010		
	Average balance \$'000	Average Interest \$'000	Average interest rate %	Average balance \$'000	Average Interest \$'000	Average interest rate %
Total interest bearing assets	965,464	7,415	0.77	918,970	7,987	0.87
Total interest bearing liabilities	811,946	2,001	0.25	768,923	1,839	0.24
Net interest income		5,414			6,148	
Net interest margin ⁺			0.56			0.67

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

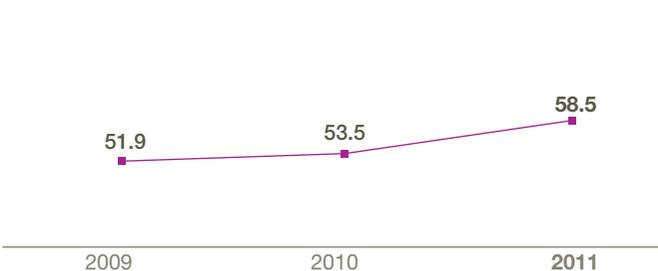
Non-interest income

The Group's non-interest income for 2011 accounted for 58.5% of total income. Total non-interest income increased by 7.9% to \$7.6 million in 2011 from \$7.1 million in 2010. The increase was mainly from higher profit on the sale of government securities and office rental income, partially offset by profit on the sale of investment securities last year and lower profit on foreign exchange this year.

Non-interest income **\$7.6 million** ▲ **7.9%**



Non-interest income/Total income **58.5%** ▲ **5.0%pt**



Composition of non-interest income

	2011 \$'000	2010 \$'000	+ / (-) %
Fee and commission income			
Investment-related	6	3	100.0
Loan-related and trade-related	728	499	45.9
Other	433	445	(2.7)
	1,167	947	23.2
Rental income	4,707	4,607	2.2
Other operating income			
Net profit/(loss) from:			
Government securities	495	35	>100.0
Foreign exchange	157	190	(17.4)
Investment securities	-	283	NM
Other	1,113	1,020	9.1
	1,765	1,528	15.5
Total non-interest income	7,639	7,082	7.9

Group Financial Review

Operating expenses

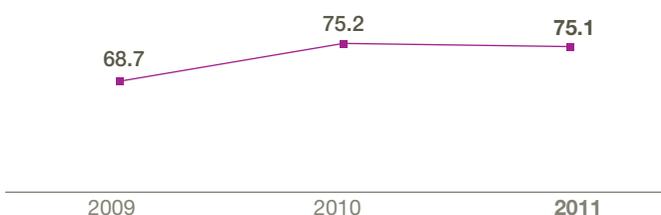
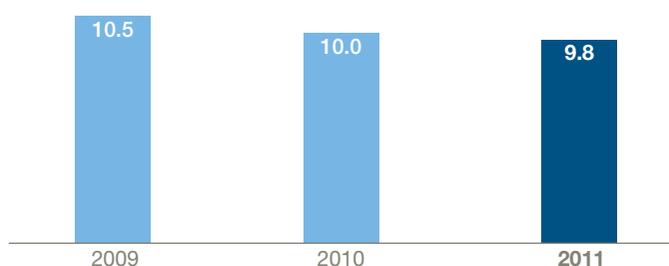
Total operating expenses decreased to \$9.8 million in 2011 from \$10.0 million in 2010, mainly due to lower management fees payable to holding company coupled with lower staff expenses.

With the decrease in total expenses outpacing the decrease in total income, the expense-to-income ratio of the Group decreased 0.1% point to 75.1% in 2011 from 75.2% in 2010.

	2011 \$'000	2010 \$'000	+ / (-) %
Staff costs	566	641	(11.7)
Other operating expenses	9,233	9,310	(0.8)
Total operating expenses	9,799	9,951	(1.5)

Total operating expenses **\$9.8 million** ▼ 1.5%

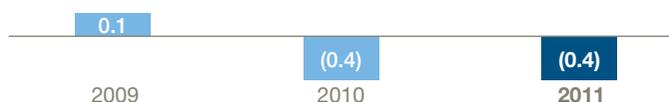
Expenses/Income **75.1%** ▼ 0.1%pt



Impairment charged to income statement

Write-back of \$0.4 million in 2011 mainly on properties.

Impairment charged/(write-back) to income statement **\$(0.4) million** ▼ 0.3%



	2011 \$'000	2010 \$'000	+ / (-) %
Individual impairment on			
Loans	(20)	(57)	64.9
Investments	(33)	(51)	35.3
Properties and other fixed assets	(336)	(280)	(20.0)
Total (write-back)/impairment charges	(389)	(388)	(0.3)

Overview of balance sheet

Total assets

The Group's total assets decreased 0.1% to \$998.3 million as at 31 December 2011 from \$999.6 million as at 31 December 2010. The decrease was primarily from securities, partially offset by an increase in inter-bank placements and balances.

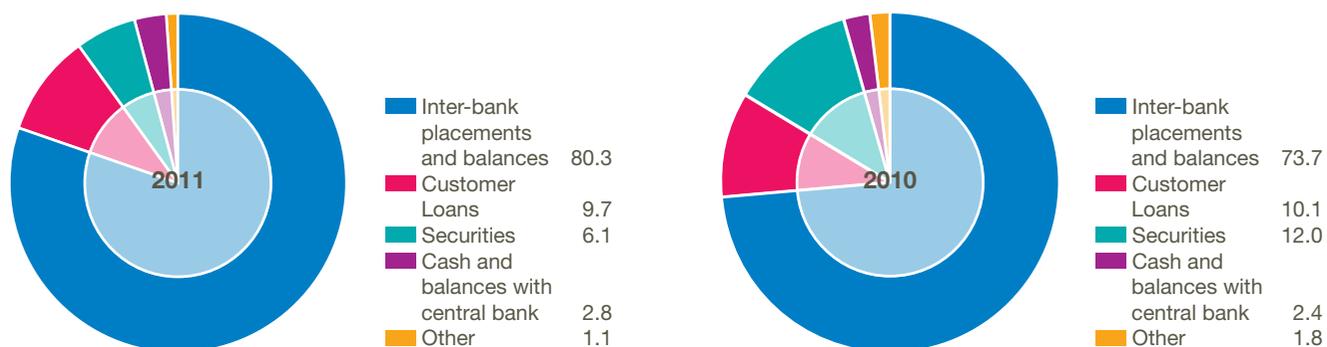
Asset mix

	2011		2010	
	\$'000	%	\$'000	%
Cash and balances with central bank	28,114	2.8	24,044	2.4
Securities *	61,030	6.1	120,019	12.0
Inter-bank placements and balances	801,332	80.3	736,854	73.7
Customer loans	97,271	9.7	100,707	10.1
Other	10,592	1.1	18,004	1.8
Total assets	998,339	100.0	999,628	100.0

* Comprising Singapore Government treasury bills and securities

Asset Mix

%



Securities

Securities held by the Group as at 31 December 2011 were valued at \$61 million (2010: \$120 million).

	2011		2010	
	\$'000	%	\$'000	%
Singapore Government treasury bills and securities	61,030	100.0	120,019	100.0
Total securities	61,030	100.0	120,019	100.0

Group Financial Review

Customer loans

Net customer loans were lower at \$97.3 million as at 31 December 2011 compared to \$100.7 million as at 31 December 2010. The fall of \$3.4 million or 3.4% was mainly from housing loans and overdrafts, partially offset by an increase in term loans and trade financing.

