



Gazing 山 (Mountain)
Tan Rui Rong

Contents

2	Corporate Information
3	Five-Year Group Financial Summary
4	Chairman Emeritus' Statement
5	Chairman's Statement
6	Board of Directors
9	Corporate Governance
14	Management Discussion and Analysis
24	Risk Management
28	Financial Statements
69	Notice of Annual General Meeting
	Proxy Form



Gazing 山 (Mountain)

by Tan Rui Rong
Oil on Canvas

Mr Tan Rui Rong's Gazing 山 is the design inspiration for this year's UOB Group Annual Report. The painting received the Silver Award in the 2013 UOB Painting of the Year (Singapore) Competition.

Mr Tan was moved by the philosophy of Buddhism Master Qing Yuan Wei Xin who said 见山是山 (a mountain is a mountain), 见山不是山 (a mountain is not a mountain), 见山还是山 (a mountain is still a mountain). The saying's deeper meaning reflects the changing perspectives people have as they progress through different stages in their lives.

Referencing Master Qing's philosophy, the artist uses the character 山 to represent the mountain. To the young boy standing at its foot, the immense mountain represents the promise of the future. With knowledge and resilience he will be able to scale its heights. It is a journey that will see him gain the wisdom to seize the many opportunities that will present themselves over time.

The UOB Painting of the Year Competition now in its 32nd year, promotes awareness and appreciation of the arts and challenges artists to produce works that inspire audiences across Southeast Asia.

Corporate Information

Board of Directors

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

Executive Committee

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

Nominating Committee

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

Remuneration Committee

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

Secretary

Vivien Chan

Share Transfer Office

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

Auditor

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 Number: 195800116D
Phone: (65) 6533 9898
Fax: (65) 6534 2334
SWIFT: UOVBSGSG
Website: www.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

Five-Year Group Financial Summary

	2009	2010	2011	2012	2013
Selected Income Statement Item (\$ million)					
Net profit after tax ¹	3.8	3.0	3.0	1.4	1.4
Selected Balance Sheet Items (\$ million)					
Customer loans (net)	120.7	100.7	97.3	88.0	102.4
Customer deposits	734.5	773.6	766.5	821.4	818.4
Total assets	955.2	999.6	998.3	1,041.5	1,040.6
Shareholders' equity	194.8	195.3	197.4	197.1	195.1
Cumulative impairment - loans					
Individual	0.0	0.0	0.0	0.4	0.3
Collective	12.1	12.1	12.1	12.1	12.1
Financial Indicators (%)					
Non-performing loans ratio	2.9	0.0	0.5	0.8	0.4
Return on average total assets	0.4	0.3	0.3	0.1	0.1
Return on average ordinary shareholders' equity	1.9	1.6	1.6	0.7	0.7
Capital adequacy ratios ²					
Common Equity Tier 1 / Tier 1	77.4	91.0	87.8	83.2	86.2
Total	78.0	91.6	88.4	83.8	86.8
Basic earnings per ordinary share (cents)	3.8	3.0	3.0	1.4	1.4

1 Attributable to equity holders of the Bank.

2 With effect from January 2013, the Group adopted the Basel III framework for its capital adequacy ratio computation in accordance with the revised MAS Notice 637 and Common Equity Tier 1 is mandated under MAS Notice 637.

Chairman Emeritus' Statement



Although 2013 started on an uncertain footing, signs of improvement in the global economy emerged as economic and global trade activities accelerated in the second half of the year. The Singapore economy grew 4.1 per cent in 2013 compared with 1.9 per cent in 2012. The International Monetary Fund has estimated that the world economy grew 3.0 per cent in 2013 and projected global growth at around 3.7 per cent for 2014.

While 2014 is expected to see continued improvement in the global economy, downside risks remain. In this uncertain environment, prudence and discipline are still called for. We must continue to be measured in the running of the business as we serve the needs of our customers.

I am confident that Far Eastern Bank will continue to steer a steady course with the support of our customers, management and staff. I extend my heartfelt thanks to all.

Wee Cho Yaw

Chairman Emeritus and Adviser

February 2014

Chairman's Statement



2013 was a challenging year. Competition among the local and international banks in Singapore was intense in what remained a low interest rate environment.

Total income decreased by 2.3 per cent to \$11.8 million in 2013. Expenses fell marginally by 0.8 per cent to \$10.2 million due mainly to lower occupancy-related expenses. Our net profit after tax remained at \$1.4 million.

Customer deposits declined \$3.0 million to \$818.4 million in 2013. The Group shifted its asset mix with \$121.1 million of funds deployed into investment securities and \$129.0 million into government securities. Customer loans rose by \$14.4 million to \$102.4 million and shareholders' equity decreased from \$197.1 million to \$195.1 million. Compared with a gain of \$1.3 million in the previous year, the Group's valuation reserves recorded a loss of \$0.2 million in 2013.

The Board recommends a first and final dividend of 2 cents per share for the financial year ended 31 December 2013.

Professor Cham Tao Soon, who joined the Board in 2001, has decided not to seek re-election this year. On behalf of the Board, I thank him for his invaluable service.

I also thank the team at Far Eastern Bank for their dedication and hard work, and our customers for their continuing support.

Hsieh Fu Hua
Chairman
February 2014

Board of Directors



Wee Cho Yaw

Chairman Emeritus and Adviser

Dr Wee, 85, was first appointed to the Board on 17 August 1984 and last re-appointed as Director on 24 April 2013. He was conferred the title of Chairman Emeritus in 2013 after stepping down as Chairman. A non-independent and non-executive director, Dr Wee is the chairman of the Executive and Remuneration Committees, and a member of the Nominating Committee.

Dr Wee is Chairman Emeritus and Adviser of United Overseas Bank and its subsidiary United Overseas Bank (Malaysia). He is also Chairman of United Overseas Insurance, United Overseas Bank (Thai) Public Company, President Commissioner of PT Bank UOB Indonesia, and Supervisor of United Overseas Bank (China). In addition, he chairs the boards of Haw Par Corporation, UOL Group and its subsidiary, Pan Pacific Hotels Group, United Industrial Corporation, and Singapore Land and its subsidiary, Marina Centre Holdings. He is the Chairman of the Wee Foundation. Between 1973 and 2013, he chaired the board of United International Securities.

Dr Wee was named Businessman of the Year at the Singapore Business Awards in 2001 and 1990. In 2006, he received the inaugural Credit Suisse-Ernst & Young Lifetime Achievement Award for his outstanding achievements in the Singapore business community. *The Asian Banker* conferred the Lifetime Achievement Award on him in 2009. Dr Wee is the Pro-Chancellor of Nanyang Technological University and Honorary President of the Singapore Chinese Chamber of Commerce & Industry, the Singapore Federation of Chinese Clan Associations and the Singapore Hokkien Huay Kuan. He received Chinese high school education and was conferred an Honorary Doctor of Letters by National University of Singapore in 2008. For his outstanding contributions in community work, he was conferred the Distinguished Service Order, Singapore's highest National Day Award, in 2011.



Hsieh Fu Hua

Chairman

Mr Hsieh, 63, was appointed to the Board on 27 March 2012 and last re-elected as Director on 25 April 2012. He was appointed as Chairman in 2013. An independent and non-executive director, Mr Hsieh is a member of the Executive, Nominating and Remuneration Committees.

Currently Chairman of United Overseas Bank, Mr Hsieh is also an adviser to PrimePartners Group which he co-founded and a director of GIC and Tiger Airways Holdings. He had previously served as Chief Executive Officer and director of Singapore Exchange and as a member of the Temasek Holdings board.

Active in the community, Mr Hsieh also serves on the boards of several non-profit organisations and chairs The National Art Gallery, National Council of Social Service and Stewardship and Corporate Governance Centre.

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



Wee Ee Cheong

Deputy Chairman and Chief Executive Officer

Mr Wee, 61, was appointed to the Board on 3 January 1990 and last re-elected as Director on 24 April 2013. A non-independent and executive director, Mr Wee is a member of the Executive Committee.

A career banker, Mr Wee is a director and the Deputy Chairman and Chief Executive Officer of United Overseas Bank. He also holds directorships in UOB subsidiaries United Overseas Insurance, United Overseas Bank (Malaysia) and United Overseas Bank (Thai) Public Company. He is the Chairman of United Overseas Bank (China) and Vice President Commissioner of PT Bank UOB Indonesia.

Active in industry development, Mr Wee serves as a council member of The Association of Banks in Singapore, a director of The Institute of Banking & Finance and chairman of the Financial Industry Competency Standards Steering Committee. He is a member of the Board of Governors of the Singapore-China Foundation, Visa APCEMEA Senior Client Council and Advisory Board of INSEAD East Asia Council and International Council, and an honorary council member of the Singapore Chinese Chamber of Commerce & Industry. He had also previously served as deputy chairman of the Housing & Development Board and as a director of the Port of Singapore Authority, UOL Group, Pan Pacific Hotels Group and United International Securities. In 2013, he was awarded the Public Service Star for his contributions to the financial industry.

A keen art enthusiast, Mr Wee is the Patron of the Nanyang Academy of Fine Arts. He is also a director of the Wee Foundation.

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



Cham Tao Soon

Prof Cham, 74, was appointed to the Board on 6 April 2001 and last re-appointed as Director on 24 April 2013. A non-independent and non-executive director, he is a member of the Executive, Nominating and Remuneration Committees.

Prof Cham is a director of United Overseas Bank and United Overseas Bank (China). He is also Chairman of NSL, Soup Restaurant and the Board of Governors of Singapore-China Foundation, Deputy Chairman of Singapore Press Holdings and a director of Singapore International Foundation. He is a former director of MFS Technology and WBL Corporation.

A prominent figure in the Singapore education scene, Prof Cham is the Chancellor of SIM University and Chairman of its Board of Trustees, and was the founding President of Nanyang Technological University. For his outstanding contributions in education, he was awarded the Distinguished Service Order, Singapore's highest National Day Award, in 2003.