Customer loans analysed by product group

	2011		2010	
	\$'000	%	\$'000	%
Housing loans	14,643	13.4	20,436	18.1
Term loans	61,044	55.8	56,276	49.9
Trade financing	13,833	12.6	12,720	11.3
Overdrafts	19,858	18.2	23,341	20.7
Total gross customer loans	109,378	100.0	112,773	100.0
Individual impairment	(48)		(7)	
Collective impairment	(12,059)		(12,059)	
Total net customer loans	97,271		100,707	

Gross customer loans analysed by industry

	2011		2010	
	\$'000	%	\$'000	%
Transport, storage and communication	1,410	1.3	1,486	1.3
Building and construction	916	0.8	4,210	3.7
Manufacturing	5,818	5.3	6,677	5.9
Financial institutions	10,036	9.2	3,534	3.2
General commerce	35,476	32.4	35,554	31.5
Professionals and private individuals	38,243	35.0	38,318	34.0
Housing loans	14,643	13.4	20,436	18.1
Other	2,836	2.6	2,558	2.3
Total gross customer loans	109,378	100.0	112,773	100.0

Gross customer loans analysed by currency and fixed/variable rates

	2011			2010		
	Fixed rate \$'000	Variable rate \$'000	Total \$'000	Fixed rate \$'000	Variable rate \$'000	Total \$'000
Singapore dollar	18,145	81,551	99,696	13,519	92,057	105,576
US dollar	6,488	–	6,488	4,066	134	4,200
Japanese yen	3,116	57	3,173	1,768	75	1,843
Other	21	–	21	1,100	54	1,154
Total gross customer loans	27,770	81,608	109,378	20,453	92,320	112,773

Customer loans (continued)

Gross customer loans analysed by remaining maturity

	2011		2010	
	\$'000	%	\$'000	%
Within 1 year	49,727	45.5	48,676	43.2
Over 1 year but within 3 years	11,693	10.7	12,867	11.4
Over 3 years but within 5 years	10,490	9.6	11,082	9.8
Over 5 years	37,468	34.2	40,148	35.6
Total gross customer loans	109,378	100.0	112,773	100.0

Deposits

Total deposits increased by 0.4% or \$3.4 million to \$797.1 million as at 31 December 2011 from \$793.7 million as at 31 December 2010. This was mainly attributed to higher deposits from holding company, current, savings accounts and other deposits, partially offset by lower fixed deposits accounts.

Deposits analysed by product group

	2011		2010	
	\$'000	%	\$'000	%
Customer deposits				
Fixed deposits	243,891	30.6	263,212	33.1
Current, savings and other deposits	522,594	65.5	510,410	64.3
	766,485	96.1	773,622	97.4
Fellow subsidiaries' deposits	524	0.1	534	0.1
Holding company's deposits	30,139	3.8	19,496	2.5
Total deposits	797,148	100.0	793,652	100.0

Deposits analysed by remaining maturity

	2011		2010	
	\$'000	%	\$'000	%
Within 1 year	768,684	96.4	775,081	97.7
Over 1 year but within 3 years	24,617	3.1	11,688	1.5
Over 3 years but within 5 years	3,847	0.5	6,573	0.8
Over 5 years	–	–	310	0.0
Total deposits	797,148	100.0	793,652	100.0

Group Financial Review

Loans/Deposits ratio

With the decrease in net customer loans of 3.4% outpacing the decrease in customer deposits of 0.9%, the loans-to-deposits ratio declined 0.3% point to 12.7% in 2011 from 13.0% in 2010.

Loans/Deposits ratio



Shareholders' equity

Shareholders' equity as at 31 December 2011 was \$197.4 million, representing a 1.1% increase over the \$195.3 million as at 31 December 2010.

As at 31 December 2011, revaluation surplus of \$120.6 million (2010: \$94.1 million) on properties was not included in the financial statements.

	2011 \$'000	2010 \$'000	+ / (-) %
Shareholders' equity	197,431	195,292	1.1
Add: Revaluation surplus	120,553	94,113	28.1
Shareholders' equity including revaluation surplus	317,984	289,405	9.9
Net asset value ("NAV") per share (\$)	1.97	1.95	1.0
Revaluation surplus per share (\$)	1.21	0.94	28.7
Revalued NAV per share (\$)	3.18	2.89	10.0

Capital adequacy ratio

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

As at 31 December 2011, the Group's total CAR was 88.4%, well above the minimum total CAR of 10% set by MAS. Compared to the total CAR of 91.6% as at 31 December 2010, it had decreased 3.2% points attributed to the 4.3% increase in risk-weighted assets outpacing the 0.6% increase in eligible total capital.

	2011	2010
	\$'000	\$'000
Tier 1 capital		
Share capital	100,011	100,011
Disclosed reserves/other	96,479	95,315
Eligible Tier 1 capital	196,490	195,326
Tier 2 capital		
Cumulative collective impairment/other	1,383	1,353
Eligible total capital	197,873	196,679
Risk-weighted assets	223,874	214,692
Capital adequacy ratio (%)		
Tier 1	87.8	91.0
Total	88.4	91.6

Risk Management

Risk Management Overview

Financial and non-financial risks are integral to 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's risk management principles are:

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

Credit risk exposures are managed through a robust credit underwriting, structuring and monitoring process. 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 disciplined process by officers from the business units and Risk Management. Where appropriate, these accounts are also subjected to more frequent credit review.

Classification and loan loss impairment

The Group classifies its 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 de-classified, the account is unlikely to be classified again in the near future.

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

Write-off policy

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

Market Risk

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

The Group’s market risk framework comprises market risk policies and practices, the validation of valuation and risk models, the control structure with appropriate delegation of authority and market risk limits. In addition, robust risk architecture as well as a new Product/Service Programme process ensure 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 approves policies, strategies and limits for the management of structural balance sheet risk exposures. These are monitored by the Balance Sheet Risk Management Division. ALCO’s decisions and its risk management reports are reviewed by the Board and its Risk Management Committee. At a tactical level, the Management Portfolio unit of Global Markets and Investment Management is responsible for the effective management of balance sheet risk in accordance with the Group’s approved balance sheet risk management policies.

Interest Rate Risk

The primary objective of interest rate risk management is to protect and enhance capital and economic net worth through adequate, stable and reliable growth in net interest earnings under a broad range of possible economic conditions.

Exposure is quantified using a combination of static analysis tools and dynamic simulation techniques on a monthly basis. Static analysis tools such as repricing schedules and sensitivity analysis of assets and liabilities provide indications of the potential impact of interest rate changes on interest income and price value.

Interest rate sensitivity varies with different repricing periods, currency and embedded optionality. Mismatches in the longer tenor will experience greater change in the price-value of interest rate positions than similar positions in the shorter tenor.

The table in Note 30(c) (page 64) of the financial statements represents the Group’s interest rate risk sensitivity based on repricing mismatches as at 31 December 2011. Note 30(c) shows the change in Economic Value of Equity (“EVE”) at risk sensitivities for 100 basis points (“bp”) and 200bp parallel rate shock to the banking book. The reported figures are based on the worst case of an upward and downward parallel movement of the yield curve. The repricing profile of loans and deposits that do not have maturity dates are generally based on the earliest possible repricing dates, taking into account the notice period to be served to the customers.

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

In EVE sensitivity simulations, the present values 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.

Risk Management

Liquidity Risk

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

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

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

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

Liquidity risk is aligned with the regulatory liquidity risk management framework, and is measured and managed on a projected cash flow basis. The Group is monitored under 'business as usual', 'bank-specific crisis' and 'general market crisis' scenarios. 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 crisis using a series of warning indicators. Crisis escalation processes and various strategies including funding and communication have been developed to minimise the impact of any liquidity crunch.

The table in Note 30(d) (page 66) of the financial statements presents the maturity mismatch analysis of the Group's near and long-term time bands relating to the cash inflows and outflows based on contractual maturity arising from the Group's activities. Behavioural adjustments were made on significant balance sheet items that have actual maturity dates that differ substantially from their contractual profile.

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

Operational Risk

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

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

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

A database of operational risk events and losses has been established and corrective actions, where necessary, will be taken to rectify the underlying root cause. The analysis of loss trends and root causes of loss events helps in strengthening the internal control environment.

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

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

The Group's Outsourcing Policy and Framework ensures that outsourcing risks are adequately identified and managed prior to entering into any new arrangements and on an on-going basis.

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

Legal risk is part of operational risk. Legal risk arises from unenforceable, unfavourable, defective or unintended contracts; lawsuits or claims; developments in laws and regulations; or non-compliance with applicable laws and regulations. Business units work with the Group's legal counsel and external legal counsel to ensure that legal risks are effectively managed.

Reputation risk is the adverse impact on earnings, liquidity or capital arising from negative stakeholder perception or opinion

on the Group's business practices, activities and financial condition. The Group has a framework for managing reputation risk.

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

Financial Statements

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The directors are pleased to present their report to the members together with the audited financial statements of Far Eastern Bank Limited (the "Bank") and its subsidiary (collectively, the "Group") for the financial year ended 31 December 2011.

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*)

Ngiam Tong Dow

Cham Tao Soon

Wong Meng Meng

Yeo Liat Kok Philip

Arrangements to enable directors to acquire shares or debentures

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

Directors' interests in shares or debentures

- (a) The following directors who held office at the end of the financial year had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares of the Bank or related corporations as stated below:

	Direct interest		Deemed interest	
	At 31.12.2011	At 1.1.2011	At 31.12.2011	At 1.1.2011
United Overseas Bank Limited				
Ordinary shares				
Wee Cho Yaw	17,382,921	16,913,367	263,862,980	256,801,601
Wee Ee Cheong	3,047,878	2,965,549	156,432,870	152,207,242
Cham Tao Soon	–	–	10,003	10,003
Ngiam Tong Dow	–	–	14,464	14,074
Class E non-cumulative non-convertible preference shares				
Wee Cho Yaw	–	–	167,700	167,700
Wee Ee Cheong	20,000	20,000	167,700	167,700
Cham Tao Soon	–	–	1,000	1,000
Ngiam Tong Dow	2,000	2,000	2,000	2,000
Yeo Liat Kok Philip	–	–	1,000	1,000
United Overseas Insurance Limited				
Ordinary shares				
Wee Cho Yaw	38,100	38,100	–	–

- (b) There was no change in any of the above-mentioned interests in the Bank between the end of the financial year and 21 January 2012.

Directors' Report

for the financial year ended 31 December 2011

Directors' contractual benefits

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

Directors' remuneration

Details of the total fees and other remuneration paid/payable by the Group to the directors of the Bank for the financial year ended 31 December 2011 are as follows:

	Directors' fees %	Salary %	Bonus %	Benefits-in- kind and other %	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

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
23 February 2012

Statement by Directors

for the financial year ended 31 December 2011

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

- (a) the accompanying balance sheets, income statements, statements of comprehensive income, statements of changes in equity and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Bank and of the Group as at 31 December 2011, 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

23 February 2012

Independent Auditors' Report

for the financial year ended 31 December 2011

To the members of Far Eastern Bank Limited

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Far Eastern Bank Limited (the "Bank") and its subsidiary (collectively, the "Group") set out on pages 35 to 70, which comprise the balance sheets of the Bank and the Group as at 31 December 2011, the income statements, the statements of comprehensive income and the statements of changes in equity of the Bank and the Group and the consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements of the Bank and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards, including the modification of the requirements of FRS39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning by MAS Notice 612 Credit Files, Grading and Provisioning, so as to give a true and fair view of the state of affairs of the Bank and the Group as at 31 December 2011, 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.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Bank and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG LLP

Public Accountants and Certified Public Accountants
Singapore

23 February 2012

Income Statements

for the financial year ended 31 December 2011

	Note	The Group		The Bank	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Interest income	3	7,415	7,987	7,415	7,987
Less: Interest expense	4	2,001	1,839	2,001	1,839
Net interest income		5,414	6,148	5,414	6,148
Fee and commission income	5	1,167	947	1,167	947
Rental income	6	4,707	4,607	4,707	4,607
Other operating income	7	1,765	1,528	1,765	1,528
Non-interest income		7,639	7,082	7,639	7,082
Total operating income		13,053	13,230	13,053	13,230
Less: Staff costs	8	566	641	566	641
Other operating expenses	9	9,233	9,310	9,233	9,310
Total operating expenses		9,799	9,951	9,799	9,951
Operating profit before impairment charges		3,254	3,279	3,254	3,279
Less: Impairment / (write-back) of charges	10	(389)	(388)	(389)	(388)
Profit before tax		3,643	3,667	3,643	3,667
Less: Tax	11(a)	600	620	600	620
Profit for the financial year attributable to equity holders of the Bank		3,043	3,047	3,043	3,047

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 2011

	Note	The Group		The Bank	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Profit for the financial year		3,043	3,047	3,043	3,047
Change in available-for-sale reserve					
Change in fair value		1,815	(389)	1,815	(389)
Transfer to income statement on disposal/impairment		(495)	(318)	(495)	(318)
Tax relating to available-for-sale reserve		(224)	120	(224)	120
Other comprehensive income for the financial year, net of tax	14(a)	1,096	(587)	1,096	(587)
Total comprehensive income for the financial year, net of tax		4,139	2,460	4,139	2,460

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

Balance Sheets

as at 31 December 2011

	Note	The Group		The Bank	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Equity					
Share capital	12	100,011	100,011	100,011	100,011
Retained earnings	13	15,952	15,909	15,948	15,905
Other reserves	14	81,468	79,372	81,468	79,372
Total equity		197,431	195,292	197,427	195,288
Liabilities					
Deposits and balances of:					
Non-bank customers	16	766,485	773,622	766,485	773,622
Fellow subsidiaries		524	534	524	534
Subsidiary		–	–	12	12
Holding company		30,139	19,496	30,139	19,496
		797,148	793,652	797,160	793,664
Bills and drafts payable		1,170	533	1,170	533
Derivative financial liabilities	27	2	5	2	5
Other liabilities	17	1,725	9,405	1,722	9,402
Tax payable		863	741	863	741
Total liabilities		800,908	804,336	800,917	804,345
Total equity and liabilities		998,339	999,628	998,344	999,633
Assets					
Cash, balances and placements with central bank	29	28,114	24,044	28,114	24,044
Singapore Government treasury					
bills and securities	18	61,030	120,019	61,030	120,019
Placements and balances with banks	19	24,996	8,396	24,996	8,396
Loans to non-bank customers	20	97,271	100,707	97,271	100,707
Placements with fellow subsidiaries		223	29	223	29
Placements with and amount owing by					
holding company		776,113	728,429	776,113	728,429
Derivative financial assets	27	4	2	4	2
Other assets	21	1,178	8,266	1,178	8,266
Deferred tax assets	11(c)	986	1,199	986	1,199
Investment in a fellow associate	22	982	949	982	949
Investment in a subsidiary	23	–	–	5	5
Investment properties	24	7,054	6,813	7,054	6,813
Fixed assets	25	388	775	388	775
Total assets		998,339	999,628	998,344	999,633
Off-balance sheet items					
Contingent liabilities	26	16,867	10,160	16,867	10,160
Financial derivatives	27	371	1,009	371	1,009
Commitments	28	90,995	95,278	90,995	95,278