An engineer by training, Prof Cham holds a Bachelor of Engineering (Civil, Hons) from the University of Malaya, a Bachelor of Science in Mathematics (Hons) from the University of London and a Doctor of Philosophy in Fluid Mechanics from the University of Cambridge, UK. He is also a Fellow of the 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.

Board of Directors



Wong Meng Meng

Mr Wong, 65, was appointed to the Board on 24 March 2000 and last re-elected as Director on 24 April 2013. A non-independent and non-executive director, Mr Wong is the chairman of the Nominating Committee.

Mr Wong is a director of United Overseas Bank and Chairman of Mapletree Industrial Trust Management.

A lawyer by profession, Mr Wong was among the pioneer batch of Senior Counsels appointed in January 1997. While in active practice, he was widely acknowledged as one of the world's leading lawyers in premier directories including *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*.

Retired from WongPartnership LLP, Mr Wong remains as its founder-consultant. He also serves as a member of the Public Guardian Board. He had previously served as the President of The Law Society of Singapore, the Vice President of the Singapore Academy of Law, and member of the Military Court of Appeal and the Advisory Committee of Singapore International Arbitration Centre. He was awarded the Public Service Medal in 2001 in recognition of his contributions to public service in Singapore.

Mr Wong holds a Bachelor of Law (Hons) from the University of Singapore and was admitted to the Singapore Bar in 1972.



Franklin Leo Lavin

Mr Lavin, 56, was appointed to the Board on 27 March 2012 and last re-elected as Director on 25 April 2012. An independent and non-executive director, he is a member of the Executive and Nominating Committees.

Currently a director of United Overseas Bank, Mr Lavin is Chairman and Chief Executive Officer of Export Now, an e-commerce business founded by him. He previously held senior finance and management positions at Citibank and Bank of America.

He serves as Chairman of the Public Affairs Practice for Edelman Asia Pacific and holds directorships in Globe Specialty Metals and Consistel (Singapore). He was the Chairman of the Steering Committee of the Shanghai 2010 World Expo USA Pavilion.

He has extensive experience in public administration, having served as Under-Secretary for International Trade at the Department of Commerce and as US Ambassador to Singapore during which he helped to negotiate the landmark US-Singapore Free Trade Agreement.

Mr Lavin holds 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 Johns Hopkins University and a Master of Business Administration in Finance at Wharton School at the University of Pennsylvania.

Corporate Governance

Far Eastern Bank (FEB) is committed to upholding good corporate governance and is guided in this regard by the:

- Banking (Corporate Governance) Regulations (Banking Regulations); and
- Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are incorporated in Singapore, which comprises the Code of Corporate Governance for companies listed on the Singapore Exchange and supplementary principles and guidelines issued by the Monetary Authority of Singapore (MAS Guidelines).

BOARD'S CONDUCT OF AFFAIRS

The Board's main responsibilities are to:

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

The approval of the Board is required for business plans and annual budgets, major acquisitions and divestments, payment of dividends and other distributions to shareholders, and the quarterly and full-year financial results.

The Board has delegated certain duties to three Board Committees, namely, the Nominating Committee (NC), Remuneration Committee (RC) and Executive Committee (EXCO). Each Board Committee has written terms of reference.

FEB's parent, United Overseas Bank Limited (UOB), manages the Bank's operations. The Bank leverages UOB's management resources and infrastructure for its day-to-day business. The audit and board risk management committees of UOB assist the FEB Board to oversee audit and risk management matters respectively.

Board and Board Committee meetings and the annual general meeting (AGM) are scheduled well in advance. The Board holds four scheduled meetings each year. Additional meetings are held whenever required to deal with urgent business. Directors who are unable to attend a meeting in person may participate via telephone and/or video conference or communicate their views through another director or the company secretary. The table below sets out the 2013 attendance record of directors.

Name of director	Number of meetings attended in 2013			
	Board of Directors	Nominating Committee	Remuneration Committee	Executive Committee
Wee Cho Yaw	4 / 4	1 / 1	1 / 1	4 / 4
Hsieh Fu Hua	4 / 4	1 / 1	1 / 1	4 / 4
Wee Ee Cheong	4 / 4	–	–	4 / 4
Wong Meng Meng	4 / 4	1 / 1	–	–
Cham Tao Soon	4 / 4	1 / 1	1 / 1	4 / 4
Franklin Leo Lavin	4 / 4	1 / 1	–	4 / 4
Number of meetings held in 2013	4	1	1	4

Corporate Governance

BOARD COMPOSITION

The Board comprises six members. A majority of the directors are independent from management and business relationships with the Bank and one-third of the directors are independent. The directors are:

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

Four directors are not independent. They are:

- Messrs Wee Cho Yaw and Wee Ee Cheong who are substantial shareholders of UOB, the parent of FEB; and
- Messrs Wong Meng Meng and Cham Tao Soon who have each served on the Board for more than nine consecutive years. They have no management and business relationships with the Bank and its related corporations, officers or substantial shareholders.

The independent directors are Messrs Hsieh Fu Hua and Franklin Leo Lavin. Neither has served on the Board for nine consecutive years. They have no management relationship with the Bank. Apart from being independent directors of UOB, the parent of FEB, they are not connected to any other substantial shareholder of FEB. The NC is of the view that these directors' independent business judgement and ability to act in FEB's interests are not impaired by the annual management fee that FEB pays to UOB.

The NC considers the current Board size and composition appropriate. It is of the view that the directors remain qualified for office and provide the Board with an appropriate balance and diversity of skills, experience and knowledge. The directors' profiles can be found in the 'Board of Directors' section. The NC reviews the composition of the Board Committees annually and recommends a re-constitution as may be necessary.

CHAIRMAN EMERITUS, CHAIRMAN AND CHIEF EXECUTIVE OFFICER

As Chairman Emeritus and Adviser, Dr Wee Cho Yaw provides advice and guidance to the Board and Management drawn from his more than 50 years of experience in banking.

The positions of Chairman and CEO are held by different individuals. Mr Hsieh Fu Hua is the Chairman of the Board. He provides leadership, oversees corporate governance matters and ensures that directors receive timely and comprehensive information for them to discharge their duties. Mr Wee Ee Cheong is the CEO of the Bank and is responsible for the Bank's day-to-day operations.

NOMINATING COMMITTEE

The NC members are Messrs Wong Meng Meng (chairman), Wee Cho Yaw, Hsieh Fu Hua, Cham Tao Soon and Franklin Leo Lavin. Mr Wee Ee Cheong acts as an alternate member to Dr Wee Cho Yaw on the NC. The Banking Regulations require the chairman of a nominating committee to be an independent director but make an exception for an incumbent. The NC has determined that Mr Wong Meng Meng, who is the incumbent NC chairman and a non-independent director, has the skills and experience to continue chairing the NC. Mr Wong Meng Meng recused himself from the NC's deliberation on his appointment.

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

The NC is responsible for identifying and evaluating candidates for appointment as directors. The search for new directors is discreet and conducted by the NC. Nominations for appointment to the Board may be made by any director to the NC. In assessing a nomination, the NC considers the current composition of the Board, and the candidate's qualification for office and ability to commit time and contribute to the Board's collective skills, knowledge and experience.

New directors receive an induction package which includes the articles of directorship and the terms of reference of the Board and Board Committees.

The NC reviews the composition and re-nomination of directors annually. All directors submit themselves for re-election at regular intervals. One-third of the directors retire from office by rotation at the AGM each year. Directors who are above 70 years of age are subject to annual re-appointment at the AGM. New directors submit themselves for re-election at the first AGM following their appointment to the Board.

In addition, the NC evaluates annually the performance of the Board and Board Committees and each director's contribution to the Board's effectiveness. Each director is assessed according to whether he continues to be competent, committed, diligent in attendance, prepared for meetings, active in participating and contributing to board discussions, candid and clear in his communications, insightful on strategies and business, financially literate and aware of his accountability as a director. The management of capital, return achieved on loans and investments, as well as adequacy and effectiveness of internal controls and risk management systems are used to assess the performance of the Board and Board Committees.

The NC has opined that it is not appropriate to limit the number of listed board directorships that a director may hold, as directors have different abilities and companies are of different complexities.

In its evaluation, the NC is satisfied with every director's commitment and contribution. It is also satisfied that the Board and Board Committees were effective during the year under review. Each NC member recused himself from the deliberation on his performance.

Directors participate in UOB's continuous development programme to equip themselves with relevant knowledge to perform their duties. The topics covered during the year included accounting for banks and anti-money laundering.

REMUNERATION COMMITTEE

The RC members are Messrs Wee Cho Yaw (chairman), Hsieh Fu Hua 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 suitable person to continue chairing the RC due to his many years of experience in remuneration matters.

The RC reviews the directors' fees annually and makes its recommendation to the Board. Directors' fees are subject to shareholders' approval at the AGM. More information on directors' fees and other remuneration can be found in the 'Directors' Report' section.

FEB adopts the UOB Group's remuneration policy and systems. FEB does not have any employee share scheme.

There is no immediate family member of a director or the CEO in the employ of the Bank whose remuneration exceeds \$50,000.

EXECUTIVE COMMITTEE

The EXCO members are Messrs Wee Cho Yaw (chairman), Hsieh Fu Hua, Wee Ee Cheong, Cham Tao Soon and Franklin Leo Lavin. The Board has delegated to the EXCO discretionary limits for approving certain credit facilities, treasury and investment activities, and capital expenditure. In addition, the EXCO reviews and recommends the budget and business plans, monitors the Bank's financial performance and reviews the Bank's capital structure.

UOB AUDIT COMMITTEE

The UOB Audit Committee (UOB AC) assists the Board to oversee FEB's audit matters. The UOB AC consists of Messrs Willie Cheng Jue Hiang (chairman), Cham Tao Soon and James Koh Cher Siang, a majority of whom (including the AC chairman) are independent directors. Through UOB's continuous development programme for directors and quarterly discussions with the external and internal auditors, the UOB AC is kept abreast of changes to accounting standards and governance issues which may have a direct impact on financial statements.

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

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

The UOB AC reviews the external auditor's audit plan, audit reports and the provision of non-audit services to the Bank. It meets the external auditor in the absence of the internal auditor and Management. It also approves the terms of engagement of the external auditor.

Corporate Governance

Before recommending the re-appointment of the external auditor to the Board, the UOB AC assesses the effectiveness, independence, knowledge, competence and objectivity of the external auditor. In its review, the UOB AC takes into account the external auditor's work and non-audit services provided to the Bank and the audit and non-audit fees paid to the external auditor. It also considers the feedback received from the internal auditor and Management.

For the financial year ended 31 December 2013, the external auditor was not paid any non-audit fee. Having reviewed all relevant factors including the external auditor's work and conduct, the UOB AC is satisfied that the external auditor was effective, independent and objective in its audit of the Bank for the year under review. It is also satisfied that the external auditor has the requisite expertise and resources to perform its duties. Accordingly, the UOB AC has nominated Ernst & Young LLP for re-appointment as the external auditor at the forthcoming AGM. The fees paid to the external auditor for audit services for the financial year can be found in the 'Notes to the Financial Statements' section.

The UOB AC oversees UOB Group Audit which performs the internal audit function for FEB. The oversight covers the review of the scope and results of audits and monitoring of the progress of audits. In addition, the UOB AC ensures that UOB Group Audit is adequately resourced to perform its responsibilities.

UOB BOARD RISK MANAGEMENT COMMITTEE

The UOB Board Risk Management Committee (UOB BRMC) assists the Board to oversee FEB's risk management matters. The UOB BRMC members are Messrs Wee Cho Yaw (chairman), Hsieh Fu Hua, Wee Ee Cheong, Cham Tao Soon and Ong Yew Huat. Except for Mr Wee Ee Cheong, the UOB BRMC members are non-executive directors.

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 resourced, and reviews and approves risk measurement models and approaches.

INTERNAL CONTROLS

UOB Group Audit provides independent assessment of the reliability, adequacy and effectiveness of the Bank's system of internal controls, risk management and governance processes. It performs the internal audit function according to the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

UOB Group Compliance performs independent checks on the Bank's compliance with applicable laws and observance of ethical standards. It also monitors regulatory developments which may have an impact on the Bank's operations and provides advisories where appropriate.

An independent function, UOB Group Risk Management develops and maintains risk management frameworks, policies and processes which are adopted by the Bank.

The Board has received assurance from the CEO and the UOB Chief Financial Officer that the system of risk management and internal controls is effective, and that the financial records have been properly maintained and the financial statements give a true and fair view of the Bank's operations and finances.

Based on the work performed by the internal and external auditors, and reviews performed by the UOB AC, UOB BRMC and the Board, the Board (with the concurrence of the UOB AC and UOB BRMC) is of the view that the system of risk management and internal controls, including financial, operational, compliance and information technology controls, which was adopted for and applied to FEB was adequate and effective as at 31 December 2013. The Board notes that no system of internal controls and risk management can provide absolute assurance against material error, loss or fraud. The system of internal controls and risk management applied to FEB provides reasonable but not absolute assurance that the Bank will not be adversely affected by any reasonably foreseeable event.

ACCESS TO INFORMATION

Directors have unfettered access to information and Management. Timely and comprehensive financial and operational reports are provided to directors to facilitate their informed discussions during meetings. As and when necessary, directors may seek independent professional advice at the Bank's expense to discharge their responsibilities.

In addition, directors have access to the company secretary who assists them in the discharge of their duties. The company secretary advises the Board on regulatory changes and best practices in corporate governance, and facilitates communications between the Board and Management and the induction of new directors.

RELATED PARTY TRANSACTIONS

The related party transactions for the year under review are disclosed in the 'Notes to the Financial Statements' section.

SHAREHOLDER RIGHTS AND COMMUNICATION

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

General meetings are a principal forum for dialogue with shareholders. A notice of a general meeting is sent to shareholders at least 14 days before the meeting. All shareholders are entitled to attend general meetings. Shareholders may appoint up to two proxies to attend and vote in their place at a general meeting.

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

ETHICAL STANDARDS

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

The Bank is committed to fair dealing with customers. As part of the UOB Group, the Bank applies the UOB Group's policies, guidelines and best practices to embed fair dealing principles into its daily operations.



Management Discussion and Analysis

Note:

“NM” denotes not meaningful.

Management Discussion and Analysis

Overview

	2013	2012	+ / (-) %
Selected Income Statement Items (\$ million)			
Net interest income	4.6	4.4	4.2
Non-interest income	7.2	7.6	(6.1)
Total income	11.8	12.0	(2.3)
Less: Total expenses	10.2	10.3	(0.8)
Operating profit before impairment charges	1.6	1.8	(11.3)
Less: (Write-back)/impairment charges	(0.1)	0.2	(>100.0)
Less: Tax	0.2	0.2	(2.2)
Net profit after tax	1.4	1.4	4.9
Selected Balance Sheet Items (\$ million)			
Customer loans (net)	102.4	88.0	16.4
Customer deposits	818.4	821.4	(0.4)
Total assets	1,040.6	1,041.5	(0.1)
Shareholders' equity	195.1	197.1	(1.0)
Revaluation surplus ¹	174.1	161.8	7.6
Key Financial Ratios (%)			
Net interest margin	0.47	0.48	
Expense/Income ratio	86.7	85.3	
Income mix:			
Net interest income/Total income	39.1	36.6	
Non-interest income/Total income	60.9	63.4	
	100.0	100.0	
Non-performing loans ratio ²	0.4	0.8	
Return on average total assets	0.1	0.1	
Return on average ordinary shareholders' equity	0.7	0.7	
Loans/Deposits ratio ³	12.5	10.7	
Capital adequacy ratios			
Common Equity Tier 1	86.2	N.A	
Tier 1	86.2	83.2	
Total	86.8	83.8	
Basic earnings per share (cents)	1.4	1.4	
Net asset value (NAV) per share (\$)	1.95	1.97	
Revalued NAV ¹ per share (\$)	3.69	3.59	
Final dividend per share (cents)	2.0	2.0	

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

2 Refer to non-performing loans as a percentage of gross customer loans.

3 Refer to net customer loans and customer deposits.

Management Discussion and Analysis

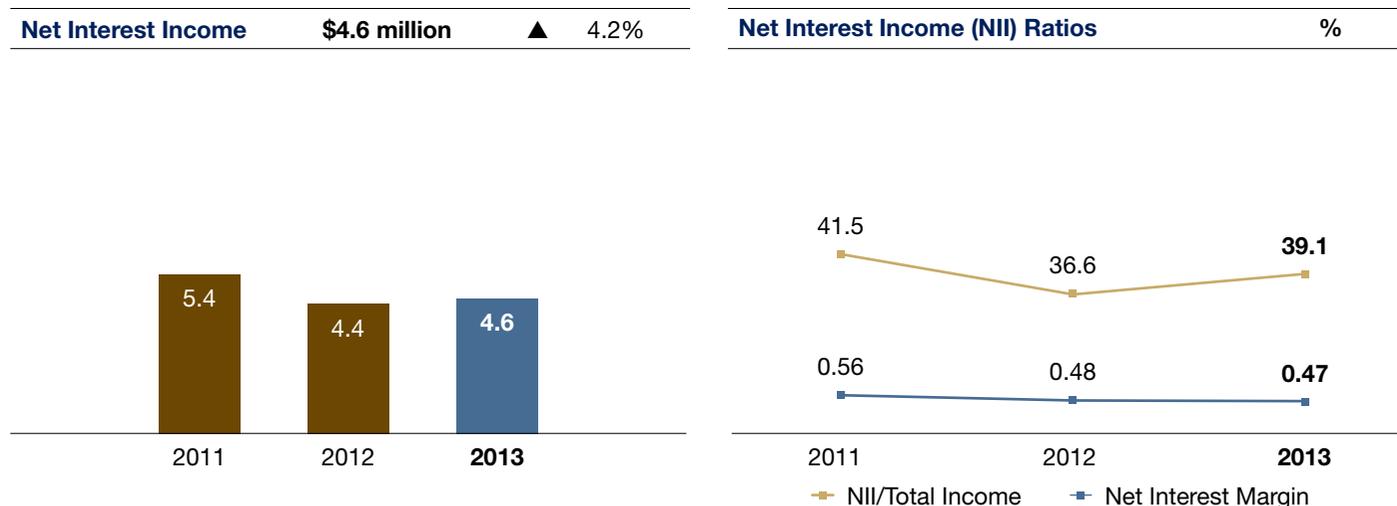
Review of Group Performance

The Group's net profit after tax (NPAT) for 2013 improved 4.9% to \$1.4 million. The increase in NPAT was mainly attributed to a write-back of impairment charge on loans and higher net interest income, partially offset by lower non-interest income.

Net Interest Income

Net interest income for the Group rose 4.2% to \$4.6 million in 2013 largely driven by SGD corporate bonds.

Net interest margin declined 1 basis point to 0.47% in 2013 from 0.48% in 2012.