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 2011

	The Group			
	Share capital \$'000	Retained earnings \$'000	Other reserves \$'000	Total equity \$'000
2011				
Balance at 1 January	100,011	15,909	79,372	195,292
Profit for the financial year	–	3,043	–	3,043
Other comprehensive income for the financial year	–	–	1,096	1,096
Total comprehensive income for the financial year	–	3,043	1,096	4,139
Transfers	–	(1,000)	1,000	–
Dividends	–	(2,000)	–	(2,000)
Balance at 31 December	100,011	15,952	81,468	197,431
2010				
Balance at 1 January	100,011	15,862	78,959	194,832
Profit for the financial year	–	3,047	–	3,047
Other comprehensive income for the financial year	–	–	(587)	(587)
Total comprehensive income for the financial year	–	3,047	(587)	2,460
Transfers	–	(1,000)	1,000	–
Dividends	–	(2,000)	–	(2,000)
Balance at 31 December	100,011	15,909	79,372	195,292
	Note	12	13	14

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

Statements of Changes in Equity

for the financial year ended 31 December 2011

	The Bank			
	Share capital \$'000	Retained earnings \$'000	Other reserves \$'000	Total equity \$'000
2011				
Balance at 1 January	100,011	15,905	79,372	195,288
Profit for the financial year	–	3,043	–	3,043
Other comprehensive income for the financial year	–	–	1,096	1,096
Total comprehensive income for the financial year	–	3,043	1,096	4,139
Transfers	–	(1,000)	1,000	–
Dividends	–	(2,000)	–	(2,000)
Balance at 31 December	100,011	15,948	81,468	197,427
2010				
Balance at 1 January	100,011	15,858	78,959	194,828
Profit for the financial year	–	3,047	–	3,047
Other comprehensive income for the financial year	–	–	(587)	(587)
Total comprehensive income for the financial year	–	3,047	(587)	2,460
Transfers	–	(1,000)	1,000	–
Dividends	–	(2,000)	–	(2,000)
Balance at 31 December	100,011	15,905	79,372	195,288
Note	12	13	14	

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

Consolidated Cash Flow Statement

for the financial year ended 31 December 2011

	2011 \$'000	2010 \$'000
Cash flows from operating activities:		
Operating profit before impairment charges	3,254	3,279
Adjustments for:		
Depreciation of assets	493	500
Operating profit before working capital changes	3,747	3,779
Changes in working capital:		
(Decrease)/increase in deposits	(7,137)	39,030
Increase/(decrease) in bills and drafts payable	637	(586)
(Decrease)/increase in other liabilities	(7,673)	6,993
Increase in placements and balances with banks	(16,600)	(3,500)
Decrease in loans to non-bank customers	3,436	19,998
Decrease/(increase) in other assets	8,405	(6,690)
(Increase)/decrease in net balance with related companies	(37,245)	15,604
Cash generated from operations	(52,430)	74,628
Income tax paid	(489)	(1,049)
Net cash (used in)/provided by operating activities	(52,919)	73,579
Cash flows from financing activities:		
Dividends paid by the Bank	(2,000)	(2,000)
Net cash used in financing activities	(2,000)	(2,000)
Net decrease/(increase) in cash and cash equivalents for the financial year	(54,919)	71,579
Cash and cash equivalents at beginning of the financial year	144,063	72,484
Cash and cash equivalents at end of the financial year (Note 29)	89,144	144,063

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

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

1. CORPORATE INFORMATION

Far Eastern Bank Limited (the “Bank”) is a limited liability company incorporated and domiciled in Singapore. The Bank is a member of the United Overseas Bank Group and its immediate and ultimate holding company is United Overseas Bank Limited, a company incorporated in Singapore. The registered office of the Bank is at 80 Raffles Place, UOB Plaza, Singapore 048624.

The Bank is principally engaged in the business of banking in all its aspects. The principal activities of its subsidiary are set out in Note 23 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

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

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

(b) Changes in accounting policies

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

- FRS 24 Related Party Disclosures
- Improvements to FRS issued in 2010

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

Future changes in accounting policies

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

Effective for financial year beginning on or after 1 January 2012

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

Effective for financial year beginning on or after 1 January 2013

- FRS19 Employee Benefits
- FRS27 Separate Financial Statements
- FRS110 Consolidated Financial Statements
- FRS112 Disclosure of Interests in Other Entities
- FRS113 Fair Value Measurements
- Amendments to FRS1 – Presentation of Items of Other Comprehensive Income

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

Notes to the Financial Statements

for the financial year ended 31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Subsidiaries

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

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

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

(d) Foreign currencies

On initial recognition, transactions in foreign currencies are recorded in the respective functional currencies of the Bank and its subsidiary at the exchange rate ruling at the transaction date. Subsequent to initial recognition, monetary assets and monetary liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at balance sheet date are recognised in the income statement.

(e) Financial assets and financial liabilities

(i) Classification

Financial assets and financial liabilities are classified as follows:

At fair value through profit or loss

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

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

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

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities on a different basis;
- the assets and liabilities are managed on a fair value basis in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative that would otherwise require bifurcation.

Held-to-maturity

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial assets and financial liabilities (continued)

(i) Classification (continued)

Loans and receivables

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

Available-for-sale

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

Non-trading liabilities

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

(ii) Measurement

Initial measurement

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

Subsequent measurement

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

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

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

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

Fair value determination

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

(iii) Recognition and derecognition

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

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

Notes to the Financial Statements

for the financial year ended 31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial assets and financial liabilities (continued)

(iv) Impairment

Individual impairment

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

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

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

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

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

Collective impairment

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

(f) Financial derivatives

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

(g) Investment properties and fixed assets

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

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

Freehold land and leasehold land exceeding 99 years tenure are not depreciated. Other leasehold land is depreciated on a straight-line basis over the lease period. Buildings are depreciated on a straight-line basis over 50 years or the lease period, whichever is shorter. Other fixed assets are depreciated on a straight-line basis over their expected useful lives of five to ten years. The expected useful life, depreciation method and residual value of investment properties and fixed assets are reviewed annually.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Investment properties and fixed assets (continued)

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

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

(h) Tax

(i) Current tax

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

(ii) Deferred tax

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

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets are offset against deferred tax liabilities if a legally enforceable right to set off current tax assets against current tax liabilities exists and the deferred taxes relate to the same taxable entity and tax authority.

Deferred tax is not provided for temporary differences arising from initial recognition of goodwill or of an asset or liability that does not affect accounting or taxable profit, and taxable temporary differences related to investments in subsidiaries, associates and joint ventures where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is taken to equity for gains and losses recognised directly in equity.

(i) Provisions

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

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

(j) Revenue recognition

Interest income is recognised using the effective interest method.

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

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

Rental income is recognised on a time proportion basis.

Notes to the Financial Statements

for the financial year ended 31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Employee compensation/benefits

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

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

(l) Dividend payment

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

(m) Significant accounting estimates and judgements

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

- Individual impairment of financial assets – assessment of the timing and amount of future cash flows and collateral value and determination of prolonged decline in market prices.
- Collective impairment of financial assets – assessment of country, industry and other portfolio risk, historical loss experience and economic indicators.
- Provision of income taxes – interpretation of tax regulations on certain transactions and computations.