Average Interest Rate and Net Interest Margin

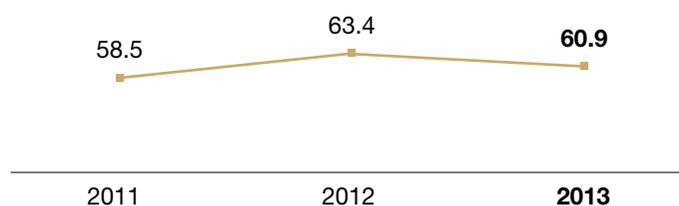
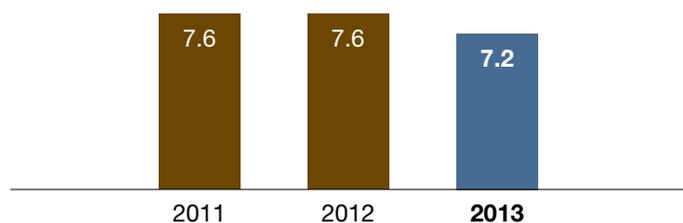
	2013			2012		
	Average balance \$'000	Interest \$'000	Average interest rate %	Average balance \$'000	Interest \$'000	Average interest rate %
Total interest bearing assets	977,348	6,563	0.67	919,419	6,068	0.66
Total interest bearing liabilities	829,102	1,969	0.24	771,816	1,660	0.22
Net interest income		4,594			4,408	
Net interest margin ⁺			0.47			0.48

⁺ 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 2013 accounted for 60.9% of total income. Total non-interest income decreased 6.1% to \$7.2 million in 2013. The lower non-interest income was largely due to lower gains from the sale of government securities, profit and loss on foreign exchange and lower rental income.

Non-Interest Income	\$7.2 million	▼	(6.1%)	Non-Interest Income/Total Income	60.9%	▼	(2.5%pt)
----------------------------	----------------------	---	--------	---	--------------	---	----------



Composition of Non-Interest Income

	2013 \$'000	2012 \$'000	+ / (-) %
Fee and commission income			
Investment-related	3	3	0.0
Loan and trade-related	414	467	(11.3)
Others	426	413	3.1
	843	883	(4.5)
Rental income	4,741	4,927	(3.8)
Other operating income			
Net gain from:			
Government securities	320	450	(28.9)
Foreign exchange	226	283	(20.1)
Others	1,031	1,086	(5.1)
	1,577	1,819	(13.3)
Total non-interest income	7,161	7,629	(6.1)

Management Discussion and Analysis

Operating Expenses

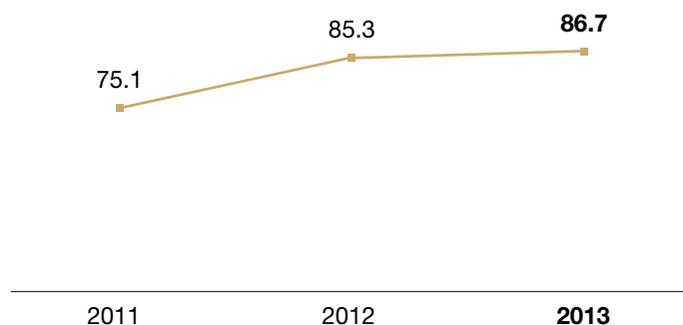
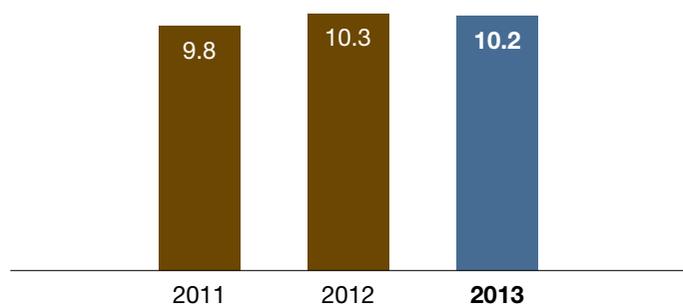
Total operating expenses declined to \$10.2 million in 2013 from \$10.3 million in 2012, mainly due to lower occupancy-related expenses.

The expense-to-income ratio of the Group increased 1.4% points to 86.7% in 2013 from 85.3% in 2012.

	2013 \$'000	2012 \$'000	+/- %
Staff costs	631	643	(1.9)
Other operating expenses	9,556	9,626	(0.7)
Total operating expenses	10,187	10,269	(0.8)

Total Operating Expenses **\$10.2 million** ▼ (0.8%)

Expenses/Income **86.7%** ▲ 1.4%pt



Impairment Charged to Income Statement

There was a total write-back of \$0.1 million in 2013 as compared with an impairment charge of \$0.2 million in 2012 mainly on loans, partially offset by a write-back on properties and other fixed assets in 2012.

(Write-Back)/Impairment Charged to Income Statement **\$(0.1) million** ▼ (>100%)



	2013 \$'000	2012 \$'000	+/- %
Individual impairment on			
Loans	(72)	306	(>100.0)
Investments	(23)	(32)	28.1
Properties and other fixed assets	-	(106)	NM
Total (write-back)/impairment charges	(95)	168	(>100.0)

Overview of Balance Sheet

Total Assets

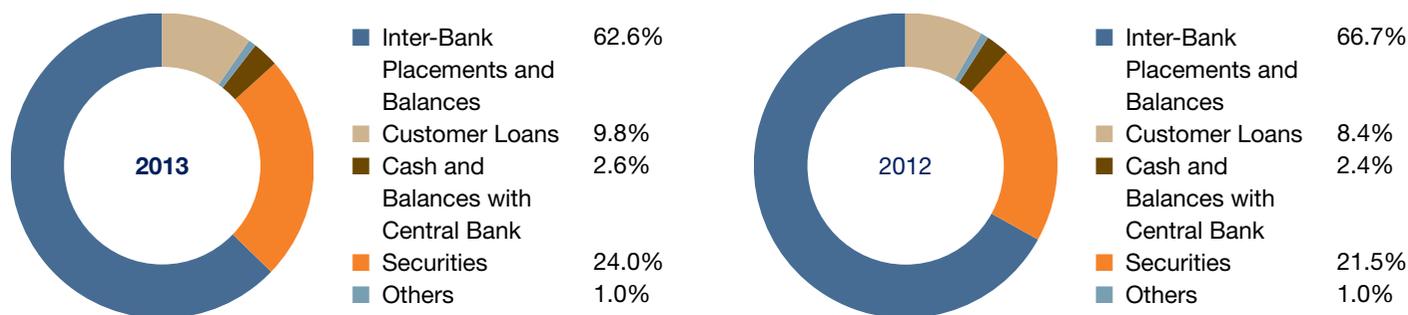
The Group's total assets decreased 0.1% to \$1,040.6 million as at 31 December 2013 from \$1,041.5 million as at 31 December 2012. The decrease was primarily from inter-bank placements and balances, partially offset by an increase in securities and customer loans.

Asset Mix

	2013		2012	
	\$'000	%	\$'000	%
Cash and balances with central bank	26,521	2.6	25,144	2.4
Securities*	250,077	24.0	223,587	21.5
Inter-bank placements and balances	651,166	62.6	694,504	66.7
Customer loans	102,363	9.8	87,950	8.4
Others	10,449	1.0	10,351	1.0
Total assets	1,040,576	100.0	1,041,536	100.0

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

Asset Mix



Securities

Securities held by the Group as at 31 December 2013 were valued at \$251 million (2012: \$224 million).

	2013		2012	
	\$'000	%	\$'000	%
Singapore Government treasury bills and securities	128,984	51.6	140,961	63.0
Investment securities	121,093	48.4	82,626	37.0
Total securities	250,077	100.0	223,587	100.0

Management Discussion and Analysis

Customer Loans

Net customer loans were higher at \$102.4 million as at 31 December 2013 compared with \$88.0 million as at 31 December 2012. The increase of \$14.4 million or 16.4% was largely from term loans and trade financing.

Customer Loans Analysed by Product Group

	2013		2012	
	\$'000	%	\$'000	%
Housing loans	9,348	8.2	11,372	11.3
Term loans	68,309	59.6	60,775	60.5
Trade financing	14,279	12.4	9,285	9.3
Overdrafts	22,763	19.8	18,933	18.9
Total gross customer loans	114,699	100.0	100,365	100.0
Individual impairment	(277)		(356)	
Collective impairment	(12,059)		(12,059)	
Total net customer loans	102,363		87,950	

Gross Customer Loans Analysed by Industry

	2013		2012	
	\$'000	%	\$'000	%
Transport, storage and communication	1,742	1.6	1,544	1.6
Building and construction	629	0.5	715	0.7
Manufacturing	6,805	5.9	4,252	4.2
Financial institutions	14,729	12.8	9,523	9.5
General commerce	37,348	32.6	33,302	33.2
Professionals and private individuals	38,020	33.1	37,641	37.5
Housing loans	9,348	8.2	11,372	11.3
Others	6,078	5.3	2,016	2.0
Total gross customer loans	114,699	100.0	100,365	100.0

Gross Customer Loans Analysed by Currency and Fixed/Variable Rates

	2013			2012		
	Fixed Rate \$'000	Variable Rate \$'000	Total \$'000	Fixed Rate \$'000	Variable Rate \$'000	Total \$'000
Singapore dollar	19,153	85,261	104,414	17,875	76,191	94,066
US dollar	7,385	119	7,504	4,848	168	5,016
Japanese yen	680	-	680	213	-	213
Others	2,101	-	2,101	1,070	-	1,070
Total gross customer loans	29,319	85,380	114,699	24,006	76,359	100,365

Gross Customer Loans Analysed by Remaining Maturity

	2013		2012	
	\$'000	%	\$'000	%
Within 1 year	53,820	46.9	43,816	43.7
Over 1 year but within 3 years	14,271	12.4	11,339	11.3
Over 3 years but within 5 years	10,176	8.9	10,182	10.1
Over 5 years	36,432	31.8	35,028	34.9
Total gross customer loans	114,699	100.0	100,365	100.0

Management Discussion and Analysis

Deposits

Total deposits were lower at \$840.3 million as at 31 December 2013 compared with \$841.1 million as at 31 December 2012. The fall of \$0.8 million or 0.1% was mainly from current, savings and other deposits, partially offset by an increase in fixed deposits and holding company's deposits.

Deposits Analysed by Product Group

	2013		2012	
	\$'000	%	\$'000	%
Customer deposits				
Fixed deposits	256,991	30.6	253,772	30.2
Current, savings and other deposits	561,366	66.8	567,592	67.4
	818,357	97.4	821,364	97.6
Fellow subsidiaries' deposits	628	0.1	476	0.1
Holding company's deposits	21,334	2.5	19,288	2.3
Total deposits	840,319	100.0	841,128	100.0

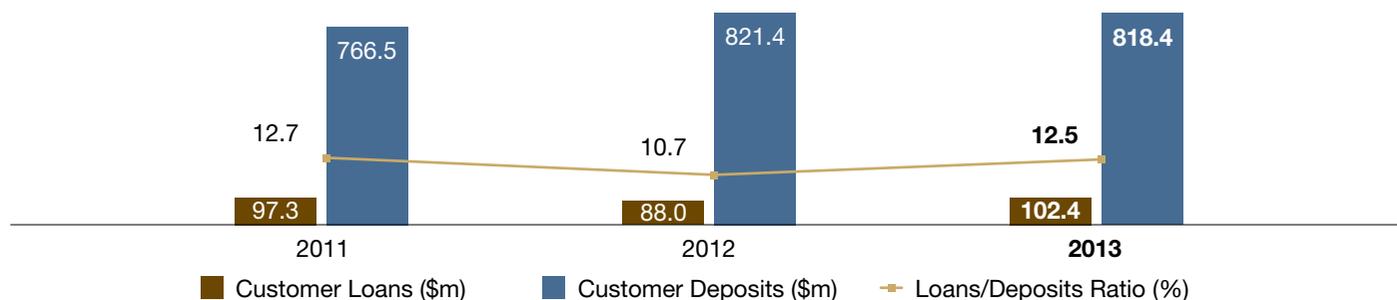
Deposits Analysed by Remaining Maturity

	2013		2012	
	\$'000	%	\$'000	%
Within 1 year	833,445	99.2	828,832	98.5
Over 1 year but within 3 years	6,874	0.8	12,036	1.4
Over 3 years but within 5 years	-	-	260	0.1
Total deposits	840,319	100.0	841,128	100.0

Loans/Deposits Ratio

With the increase in net customer loans of 16.4%, coupled with the decrease in customer deposits of 0.4%, the loans-to-deposits ratio improved 1.8% points to 12.5% in 2013 from 10.7% in 2012.

Loans/Deposits Ratio



Shareholders' Equity

Shareholders' equity as at 31 December 2013 was \$195.1 million, representing a 1.0% decrease over the \$197.1 million as at 31 December 2012.

As at 31 December 2013, the revaluation surplus of \$174.1 million (2012: \$161.8 million) on properties was not included in the financial statements.

	2013	2012	+ / (-)
	\$'000	\$'000	%
Shareholders' equity	195,074	197,123	(1.0)
Add: Revaluation surplus	174,076	161,818	7.6
Shareholders' equity including revaluation surplus	369,150	358,941	2.8
Net asset value (NAV) per share (\$)	1.95	1.97	(1.0)
Revaluation surplus per share (\$)	1.74	1.62	7.4
Revalued NAV per share (\$)	3.69	3.59	2.8

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 2013, the Group's total CAR was 86.8%, well above the minimum total CAR of 10% set by the MAS. Compared with the total CAR of 83.8% as at 31 December 2012, it had increased 3.0% points attributed to the 4.4% decrease in risk-weighted assets outpacing the 1.0% decrease in eligible total capital.

	Basel III 2013	Basel II 2012
	\$'000	\$'000
Share capital	100,011	100,011
Disclosed reserves/others	95,064	95,630
Regulatory adjustments	(1,277)	
Common Equity Tier 1/Tier 1 Capital	193,798	
Provisions	1,210	1,360
Tier 2 Capital	1,210	
Eligible Total Capital	195,008	197,001
Risk-weighted assets	224,779	235,175
Capital Adequacy Ratios (%)		
Common Equity Tier 1	86.2	NA
Tier 1	86.2	83.2
Total	86.8	83.8

Risk Management

RISK MANAGEMENT OVERVIEW

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

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

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

CREDIT RISK

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

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

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

Delinquency Monitoring

The Group monitors closely the delinquency of borrowing accounts as it is a key indicator of credit quality. An account is considered as delinquent when payment is not received on the due date. Any delinquent account, including a revolving credit facility (such as an overdraft) with limit excesses, is closely monitored and managed through a disciplined process by officers from business units and Risk Management. Where appropriate, such accounts are also subject to more frequent credit reviews.

Classification and Loan Loss Impairment

The Group classifies its credit portfolios according to the borrower's ability to repay the credit facility from their normal source of income. There is an independent credit review process to ensure the appropriateness of loan grading and classification in accordance with MAS Notice 612.

All borrowing accounts are categorised into 'Pass', 'Special Mention' or 'Non-Performing' categories. Non-Performing accounts are further categorised as 'Substandard', 'Doubtful' or 'Loss' in accordance with MAS Notice 612. Any account which is delinquent (or in excess for a revolving credit facility such as an overdraft) for more than 90 days will be categorised automatically as 'Non-Performing'. In addition, any account that exhibits weaknesses jeopardising repayment on existing terms may be categorised as 'Non-Performing'.

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

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

Write-Off Policy

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

MARKET RISK

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

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

INTEREST RATE RISK IN THE BANKING BOOK

The ALCO maintains oversight of the effectiveness of the interest rate risk management structure. The Balance Sheet Risk Management (BSRM) Division supports the ALCO in monitoring the interest rate risk profile of the banking book.

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

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

In the dynamic simulation process, both the earnings and Economic Value of Equity (EVE) approaches are applied to assess interest rate risk. The potential effects of interest rate change on interest income 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, as well as 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 the 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, to meet deposit withdrawals and loan disbursements, to participate in new investments, and to 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.

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 and stress scenarios. Cash flow mismatch limits are established to limit the Group's liquidity exposure. The Group also employs liquidity early warning indicators and trigger points to signal possible contingency situations.

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

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including reputation, legal and compliance risk but excluding strategic risk.

The objective is to manage operational risk at appropriate levels relative to the markets in which the businesses operate.

Operational Risk Governance, Framework and Tools

Operational risk is managed through a framework of policies and procedures by which business and support units properly identify, assess, monitor, mitigate and report their risks. The Operational Risk Management Committee attended by senior management meets monthly to provide oversight of operational risk matters across the Group.

The operational risk governance structure includes three lines of defence. The businesses, as the first line of defence, are responsible for establishing a robust control environment as part of their day-to-day operations. Operational Risk Management and Compliance, which provide relevant policies, tools and systems serve as the second line of defence. Internal Audit acts as the third line of defence and provides independent and objective assurance of the effectiveness of the internal controls.

A key component of the operational risk management framework is risk identification and control self-assessments. This is achieved through the Group-wide implementation of a set of operational risk tools. Operational risk self-assessments involve identifying and assessing inherent risks, as well as assessing the effectiveness of controls to mitigate these risks.

Key Operational Risk Indicators are statistical data collected and monitored by business and support units on an ongoing basis to enable early detection of operational control weaknesses. A database of operational risk events and losses has been established to facilitate the analysis of loss trends and root causes. The toolkits are supported by a web-based system which allows the Group and key stakeholders to document, track and manage action plans.

Several risk mitigation policies and programmes are in place to maintain a sound operating environment. An outsourcing policy ensures that all significant risks arising from outsourcing arrangements are identified and effectively managed on a continuous basis.

A product programme committee reviews and ensures that risks associated with the introduction of new products and services are identified, analysed and addressed prior to launch. A product sales committee reviews product suitability, product risk disclosures and reputation issues before the distribution of investment products.

A business continuity and crisis management programme has been developed and tested to ensure prompt recovery of critical business functions following unforeseen events. Senior management provides an annual attestation to the Board on the state of business continuity readiness of the Group.

A technology risk management framework has been established, enabling the Group to manage technology risks in a systematic and consistent manner.

Regulatory compliance risk refers to the risk of non-compliance with laws, regulations, rules, standards and codes of conduct. This risk is identified, monitored and managed through a structured framework of policies, procedures and guidelines maintained by the Group. The framework also manages the risk of breaches and sanctions relating to Anti-Money Laundering and Countering the Financing of Terrorism.

The Group actively manages fraud and bribery risks. Tools and policies, including a whistle-blowing programme, a material risk notification protocol and a fraud risk awareness training programme, have been developed to manage such risks. All employees are guided by a Code of Conduct, which includes anti-bribery and corruption provisions.

Reputation risk is the risk of adverse impact on earnings, liquidity or capital arising from negative stakeholder perception or opinion of the Group's business practices, activities and financial condition. The Group recognises the impact of reputation risk and a framework has been developed to identify and manage the risk across the Group.

To mitigate operational losses resulting from significant risk events, a Group insurance programme covering crime, fraud, civil liability, property damage, public liability, as well as directors' and officers' liability has been put in place.

Financial Statements

Contents

29	Directors' Report
32	Statement by Directors
33	Independent Auditor's Report
34	Income Statements
35	Statements of Comprehensive Income
36	Balance Sheets
37	Statements of Changes in Equity
39	Consolidated Cash Flow Statement
40	Notes to the Financial Statements

Directors' Report

for the financial year ended 31 December 2013

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 2013.