3. INTEREST INCOME

	The Group and The Bank	
	2011	2010
	\$'000	\$'000
Loans to non-bank customers	3,994	4,774
Placements and balances with banks	2,559	2,437
Singapore Government treasury bills and securities	862	776
	7,415	7,987
Received/receivable from:		
Holding company	2,555	2,437
Third parties	4,860	5,550
	7,415	7,987

Notes to the Financial Statements

for the financial year ended 31 December 2011

4. INTEREST EXPENSE

	The Group and The Bank	
	2011	2010
	\$'000	\$'000
Deposits of non-bank customers	1,989	1,839
Deposits of banks	12	–
	2,001	1,839
Paid/payable to:		
Holding company	12	–
Fellow subsidiaries	–	1
Third parties	1,989	1,838
	2,001	1,839

5. FEE AND COMMISSION INCOME

	The Group and The Bank	
	2011	2010
	\$'000	\$'000
Investment-related	6	3
Loan and trade-related	728	499
Other	433	445
	1,167	947

6. RENTAL INCOME

Rental income represents income from the tenanted areas of the buildings owned by the Bank. Included in the rental income for the financial year was income of \$2,959,000 (2010: \$2,854,000) received from the holding company.

7. OTHER OPERATING INCOME

	The Group and The Bank	
	2011	2010
	\$'000	\$'000
Net profit on disposal of Singapore Government treasury bills and securities	495	35
Net profit on foreign exchange	157	190
Net profit on investment securities	–	283
Other income	1,113	1,020
	1,765	1,528

Notes to the Financial Statements

for the financial year ended 31 December 2011

8. STAFF COSTS

	The Group and The Bank	
	2011	2010
	\$'000	\$'000
Salaries, bonus and allowances	477	544
Employer's contribution to the Central Provident Fund	61	66
Other staff-related costs	28	31
	566	641
Number of employees at 31 December	10	11

9. OTHER OPERATING EXPENSES

	The Group and The Bank	
	2011	2010
	\$'000	\$'000
Included in other operating expenses are:		
Depreciation of assets	493	500
Maintenance of premises and other assets	254	304
Other expenses of premises	1,002	969
Audit fees paid/payable to auditors of the Bank	79	74
Management fees payable to holding company	6,972	7,036
Fees payable to directors of the Bank	55	55
Of which:		
Expenses on investment properties that generate rental income	1,566	1,054

10. IMPAIRMENT CHARGES

Impairment charged/(credited) to the income statement during the financial year are as follows:

	The Group and The Bank	
	2011	2010
	\$'000	\$'000
Net write-back of individual impairment on loans	(20)	(57)
Write-back of impairment on investments	(33)	(51)
Allowance for impairment on properties	(336)	(282)
Other assets	-	2
	(389)	(388)

Notes to the Financial Statements

for the financial year ended 31 December 2011

11. TAX

(a) Tax expense

Tax charge to the income statements comprises the following:

	The Group and The Bank	
	2011	2010
	\$'000	\$'000
On profit of the financial year		
Current tax	611	620
Deferred tax	(11)	–
	600	620

(b) Tax reconciliation

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

	The Group and The Bank	
	2011	2010
	\$'000	\$'000
Profit before tax	3,643	3,667
Tax calculated at tax rate of 17% (2010: 17%)	619	623
Effect of:		
Singapore statutory stepped income exemption	(26)	(26)
Income taxed at a concessionary rate of 10%	(13)	(12)
Income not subject to tax	(74)	(60)
Expenses not deductible for tax	94	95
Tax expense on profit of the financial year	600	620

(c) Deferred tax

Deferred tax comprises the following:

	The Group and The Bank	
	2011	2010
	\$'000	\$'000
Deferred tax liabilities on:		
Unrealised gain/(loss) on available-for-sale assets	198	(26)
Accelerated tax depreciation	250	261
	448	235
Amount offset against deferred tax assets	(448)	(235)
	–	–
Deferred tax assets on:		
Allowance for impairment	1,434	1,434
Amount offset against deferred tax liabilities	(448)	(235)
	986	1,199
Net deferred tax assets	986	1,199

Notes to the Financial Statements

for the financial year ended 31 December 2011

11. TAX (continued)

(c) Deferred tax (continued)

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

	The Group and The Bank	
	2011	2010
	\$'000	\$'000
Balance at 1 January	1,199	1,079
Credit to income statement	11	–
Charge to equity	(224)	120
Balance at 31 December	986	1,199

12. SHARE CAPITAL

	The Group and The Bank	
	2011	2010
	\$'000	\$'000
Issued and fully paid		
100,010,566 (2010: 100,010,566) ordinary shares	100,011	100,011

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

13. RETAINED EARNINGS

(a)

	The Group		The Bank	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Balance at 1 January	15,909	15,862	15,905	15,858
Profit for the financial year attributable to equity holders of the Bank	3,043	3,047	3,043	3,047
Transfer to other reserves	(1,000)	(1,000)	(1,000)	(1,000)
Dividends				
Final dividend of 2 cents one-tier tax-exempt (2010: 2 cents one-tier tax-exempt) per share paid in respect of prior financial year	(2,000)	(2,000)	(2,000)	(2,000)
Balance at 31 December	15,952	15,909	15,948	15,905

(b) The retained earnings are distributable reserves.

(c) In respect of the financial year ended 31 December 2011, 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 2012 financial statements upon approval of the equity holders of the Bank.

Notes to the Financial Statements

for the financial year ended 31 December 2011

14. OTHER RESERVES

(a)

	Fair value reserve \$'000	The Group and The Bank		
		Statutory reserve \$'000	General reserve \$'000	Total \$'000
2011				
Balance at 1 January	(128)	54,900	24,600	79,372
Other comprehensive income for the financial year attributable to equity holders of the Bank	1,096	–	–	1,096
Transfer from retained earnings	–	–	1,000	1,000
Balance at 31 December	968	54,900	25,600	81,468
2010				
Balance at 1 January	459	54,900	23,600	78,959
Other comprehensive income for the financial year attributable to equity holders of the Bank	(587)	–	–	(587)
Transfer from retained earnings	–	–	1,000	1,000
Balance at 31 December	(128)	54,900	24,600	79,372

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

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

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

(d) 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 2011

15. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(a)

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

¹ Deposits and balances of banks, non-bank customers and related companies under the Bank consist of current account balance of \$12,000 maintained by a subsidiary.

Notes to the Financial Statements

for the financial year ended 31 December 2011

15. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(a)

	The Group and The Bank				
	Held for trading \$'000	Designated as fair value through profit or loss \$'000	Available-for-sale \$'000	Loans and receivables/ amortised cost \$'000	Total \$'000
2010					
Cash, balances and placements with central bank	–	–	–	24,044	24,044
Singapore Government treasury bills and securities	–	–	120,019	–	120,019
Placements and balances with banks	–	–	–	8,396	8,396
Loans to non-bank customers	–	–	–	100,707	100,707
Placements with and amount owing by related companies	–	–	–	728,458	728,458
Derivative financial assets	2	–	–	–	2
Other assets	–	–	–	8,249	8,249
Total financial assets	2	–	120,019	869,854	989,875
Non-financial assets					9,753
Total assets					999,628
Deposits and balances of banks, non-bank customers and related companies ¹	–	–	–	793,652	793,652
Bills and drafts payable	–	–	–	533	533
Derivative financial liabilities	5	–	–	–	5
Other liabilities	–	–	–	9,371	9,371
Total financial liabilities	5	–	–	803,556	803,561
Non-financial liabilities					775
Total liabilities					804,336

¹ Deposits and balances of banks, non-bank customers and related companies under the Bank consist of current account balance of \$12,000 maintained by a subsidiary.