Directors

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

Wee Cho Yaw (*Chairman Emeritus and Adviser*)

Hsieh Fu Hua (*Chairman*)

Wee Ee Cheong (*Deputy Chairman and Chief Executive Officer*)

Cham Tao Soon

Wong Meng Meng

Franklin Leo Lavin

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' Report

for the financial year ended 31 December 2013

Directors' Interests in Shares or Debentures

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, interests in shares of the Bank or related corporations as stated below:

	Direct interest		Deemed interest	
	At 31.12.2013	At 1.1.2013 or date of appointment	At 31.12.2013	At 1.1.2013 or date of appointment
United Overseas Bank Limited				
<i>Ordinary shares</i>				
Wee Cho Yaw	18,820,027	18,820,027	263,395,874	262,395,874
Hsieh Fu Hua	–	–	25,000	25,000
Wee Ee Cheong	3,047,878	3,047,878	157,432,871	156,432,871
Cham Tao Soon	–	–	10,003	10,003
<i>Class E non-cumulative non-convertible preference shares¹</i>				
Wee Cho Yaw	–	–	–	167,700
Wee Ee Cheong	–	20,000	–	167,700
Cham Tao Soon	–	–	–	1,000
<i>4.90% non-cumulative non-convertible perpetual capital securities²</i>				
Wee Cho Yaw	–	–	70,000	–
Wee Ee Cheong	–	–	70,000	–
United Overseas Insurance Limited				
<i>Ordinary shares</i>				
Wee Cho Yaw	38,100	38,100	–	–

1 These preference shares were redeemed on 16 September 2013.

2 These perpetual securities were issued on 23 July 2013.

Directors' Contractual Benefits

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

Directors' Remuneration

The basic fee for service on the Board and additional fees for membership of Board Committees of the Bank are based on the following annual fee structure:

Fee Structure	Chairman \$	Member \$
Basic Fee	10,000	5,000
Executive Committee	–	2,500
Nominating Committee	2,500	1,250
Remuneration Committee	2,500	1,250

Details of the total fees and other remuneration paid/payable to the directors of the Bank for the financial year ended 31 December 2013 are as follows:

	Directors' fees \$	Salary \$	Bonus \$	Benefits- in-kind and others \$	Total \$
Wee Cho Yaw	8,750	–	–	–	8,750
Hsieh Fu Hua	15,000	–	–	–	15,000
Wee Ee Cheong	5,000	–	–	–	5,000
Cham Tao Soon	10,000	–	–	–	10,000
Wong Meng Meng	7,500	–	–	–	7,500
Franklin Leo Lavin	8,750	–	–	–	8,750

Auditor

Ernst & Young LLP has expressed its willingness to accept reappointment as auditor.

On behalf of the Board of Directors,

Hsieh Fu Hua
Chairman

Wee Ee Cheong
Deputy Chairman and Chief Executive Officer

Singapore
14 February 2014

Statement by Directors

for the financial year ended 31 December 2013

We, Hsieh Fu Hua 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 2013, 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,

Hsieh Fu Hua

Chairman

Wee Ee Cheong

Deputy Chairman and Chief Executive Officer

Singapore

14 February 2014

Independent Auditor's Report

for the financial year ended 31 December 2013

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

Report on the Financial Statements

We have audited the accompanying financial statements of Far Eastern Bank Limited (the Bank) and its subsidiary (collectively, the Group) set out on pages 34 to 68, which comprise the balance sheets of the Bank and Group as at 31 December 2013, the income statements, the statements of comprehensive income, and the statements of changes in equity of the Bank and Group and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements of the Bank and the financial statements of the Group are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards, including the modification of the requirements of FRS 39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning by Notice to Banks No.612 "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore, so as to give a true and fair view of the state of affairs of the Group and of the Bank as at 31 December 2013, of the results and changes in equity of the Group and of the Bank and cash flows of the Group for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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

ERNST & YOUNG LLP

Public Accountants and Chartered Accountants

Singapore
14 February 2014

Income Statements

for the financial year ended 31 December 2013

	Note	The Group		The Bank	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Interest income	3	6,563	6,068	6,563	6,068
Less: Interest expense	4	1,969	1,660	1,969	1,660
Net interest income		4,594	4,408	4,594	4,408
Fee and commission income	5	843	883	843	883
Rental income	6	4,741	4,927	4,741	4,927
Other operating income	7	1,577	1,819	1,577	1,819
Non-interest income		7,161	7,629	7,161	7,629
Total operating income		11,755	12,037	11,755	12,037
Less: Staff costs	8	631	643	631	643
Other operating expenses	9	9,556	9,626	9,556	9,626
Total operating expenses		10,187	10,269	10,187	10,269
Operating profit before impairment charges		1,568	1,768	1,568	1,768
Less: (Write-back)/impairment of charges	10	(95)	168	(95)	168
Profit before tax		1,663	1,600	1,663	1,600
Less: Tax	11	220	225	220	225
Profit for the financial year attributable to equity holders of the Bank		1,443	1,375	1,443	1,375

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 2013

	Note	The Group		The Bank	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Profit for the financial year		1,443	1,375	1,443	1,375
Change in available-for-sale reserve					
Change in fair value		(1,477)	832	(1,477)	832
Transfer to income statement on disposal/impairment		(320)	(450)	(320)	(450)
Tax relating to available-for-sale reserve		305	(65)	305	(65)
Other comprehensive income for the financial year, net of tax	14(a)	(1,492)	317	(1,492)	317
Total comprehensive income for the financial year, net of tax		(49)	1,692	(49)	1,692

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

Balance Sheets

for the financial year ended 31 December 2013

	Note	The Group		The Bank	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Equity					
Share capital	12	100,011	100,011	100,011	100,011
Retained earnings	13	14,770	15,327	14,766	15,323
Other reserves	14	80,293	81,785	80,293	81,785
Total equity		195,074	197,123	195,070	197,119
Liabilities					
Deposits and balances of:					
Non-bank customers	16	818,357	821,364	818,357	821,364
Fellow subsidiaries		628	476	628	476
Subsidiary		–	–	12	12
Holding company		21,334	19,288	21,334	19,288
		840,319	841,128	840,331	841,140
Bills and drafts payable		2,802	893	2,802	893
Derivative financial liabilities	28	5	9	5	9
Other liabilities	17	1,990	1,879	1,987	1,876
Tax payable		386	504	386	504
Total liabilities		845,502	844,413	845,511	844,422
Total equity and liabilities		1,040,576	1,041,536	1,040,581	1,041,541
Assets					
Cash, balances and placements with central bank	30	26,521	25,144	26,521	25,144
Singapore Government treasury bills and securities	18	128,984	140,961	128,984	140,961
Placements and balances with banks	19	7,992	8,455	7,992	8,455
Loans to non-bank customers	20	102,363	87,950	102,363	87,950
Placements with fellow subsidiaries		282	249	282	249
Placements with and amount owing by holding company		642,892	685,800	642,892	685,800
Derivative financial assets	28	1	12	1	12
Investment securities	21	121,093	82,626	121,093	82,626
Other assets	22	1,505	1,305	1,505	1,305
Deferred tax assets	11(c)	1,234	928	1,234	928
Investment in a fellow associate	23	1,037	1,014	1,037	1,014
Investment in a subsidiary	24	–	–	5	5
Investment properties	25	6,266	6,715	6,266	6,715
Fixed assets	26	406	377	406	377
Total assets		1,040,576	1,041,536	1,040,581	1,041,541
Off-Balance Sheet Items					
Contingent liabilities	27	16,636	19,190	16,636	19,190
Financial derivatives	28	1,030	876	1,030	876
Commitments	29	83,053	87,590	83,053	87,590

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 2013

	The Group			
	Share capital \$'000	Retained earnings \$'000	Other reserves \$'000	Total equity \$'000
2013				
Balance at 1 January	100,011	15,327	81,785	197,123
Profit for the financial year	–	1,443	–	1,443
Other comprehensive income for the financial year	–	–	(1,492)	(1,492)
Total comprehensive income for the financial year	–	1,443	(1,492)	(49)
Dividends	–	(2,000)	–	(2,000)
Balance at 31 December	100,011	14,770	80,293	195,074
2012				
Balance at 1 January	100,011	15,952	81,468	197,431
Profit for the financial year	–	1,375	–	1,375
Other comprehensive income for the financial year	–	–	317	317
Total comprehensive income for the financial year	–	1,375	317	1,692
Dividends	–	(2,000)	–	(2,000)
Balance at 31 December	100,011	15,327	81,785	197,123
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 2013

	The Bank			Total equity \$'000
	Share capital \$'000	Retained earnings \$'000	Other reserves \$'000	
2013				
Balance at 1 January	100,011	15,323	81,785	197,119
Profit for the financial year	–	1,443	–	1,443
Other comprehensive income for the financial year	–	–	(1,492)	(1,492)
Total comprehensive income for the financial year	–	1,443	(1,492)	(49)
Dividends	–	(2,000)	–	(2,000)
Balance at 31 December	100,011	14,766	80,293	195,070
2012				
Balance at 1 January	100,011	15,948	81,468	197,427
Profit for the financial year	–	1,375	–	1,375
Other comprehensive income for the financial year	–	–	317	317
Total comprehensive income for the financial year	–	1,375	317	1,692
Dividends	–	(2,000)	–	(2,000)
Balance at 31 December	100,011	15,323	81,785	197,119
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 2013

	2013 \$'000	2012 \$'000
Cash Flows from Operating Activities		
Operating profit before impairment charges	1,568	1,768
Adjustments for:		
Depreciation of assets	491	493
Operating profit before working capital changes	2,059	2,261
Increase/(decrease) in working capital:		
Deposit and balances of non-bank customers	(3,007)	54,879
Bills and drafts payable	1,909	(277)
Other liabilities	117	147
Investment securities	(38,468)	(82,626)
Amount owing by intercompany	45,073	79,377
Placement and balances with banks	463	16,541
Loans to non-bank customers	(14,413)	9,321
Other assets	(1,994)	(71)
Cash generated (used in)/from operations	(8,261)	79,552
Income tax paid	(339)	(591)
Net cash (used in)/provided by operating activities	(8,600)	78,961
Cash Flows from Financing Activities		
Dividends paid on ordinary shares	(2,000)	(2,000)
Net cash used in financing activities	(2,000)	(2,000)
Net (decrease)/increase in cash and cash equivalents	(10,600)	76,961
Cash and cash equivalents at beginning of the financial year	166,105	89,144
Cash and cash equivalents at end of the financial year (Note 30)	155,505	166,105

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

Notes to the Financial Statements

for the financial year ended 31 December 2013

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 24b 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, financial instrument at fair value through profit or loss and all financial derivatives.