Notes to the Financial Statements

for the financial year ended 31 December 2011

15. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

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

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

	The Group					
	2011			2010		
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Singapore Government treasury bills and securities	61,030	-	-	120,019	-	-
Derivative financial assets	4	-	-	2	-	-
	61,034	-	-	120,021	-	-
Total financial assets carried at fair value			61,034			120,021
Derivative financial liabilities	2	-	-	5	-	-
	2	-	-	5	-	-
Total financial liabilities carried at fair value			2			5

16. DEPOSITS AND BALANCES OF NON-BANK CUSTOMERS

	The Group and The Bank	
	2011 \$'000	2010 \$'000
Fixed deposits	243,891	263,212
Current, savings and other deposits	522,594	510,410
	766,485	773,622

17. OTHER LIABILITIES

	The Group		The Bank	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Accrued interest payable	540	459	540	459
Accrued operating expenses	195	245	195	245
Unclaimed balances	879	847	879	847
Other	111	7,854	108	7,851
	1,725	9,405	1,722	9,402

Notes to the Financial Statements

for the financial year ended 31 December 2011

18. SINGAPORE GOVERNMENT TREASURY BILLS AND SECURITIES

	The Group and The Bank	
	2011	2010
	\$'000	\$'000
Available-for-sale	61,030	120,019

19. PLACEMENTS AND BALANCES WITH BANKS

	The Group and The Bank	
	2011	2010
	\$'000	\$'000
Analysed by remaining maturity:		
Within 1 year	24,996	8,396

20. LOANS TO NON-BANK CUSTOMERS

(a)

	The Group and The Bank	
	2011	2010
	\$'000	\$'000
Loans to non-bank customers (gross)	109,378	112,773
Individual impairment	(48)	(7)
Collective impairment	(12,059)	(12,059)
Loans to non-bank customers (net)	97,271	100,707
Comprising:		
Trade bills	136	1,107
Advances to customers	97,135	99,600
	97,271	100,707

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

	The Group and The Bank	
	2011	2010
	\$'000	\$'000
Transport, storage and communication	1,410	1,486
Building and construction	916	4,210
Manufacturing	5,818	6,677
Financial institutions	10,036	3,534
General commerce	35,476	35,554
Professionals and private individuals	38,243	38,318
Housing loans	14,643	20,436
Other	2,836	2,558
	109,378	112,773

Notes to the Financial Statements

for the financial year ended 31 December 2011

20. LOANS TO NON-BANK CUSTOMERS (continued)

(c) Movements of allowance for impairment on loans

	The Group and The Bank					
	2011			2010		
	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	7	12,059	12,066
Net charge to income statement	41	–	41	–	–	–
Balance at 31 December	48	12,059	12,107	7	12,059	12,066

21. OTHER ASSETS

	The Group and The Bank	
	2011 \$'000	2010 \$'000
Interest receivable	1,061	1,326
Other	117	6,940
	1,178	8,266

22. INVESTMENT IN A FELLOW ASSOCIATE

(a) Unquoted equity shares

	The Group and The Bank	
	2011 \$'000	2010 \$'000
At cost	1,250	1,250
Allowance for impairment	(268)	(301)
	982	949

(b) Movements of allowance for impairment

	The Group and The Bank	
	2011 \$'000	2010 \$'000
Balance at 1 January	301	352
Write-back to income statement	(33)	(51)
Balance at 31 December	268	301

Notes to the Financial Statements

for the financial year ended 31 December 2011

23. INVESTMENT IN A SUBSIDIARY

(a)

	The Bank	
	2011 \$'000	2010 \$'000
Unquoted equity shares, at cost	5	5

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

Name of subsidiary	Principal activities	Country of incorporation and place of business	Cost of investment by the Bank	
			2011 \$'000	2010 \$'000
Far Eastern Bank Nominees Private Limited (Dormant)	Nominee services	Singapore	5	5

24. INVESTMENT PROPERTIES

	The Group and The Bank	
	2011 \$'000	2010 \$'000
Balance at 1 January	6,813	7,313
Depreciation charge	(447)	(449)
(Allowance for)/write-back of impairment	336	282
Reclassification	352	(333)
Balance at 31 December	7,054	6,813
Represented by:		
Cost	17,245	16,933
Accumulated depreciation	(10,085)	(9,678)
Allowance for impairment	(106)	(442)
Net carrying amount	7,054	6,813
Freehold property	2,300	1,994
Leasehold property	4,754	4,819
	7,054	6,813
Market value of properties at 31 December	120,615	89,642

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

Notes to the Financial Statements

for the financial year ended 31 December 2011

25. FIXED ASSETS

	The Group and The Bank					
	2011			2010		
	Owner-occupied properties \$'000	Other \$'000	Total \$'000	Owner-occupied properties \$'000	Other \$'000	Total \$'000
Balance at 1 January	668	107	775	356	136	492
Additions	–	11	11	–	1	1
Depreciation charge	(23)	(23)	(46)	(21)	(30)	(51)
Reclassification	(352)	–	(352)	333	–	333
Balance at 31 December	293	95	388	668	107	775
Represented by:						
Cost	1,552	2,582	4,134	1,864	2,794	4,658
Accumulated depreciation	(1,259)	(2,487)	(3,746)	(1,196)	(2,687)	(3,883)
Net carrying amount	293	95	388	668	107	775
Freehold property	–			–		
Leasehold property	293			668		
	293			668		
Market value of properties at 31 December	7,285			11,952		

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

26. CONTINGENT LIABILITIES

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

	The Group and The Bank	
	2011 \$'000	2010 \$'000
Direct credit substitutes	9,888	3,340
Transaction-related contingencies	5,565	3,856
Trade-related contingencies	1,414	2,964
	16,867	10,160

Notes to the Financial Statements

for the financial year ended 31 December 2011

27. FINANCIAL DERIVATIVES

The table below shows the Group's and the Bank's financial derivatives and their fair values at the balance sheet date. These amounts do not necessarily represent future cash flows and amounts at risk of the derivatives.

	The Group and The Bank					
	2011			2010		
	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	371	4	2	1,009	2	5

28. COMMITMENTS

	The Group and The Bank	
	2011 \$'000	2010 \$'000
Undrawn credit facilities	90,995	93,315
Other	–	1,963
	90,995	95,278

29. CASH AND CASH EQUIVALENTS

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

	The Group and The Bank	
	2011 \$'000	2010 \$'000
Cash, balances and placements with central bank	28,114	24,044
Singapore Government treasury bills and securities	61,030	120,019
	89,144	144,063

30. FINANCIAL RISK MANAGEMENT

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

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

Notes to the Financial Statements

for the financial year ended 31 December 2011

30. FINANCIAL RISK MANAGEMENT (continued)

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

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

(a) Credit risk

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

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

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

(i) Credit exposure

	The Group	
	2011	2010
	\$'000	\$'000
Balances and placements with central bank	25,875	23,489
Singapore Government treasury bills and securities	61,030	120,019
Placements and balances with banks	24,996	8,396
Loans to non-bank customers	97,271	100,707
Derivative financial assets	4	2
Other	1,055	1,333
	210,231	253,946
Contingent liabilities	16,867	10,160
Commitments	90,995	95,278
	318,093	359,384

Credit enhancements such as properties, marketable securities and fixed deposits were obtained by the Group to mitigate its credit exposure. Such credit enhancements amounted to 35% (2010: 30%) of the total Group's credit exposure.

Notes to the Financial Statements

for the financial year ended 31 December 2011

30. FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk (continued)

(ii) Credit quality of gross loans

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

	The Group	
	2011 \$'000	2010 \$'000
Passed	107,523	112,764
Special mention	1,354	–
Substandard	449	–
Doubtful	29	7
Loss	23	2
	109,378	112,773

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

	The Group			
	2011		2010	
	Past due but not impaired \$'000	Non- performing \$'000	Past due but not impaired \$'000	Non- performing \$'000
Within 90 days	1,731	449	3,371	–
Over 90 to 180 days	–	49	–	8
Over 180 days	–	3	–	1
	1,731	501	3,371	9

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

	The Group					
	2011			2010		
	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	–	–	–	–	–	–
Financial institutions	–	–	–	–	–	–
General commerce	1,373	–	–	1,799	–	–
Professionals and private individuals	358	52	–	1,572	9	7
Housing loans	–	449	48	–	–	–
Other	–	–	–	–	–	–
	1,731	501	48	3,371	9	7

Notes to the Financial Statements

for the financial year ended 31 December 2011

30. FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk (continued)

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

	The Group	
	2011	2010
	\$'000	\$'000
NPLs secured by:		
Properties	449	–
Unsecured NPLs	52	9
	501	9

(b) Foreign exchange risk

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

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

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

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

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

Notes to the Financial Statements

for the financial year ended 31 December 2011

30. FINANCIAL RISK MANAGEMENT (continued)

(b) Foreign exchange risk (continued)

	The Group		
	Singapore dollars \$'000	Other \$'000	Total \$'000
2010			
Cash, balances and placements with central bank	24,042	2	24,044
Treasury bills and securities	120,019	–	120,019
Placements and balances with banks and related companies	714,634	22,220	736,854
Loans to non-bank customers	93,510	7,197	100,707
Derivative financial assets	2	–	2
Other	17,987	15	18,002
Total assets	970,194	29,434	999,628
Deposits and balances of non-bank customers	758,008	15,614	773,622
Deposits and balances of banks, related companies, and bills and drafts payable	8,103	12,460	20,563
Derivative financial liabilities	5	–	5
Other	9,011	1,135	10,146
Total liabilities	775,127	29,209	804,336
Net on-balance sheet open position	195,067	225	
Net off-balance sheet open position	(382)	382	
Net open position	194,685	607	

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.

Notes to the Financial Statements

for the financial year ended 31 December 2011

30. FINANCIAL RISK MANAGEMENT (continued)

(c) Interest rate risk

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

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

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

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

Notes to the Financial Statements

for the financial year ended 31 December 2011

30. FINANCIAL RISK MANAGEMENT (continued)

(c) Interest rate risk (continued)

	The Group							Total \$'000
	Up to 7 days \$'000	Over 7 days to 1 month \$'000	Over 1 to 3 months \$'000	Over 3 to 12 months \$'000	Over 1 to 3 years \$'000	Over 3 years \$'000	Non- interest bearing \$'000	
2010								
Cash, balances and placements with central bank	644	–	–	–	–	–	23,400	24,044
Treasury bills and securities	–	2,000	2,000	53,000	38,000	23,000	2,019	120,019
Placements and balances with banks and related companies	111,854	–	625,000	–	–	–	–	736,854
Loans to non-bank customers	27,861	53,211	20,180	10,599	923	6	(12,073)	100,707
Derivative financial assets	–	–	–	–	–	–	2	2
Other	–	–	–	–	–	–	18,002	18,002
Total assets	140,359	55,211	647,180	63,599	38,923	23,006	31,350	999,628
Deposits and balances of non-bank customers	315,291	49,134	102,176	88,233	11,688	6,883	200,217	773,622
Deposits and balances of banks, related companies, and bills and drafts payable	12,460	534	–	–	–	–	7,569	20,563
Derivative financial liabilities	–	–	–	–	–	–	5	5
Other	–	–	34	–	–	–	10,112	10,146
Total liabilities	327,751	49,668	102,210	88,233	11,688	6,883	217,903	804,336
Total equity	–	–	–	–	–	–	195,292	195,292
Net on-balance sheet position	(187,392)	5,543	544,970	(24,634)	27,235	16,123	(381,845)	
Net off-balance sheet position ¹	–	–	2	–	(2)	–	–	
Net interest rate sensitivity gap	(187,392)	5,543	544,972	(24,634)	27,233	16,123	(381,845)	

¹ Profiling of undrawn commitments includes only committed credit facilities.

The economic value of equity (“EVE”) sensitivity at 100 and 200 basis points parallel interest rate shocks were negative \$1.9 million and negative \$3.5 million (2010: negative \$1.9 million and negative \$3.7 million) respectively. This is computed on the static banking book. EVE is the present value of assets less present value of liabilities of the Group. The reported figures are based on the worst case of an upward and downward parallel shift in the yield curve. The repricing profile of loans and deposits that do not have maturity dates is generally based on the earliest possible repricing dates, taking into account the notice period to be served to the customers. Loan prepayment is generally estimated based on past statistics and trends where possible and material.

(d) Liquidity risk

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

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

Notes to the Financial Statements

for the financial year ended 31 December 2011

30. FINANCIAL RISK MANAGEMENT (continued)

(d) Liquidity risk (continued)

- (i) The following table shows the cashflow analysis of the Group's assets and liabilities by remaining contractual maturities on an undiscounted basis. Actual maturity dates may differ from contractual maturity dates due to behavioural patterns such as early prepayment of loans. In particular, the Group has a significant amount of "core deposits" of non-bank customers which are contractually at call (included in the "Up to 7 days" time band) but historically a stable source of long-term funding for the Group.

	Up to 7 days \$'000	Over 7 days to 1 month \$'000	Over 1 to 3 months \$'000	The Group		Over 3 years \$'000	No specific maturity \$'000	Total \$'000
				Over 3 to 12 months \$'000	Over 1 to 3 years \$'000			
2011								
Cash, balances and placements with central bank	5,612	(475)	-	-	-	22,977	-	28,114
Treasury bills and securities	-	-	184	20,155	1,723	43,772	3,030	68,864
Placements and balances with banks and related companies	137,062	254,113	410,847	-	-	-	(25)	801,997
Loans to non-bank customers	1,468	8,081	10,184	8,827	13,524	69,678	(53)	111,709
Derivative financial assets	-	-	-	-	-	-	4	4
Other	-	-	-	-	-	8,860	660	9,520
Total assets	144,142	261,719	421,215	28,982	15,247	145,287	3,616	1,020,208
Deposits and balances of non-bank customers	531,181	49,299	82,524	75,203	24,897	4,481	-	767,585
Deposits and balances of banks, related companies, and bills and drafts payable	31,833	-	-	-	-	-	-	31,833
Derivative financial liabilities	-	-	-	-	-	-	2	2
Other	890	-	38	-	-	-	1,120	2,048
Total liabilities	563,904	49,299	82,562	75,203	24,897	4,481	1,122	801,468
Total equity	-	-	-	-	-	-	197,431	197,431
Net on-balance sheet position	(419,762)	212,420	338,653	(46,221)	(9,650)	140,806	(194,937)	
Net off-balance sheet position	(90,996)	(1)	4	-	-	-	-	
Net maturity mismatch	(510,758)	212,419	338,657	(46,221)	(9,650)	140,806	(194,937)	

Notes to the Financial Statements

for the financial year ended 31 December 2011

30. FINANCIAL RISK MANAGEMENT (continued)

(d) Liquidity risk (continued)

(i) (continued)

	The Group							Total \$'000
	Up to 7 days \$'000	Over 7 days to 1 month \$'000	Over 1 to 3 months \$'000	Over 3 to 12 months \$'000	Over 1 to 3 years \$'000	Over 3 years \$'000	No specific maturity \$'000	
2010								
Cash, balances and placements with central bank	1,196	146	–	–	–	–	22,702	24,044
Treasury bills and securities	138	2,000	2,112	54,456	39,942	25,456	2,019	126,123
Placements and balances with banks and related companies	111,855	–	625,870	–	–	–	–	737,725
Loans to non-bank customers	1,632	5,175	8,511	9,240	14,820	54,923	23,317	117,618
Derivative financial assets	–	–	–	–	–	–	2	2
Other	–	–	–	–	–	1,250	15,426	16,676
Total assets	114,821	7,321	636,493	63,696	54,762	81,629	63,466	1,022,188
Deposits and balances of non-bank customers	515,035	49,219	102,421	88,715	11,725	7,371	–	774,486
Deposits and balances of banks, related companies, and bills and drafts payable	20,029	534	–	–	–	–	–	20,563
Derivative financial liabilities	–	–	–	–	–	–	5	5
Other	–	–	34	–	–	–	9,653	9,687
Total liabilities	535,064	49,753	102,455	88,715	11,725	7,371	9,658	804,741
Total equity	–	–	–	–	–	–	195,292	195,292
Net on-balance sheet position	(420,243)	(42,432)	534,038	(25,019)	43,037	74,258	(141,484)	
Net off-balance sheet position	(93,315)	(13)	2	(5)	–	–	–	
Net maturity mismatch	(513,558)	(42,445)	534,040	(25,024)	43,037	74,258	(141,484)	