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

(b) Changes in Accounting Policies

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

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

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 beginning 1 January 2014:

- FRS27 Separate Financial Statements
- FRS28 Investments in Associates and Joint Ventures
- FRS110 Consolidated Financial Statements
- FRS112 Disclosure of Interests in Other Entities
- Amendments to FRS32 – Offsetting of Financial Assets and Financial Liabilities
- Amendments to FRS36 – Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to FRS39 – Novation of Derivatives and Continuation of Hedge Accounting

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

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.

Notes to the Financial Statements

for the financial year ended 31 December 2013

2. Summary of Significant Accounting Policies (continued)

(e) Financial Assets and Financial Liabilities (continued)

(i) **Classification** (continued)

Held-to-maturity

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

Loans and receivables

Non-derivative financial assets with fixed or determinable payments 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 such 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.

2. Summary of Significant Accounting Policies (continued)

(e) Financial Assets and Financial Liabilities (continued)

(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 contractual rights to cash flows and 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.

(iv) **Offsetting**

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

(v) **Impairment**

Individual impairment

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

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

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

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

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

Collective impairment

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

Notes to the Financial Statements

for the financial year ended 31 December 2013

2. Summary of Significant Accounting Policies (continued)

(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.

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.

2. Summary of Significant Accounting Policies (continued)

(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.

(k) Employee Compensation/Benefits

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

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

(l) Dividend Payment

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

(m) Significant Accounting Estimates and Judgements

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

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

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

Notes to the Financial Statements

for the financial year ended 31 December 2013

3. Interest Income

	The Group and The Bank	
	2013	2012
	\$'000	\$'000
Loans to non-bank customers	3,307	3,336
Placements and balances with banks	1,739	1,741
Singapore Government treasury bills and securities	1,517	991
	6,563	6,068
Received/receivable from:		
Holding company	1,734	1,737
Third parties	4,829	4,331
	6,563	6,068

4. Interest Expense

	The Group and The Bank	
	2013	2012
	\$'000	\$'000
Deposits of non-bank customers	1,967	1,655
Deposits of banks	2	5
	1,969	1,660
Paid/payable to:		
Holding company	-	4
Third parties	1,969	1,656
	1,969	1,660

5. Fee and Commission Income

	The Group and The Bank	
	2013	2012
	\$'000	\$'000
Investment-related	3	3
Loan and trade-related	414	467
Others	426	413
	843	883

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 \$3,048,000 (2012: \$2,928,000) received from the holding company.

7. Other Operating Income

	The Group and The Bank	
	2013	2012
	\$'000	\$'000
Net gain on disposal of Singapore Government treasury bills and securities	320	450
Net gain on foreign exchange	226	283
Other income	1,031	1,086
	1,577	1,819

8. Staff Costs

	The Group and The Bank	
	2013	2012
	\$'000	\$'000
Salaries, bonus and allowances	510	540
Employer's contribution to the Central Provident Fund	66	68
Other staff-related costs	55	35
	631	643
Number of employees at 31 December	9	10

9. Other Operating Expenses

	The Group and The Bank	
	2013	2012
	\$'000	\$'000
Included in other operating expenses are:		
Depreciation of assets	491	493
Maintenance of premises and other assets	380	354
Other expenses of premises	1,106	1,169
Audit fees paid/payable to auditors of the Bank	86	86
Management fees payable to holding company	7,097	7,097
Fees payable to directors of the Bank	55	64
Of which:		
Expenses on investment properties that generate rental income	1,748	1,781

Notes to the Financial Statements

for the financial year ended 31 December 2013

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

	The Group and The Bank	
	2013	2012
	\$'000	\$'000
Individual impairment on:		
Loans	(72)	306
Investments	(23)	(32)
Properties	-	(106)
	(95)	168

11. Tax

(a) Tax Expense

Tax charge to the income statements comprises the following:

	The Group and The Bank	
	2013	2012
	\$'000	\$'000
On profit of the financial year		
Current tax	221	232
Deferred tax	(1)	(7)
	220	225

(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	
	2013	2012
	\$'000	\$'000
Profit before tax	1,663	1,600
Tax calculated at tax rate of 17% (2012: 17%)	283	272
Effect of:		
Singapore statutory stepped income exemption	(26)	(26)
Income taxed at a concessionary rates	(11)	(8)
Income not subject to tax	(34)	(37)
Expenses not deductible for tax	8	24
Tax expense on profit of the financial year	220	225

11. Tax (continued)

(c) **Deferred Tax**

Deferred tax comprises the following:

	The Group and The Bank	
	2013	2012
	\$'000	\$'000
Deferred tax liabilities on:		
Unrealised gain on available-for-sale assets	(42)	263
Accelerated tax depreciation	242	243
	200	506
Amount offset against deferred tax assets	(200)	(506)
	-	-
Deferred tax assets on:		
Allowance for impairment	1,434	1,434
Amount offset against deferred tax liabilities	(200)	(506)
	1,234	928
Net deferred tax assets	1,234	928

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

	The Group and The Bank	
	2013	2012
	\$'000	\$'000
Balance at 1 January	928	986
Credit to income statement	1	7
Credit/(charge) to equity	305	(65)
Balance at 31 December	1,234	928

Notes to the Financial Statements

for the financial year ended 31 December 2013

12. Share Capital

	The Group and The Bank	
	2013	2012
	\$'000	\$'000
Issued and fully paid 100,010,566 (2012: 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	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Balance at 1 January	15,327	15,952	15,323	15,948
Profit for the financial year attributable to equity holders of the Bank	1,443	1,375	1,443	1,375
Dividends				
Final dividend of 2 cents one-tier tax-exempt (2012: 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	14,770	15,327	14,766	15,323

(b) The retained earnings are distributable reserves.

(c) In respect of the financial year ended 31 December 2013, 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 2014 financial statements upon approval of the equity holders of the Bank.

14. Other Reserves

(a)

	The Group and The Bank			Total \$'000
	Fair value reserve \$'000	Statutory reserve \$'000	General reserve \$'000	
2013				
Balance at 1 January	1,285	54,900	25,600	81,785
Other comprehensive income for the financial year attributable to equity holders of the Bank	(1,492)	–	–	(1,492)
Balance at 31 December	(207)	54,900	25,600	80,293
2012				
Balance at 1 January	968	54,900	25,600	81,468
Other comprehensive income for the financial year attributable to equity holders of the Bank	317	–	–	317
Balance at 31 December	1,285	54,900	25,600	81,785

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

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

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

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

Notes to the Financial Statements

for the financial year ended 31 December 2013

15. Classification of Financial Assets and Financial Liabilities

(a)

	The Group and The Bank			Total \$'000
	Held for trading \$'000	Available- for-sale \$'000	Loans and receivables/ amortised cost \$'000	
2013				
Cash, balances and placements with central bank	-	-	26,521	26,521
Singapore Government treasury bills and securities ¹	-	128,984	-	128,984
Placements and balances with banks	-	-	7,992	7,992
Loans to non-bank customers	-	-	102,363	102,363
Placements with and amount owing by related companies	-	-	643,174	643,174
Derivative financial assets	1	-	-	1
Investment securities ¹	-	121,093	-	121,093
Other assets	-	-	1,463	1,463
Total financial assets	1	250,077	781,513	1,031,591
Non-financial assets				8,985
Total assets				1,040,576
Deposits and balances of non-bank customers and related companies ²	-	-	840,319	840,319
Bills and drafts payable	-	-	2,802	2,802
Derivative financial liabilities	5	-	-	5
Other liabilities	-	-	1,960	1,960
Total financial liabilities	5	-	845,081	845,086
Non-financial liabilities				416
Total liabilities				845,502
2012				
Cash, balances and placements with central bank	-	-	25,144	25,144
Singapore Government treasury bills and securities ¹	-	140,961	-	140,961
Placements and balances with banks	-	-	8,455	8,455
Loans to non-bank customers	-	-	87,950	87,950
Placements with and amount owing by related companies	-	-	686,049	686,049
Derivative financial assets	12	-	-	12
Investment securities ¹	-	82,626	-	82,626
Other assets	-	-	1,305	1,305
Total financial assets	12	223,587	808,903	1,032,502
Non-financial assets				9,034
Total assets				1,041,536
Deposits and balances of non-bank customers and related companies ²	-	-	841,128	841,128
Bills and drafts payable	-	-	893	893
Derivative financial liabilities	9	-	-	9
Other liabilities	-	-	1,839	1,839
Total financial liabilities	9	-	843,860	843,869
Non-financial liabilities				544
Total liabilities				844,413

1 Includes Singapore Government treasury bills and securities of \$123.8 million (2012: \$127.3 million) and debt securities of \$121.1 million (2012: \$82.6 million) which are purchased from United Overseas Bank Limited at market prices.

2 Deposits and balances of non-bank customers and related companies under the Bank consist of current account balance of \$12,000 (2012: \$12,000) maintained by a subsidiary.

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					
	2013			2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore Government						
treasury bills and securities	128,984	–	–	140,961	–	–
Investment securities	121,093	–	–	82,626	–	–
Derivative financial assets	–	1	–	–	12	–
	250,077	1	–	223,587	12	–
Total financial assets carried at fair value			250,078			223,599
Derivative financial liabilities	–	5	–	–	9	–
	–	5	–	–	9	–
Total financial liabilities carried at fair value			5			9

16. Deposits and Balances of Non-Bank Customers

	The Group and The Bank	
	2013	2012
	\$'000	\$'000
Fixed deposits	256,991	253,772
Current, savings and other deposits ¹	561,366	567,592
	818,357	821,364

¹ Current, savings and other deposits consist of balance of \$59,000 maintained by a related company.