The Group is subject to liquidity requirements to support calls under outstanding contingent liabilities and undrawn credit facility commitments as disclosed in Notes 26 and 28. The total outstanding contractual amounts of these items do not represent future cash requirements since the Group expects many of these contingent liabilities and commitments (such as direct credit substitutes and undrawn credit facilities) to expire without being called or drawn upon, and many of the contingent liabilities (such as letters of credit) are reimbursable by customers. The behavioural adjustments based on historical trends are disclosed in Note 30d(ii).

Notes to the Financial Statements

for the financial year ended 31 December 2011

30. FINANCIAL RISK MANAGEMENT (continued)

(d) Liquidity risk (continued)

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

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

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

Notes to the Financial Statements

for the financial year ended 31 December 2011

30. FINANCIAL RISK MANAGEMENT (continued)

(d) Liquidity risk (continued)

(ii) (continued)

	The Group					Total \$'000
	Up to 7 days \$'000	Over 7 days to 1 month \$'000	Over 1 to 3 months \$'000	Over 3 to 12 months \$'000	Over 1 year \$'000	
2010						
Cash, balances and placements with central bank	1,196	146	–	–	22,702	24,044
Treasury bills and securities	138	2,000	2,112	54,456	67,417	126,123
Placements and balances with banks and related companies	111,855	–	625,870	–	–	737,725
Loans to non-bank customers	3,732	7,654	11,540	19,391	64,975	107,292
Derivative financial assets	–	–	–	–	2	2
Other	–	–	–	–	16,676	16,676
Total assets	116,921	9,800	639,522	73,847	171,772	1,011,862
Deposits and balances of non-bank customers ¹	45,766	29,621	–	–	698,235	773,622
Deposits and balances of banks, related companies, and bills and drafts payable	20,029	534	–	–	–	20,563
Derivative financial liabilities	–	–	–	–	5	5
Other	–	–	34	–	9,653	9,687
Total liabilities	65,795	30,155	34	–	707,893	803,877
Total equity	–	–	–	–	195,292	195,292
Net on-balance sheet position	51,126	(20,355)	639,488	73,847	(731,413)	
Net off-balance sheet position ²	(345)	(866)	(134)	(14)	7	
Net maturity mismatch	50,781	(21,221)	639,354	73,833	(731,406)	

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

² Profiling of undrawn commitments includes only committed credit facilities.

Notes to the Financial Statements

for the financial year ended 31 December 2011

31. CAPITAL MANAGEMENT

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

The Group computes its capital adequacy ratios in accordance with MAS Notice 637 Risk-Based Capital Adequacy Requirements for Banks Incorporated in Singapore. The Group's Tier 1 capital comprises mainly share capital, reserves and retained earnings, and Tier 2 capital comprises collective impairment allowance. Risk-weighted assets include both on-balance sheet and off-balance sheet exposures adjusted for credit, market and operational risks.

	The Group	
	2011	2010
	\$'000	\$'000
Tier 1 capital		
Share capital	100,011	100,011
Disclosed reserves/other	96,479	95,315
Eligible Tier 1 capital	196,490	195,326
Tier 2 capital		
Cumulative collective impairment/other	1,383	1,353
Eligible total capital	197,873	196,679
Risk-weighted assets	223,874	214,692
Capital adequacy ratios (%)		
Tier 1	87.8	91.0
Total	88.4	91.6

32. RELATED PARTY TRANSACTIONS

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

33. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of Directors on 23 February 2012.

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-Third Annual General Meeting** of members of the Company will be held at the Penthouse of United Overseas Bank Limited, 80 Raffles Place, 61st Storey UOB Plaza 1, Singapore 048624 on Wednesday, 25 April 2012, 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 2011.

Resolution 2 To declare a first and final one-tier tax exempt dividend of 2 cents per share for the year ended 31 December 2011.

Resolution 3 To approve Directors' fees of \$55,000 for 2011 (2010: \$55,000).

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

To re-elect the following Directors:

Resolution 5 Mr Wee Ee Cheong

Resolution 6 Mr Franklin Leo Lavin

Resolution 7 Mr Hsieh Fu Hua

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 8 Dr Wee Cho Yaw

Resolution 9 Professor Cham Tao Soon

As Special Business

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

Resolution 10 "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."

Notice of Annual General Meeting

Notes to Resolutions

Resolution 2 is to approve a first and final dividend. The Transfer Books and Register of Members will be closed from 9 April 2012 to 10 April 2012, both dates inclusive, for the preparation of dividend warrants. Registrable transfers received up to 5.00 pm on 5 April 2012 will be entitled to the dividend. If approved, the first and final dividend will be paid on 30 April 2012.

Resolution 5 is to re-elect Mr Wee Ee Cheong who will, if re-elected, remain as the Deputy Chairman & Chief Executive Officer, a member of the Executive Committee and an alternate member of the Nominating Committee.

Resolution 6 is to re-elect Mr Franklin Leo Lavin who will, if re-elected, be a member of the Executive Committee and Nominating Committee.

Resolution 7 is to re-elect Mr Hsieh Fu Hua who will, if re-elected, be a member of the Executive Committee, Nominating Committee and Remuneration Committee.

Resolution 8 is to re-appoint Dr Wee Cho Yaw who will, if re-appointed, remain as Chairman of the Board, Chairman of the Executive Committee and Remuneration Committee and a member of the Nominating Committee.

Resolution 9 is to re-appoint Professor Cham Tao Soon who will, if re-appointed, remain as a member of the Executive Committee, Nominating Committee and Remuneration Committee.

Resolution 10 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, 9 April 2012

Notes

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

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Proxy Form



Far Eastern Bank
遠東銀行

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

Number of Shares

I/We _____ (Name), NRIC/Passport No _____

of _____ (Address)

being a member/members of Far Eastern Bank Limited (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 Third Annual General Meeting** of members of the Company, to be held at the Penthouse of United Overseas Bank Limited, 80 Raffles Place, 61st Storey, UOB Plaza 1, Singapore 048624 on Wednesday, 25 April 2012 at 11.00am and at any adjournment thereof.

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

		For	Against
Resolution 1	Financial Statements, Directors' Report and Auditors' Report		
Resolution 2	Final Dividend		
Resolution 3	Directors' Fees		
Resolution 4	Auditors and their remuneration		
Resolution 5	Re-election (Mr Wee Ee Cheong)		
Resolution 6	Re-election (Mr Franklin Leo Lavin)		
Resolution 7	Re-election (Mr Hsieh Fu Hua)		
Resolution 8	Re-appointment (Dr Wee Cho Yaw)		
Resolution 9	Re-appointment (Professor Cham Tao Soon)		
Resolution 10	Authority to issue shares (General)		

Dated this _____ day of _____ 2012

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.

FEB

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

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FAR EASTERN BANK LIMITED

Company Registration No.: 195800116D

Registered Office

80 Raffles Place, UOB Plaza, Singapore 048624

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

www.UOBGroup.com