17. Other Liabilities

	The Group		The Bank	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Accrued interest payable	708	603	708	603
Accrued operating expenses	256	269	256	269
Unclaimed balances	922	896	922	896
Others	104	111	101	108
	1,990	1,879	1,987	1,876

Notes to the Financial Statements

for the financial year ended 31 December 2013

18. Singapore Government Treasury Bills and Securities

	The Group and The Bank	
	2013	2012
	\$'000	\$'000
Available-for-sale	128,984	140,961

19. Placements and Balances with Banks

	The Group and The Bank	
	2013	2012
	\$'000	\$'000
Analysed by remaining maturity:		
Within 1 year	7,992	8,455

20. Loans to Non-Bank Customers

(a)

	The Group and The Bank	
	2013	2012
	\$'000	\$'000
Loans to non-bank customers (gross)	114,699	100,365
Individual impairment (Note 20c)	(277)	(356)
Collective impairment (Note 20c)	(12,059)	(12,059)
Loans to non-bank customers (net)	102,363	87,950
Comprising:		
Trade bills	–	86
Advances to customers	102,363	87,864
	102,363	87,950

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

	The Group and The Bank	
	2013	2012
	\$'000	\$'000
Transport, storage and communication	1,742	1,544
Building and construction	629	715
Manufacturing	6,805	4,252
Financial institutions	14,729	9,523
General commerce	37,348	33,302
Professionals and private individuals	38,020	37,641
Housing loans	9,348	11,372
Others	6,078	2,016
	114,699	100,365

20. Loans to Non-Bank Customers (continued)

(c) Movements of allowance for impairment on loans

	The Group and The Bank					
	2013			2012		
	Individual impairment \$'000	Collective impairment \$'000	Total \$'000	Individual impairment \$'000	Collective impairment \$'000	Total \$'000
Balance at 1 January	356	12,059	12,415	48	12,059	12,107
Net (write-back)/charge to income statement	(79)	–	(79)	308	–	308
Balance at 31 December	277	12,059	12,336	356	12,059	12,415

21. Investment Securities

	The Group and The Bank	
	2013 \$'000	2012 \$'000
Quoted debt securities	119,070	80,559
Unquoted debt securities	2,023	2,067
Investment securities	121,093	82,626

22. Other Assets

	The Group and The Bank	
	2013 \$'000	2012 \$'000
Interest receivable	1,292	1,252
Others	213	53
	1,505	1,305

Notes to the Financial Statements

for the financial year ended 31 December 2013

23. Investment in a Fellow Associate

(a) Unquoted equity shares

	The Group and The Bank	
	2013	2012
	\$'000	\$'000
At cost	1,250	1,250
Allowance for impairment	(213)	(236)
	1,037	1,014

(b) Movements of allowance for impairment

	The Group and The Bank	
	2013	2012
	\$'000	\$'000
Balance at 1 January	236	268
Write-back to income statement	(23)	(32)
Balance at 31 December	213	236

24. Investment in a Subsidiary

(a)

	The Bank	
	2013	2012
	\$'000	\$'000
Unquoted equity shares, at cost	5	5

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

Name of subsidiary	Principal activities	Country of incorporation and place of business	Cost of investment by the Bank	
			2013	2012
			\$'000	\$'000
Far Eastern Bank Nominees Private Limited	Nominee services (Dormant)	Singapore	5	5

25. Investment Properties

	The Group and The Bank	
	2013	2012
	\$'000	\$'000
Balance at 1 January	6,715	7,054
Depreciation charge	(444)	(445)
Write-back of impairment	–	106
Reclassification	(5)	–
Balance at 31 December	6,266	6,715
Represented by:		
Cost	17,880	17,245
Accumulated depreciation	(11,614)	(10,530)
Net carrying amount	6,266	6,715
Freehold property	2,347	2,377
Leasehold property	3,919	4,338
	6,266	6,715
Market value of properties at 31 December	170,169	159,230

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

26. Fixed Assets

	The Group and The Bank					
	2013			2012		
	Owner-occupied properties	Others	Total	Owner-occupied properties	Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January	267	110	377	293	95	388
Additions	–	71	71	–	37	37
Depreciation charge	(26)	(21)	(47)	(26)	(22)	(48)
Reclassification	5	–	5	–	–	–
Balance at 31 December	246	160	406	267	110	377
Represented by:						
Cost	917	2,690	3,607	1,552	2,612	4,164
Accumulated depreciation	(671)	(2,530)	(3,201)	(1,285)	(2,502)	(3,787)
Net carrying amount	246	160	406	267	110	377
Leasehold property	246			267		
	246			267		
Market value of properties at 31 December	10,419			9,570		

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

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

Notes to the Financial Statements

for the financial year ended 31 December 2013

27. Contingent Liabilities

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

	The Group and The Bank	
	2013	2012
	\$'000	\$'000
Direct credit substitutes	10,238	9,631
Transaction-related contingencies	5,802	6,122
Trade-related contingencies	596	3,437
	16,636	19,190

28. Financial Derivatives

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

	The Group and The Bank					
	2013			2012		
	Contract/ notional amount \$'000	Positive fair value \$'000	Negative fair value \$'000	Contract/ notional amount \$'000	Positive fair value \$'000	Negative fair value \$'000
Foreign exchange contracts						
Forwards	1,030	1	5	876	12	9

29. Commitments

	The Group and The Bank	
	2013	2012
	\$'000	\$'000
Undrawn credit facilities	83,053	87,590

30. Cash and Cash Equivalents

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

	The Group and The Bank	
	2013	2012
	\$'000	\$'000
Cash, balances and placements with central bank ¹	26,521	25,144
Singapore Government treasury bills and securities	128,984	140,961
	155,505	166,105

¹ Cash, balances and placements with central banks include mandatory reserve deposits of \$24,181,000 (2012: \$23,120,000) for the Group and the Bank.

31. Financial Risk Management

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

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

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

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.

Notes to the Financial Statements

for the financial year ended 31 December 2013

31. Financial Risk Management (continued)

(a) Credit Risk (continued)

(i) Credit exposure

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

	The Group	
	2013 \$'000	2012 \$'000
Balances and placements with central bank	25,566	24,503
Singapore Government treasury bills and securities	128,984	140,961
Placements and balances with banks	7,992	8,455
Loans to non-bank customers	102,363	87,950
Derivative financial assets	1	12
Others	1,289	1,247
	266,195	263,128
Contingent liabilities	16,636	19,190
Commitments	83,053	87,590
	365,884	369,908

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

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

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

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

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

31. Financial Risk Management (continued)

(a) Credit Risk (continued)

(ii) Credit quality of gross loans

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

	The Group	
	2013 \$'000	2012 \$'000
Pass	114,229	99,486
Special mention	4	82
Substandard	146	424
Doubtful	320	366
Loss	-	7
	114,699	100,365

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

	The Group			
	2013		2012	
	Past due but not impaired \$'000	Non- performing \$'000	Past due but not impaired \$'000	Non- performing \$'000
Current	-	466	-	-
Within 90 days	1,592	-	4,661	8
Over 90 to 180 days	-	-	-	443
Over 180 days	-	-	-	346
	1,592	466	4,661	797

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

	The Group					
	2013			2012		
	Past due but not impaired \$'000	Non- performing \$'000	Individual impairment \$'000	Past due but not impaired \$'000	Non- performing \$'000	Individual impairment \$'000
General commerce	152	466	277	3,626	353	342
Professionals and private individuals	1,440	-	-	1,035	20	14
Housing loans	-	-	-	-	424	-
	1,592	466	277	4,661	797	356

Notes to the Financial Statements

for the financial year ended 31 December 2013

31. Financial Risk Management (continued)

(a) Credit Risk (continued)

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

	The Group	
	2013 \$'000	2012 \$'000
NPLs secured by:		
Properties	–	424
Marketable securities, fixed deposits and others	146	–
Unsecured NPLs	320	373
	466	797

(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.

	The Group		
	Singapore dollars \$'000	Others \$'000	Total \$'000
2013			
Cash, balances and placements with central bank	26,516	5	26,521
Singapore Government treasury bills and securities	128,984	–	128,984
Placements and balances with banks and related companies	631,000	20,166	651,166
Loans to non-bank customers	92,078	10,285	102,363
Derivative financial assets	1	–	1
Investment securities	121,093	–	121,093
Others	10,418	30	10,448
Total assets	1,010,090	30,486	1,040,576
Deposits and balances of non-bank customers	800,880	17,477	818,357
Deposits and balances of related companies, and bills and drafts payable	12,241	12,523	24,764
Derivative financial liabilities	5	–	5
Others	2,243	133	2,376
Total liabilities	815,369	30,133	845,502
Net on-balance sheet open position	194,721	353	
Net off-balance sheet open position	(624)	624	
Net open position	194,097	977	

31. Financial Risk Management (continued)

(b) Foreign Exchange Risk (continued)

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

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

(c) Banking Book 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 Group's policies as approved by the ALCO.

The economic value of equity (EVE) sensitivity at 100 and 200 basis points parallel interest rate shocks were negative \$2.1 million and negative \$4.1 million (2012: negative \$3.8 million and negative \$7.3 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.

Notes to the Financial Statements

for the financial year ended 31 December 2013

31. Financial Risk Management (continued)

(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.

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

	The Group							Total \$'000
	Up to 7 days \$'000	Over 7 days to 1 month \$'000	Over 1 to 3 months \$'000	Over 3 to 12 months \$'000	Over 1 to 3 years \$'000	Over 3 years \$'000	No specific maturity \$'000	
2013								
Cash, balances and placements with central bank	2,335	(237)	-	-	-	-	24,423	26,521
Singapore Government treasury bills and securities	-	-	124,000	3,023	2,034	-	(17)	129,040
Placements and balances with banks and related companies	101,166	100,154	350,281	100,085	-	-	-	651,686
Loans to non-bank customers	1,626	5,164	12,842	9,630	16,043	72,071	179	117,555
Derivative financial assets	-	-	-	-	-	-	1	1
Investment securities	-	-	385	19,773	89,289	15,180	3,093	127,720
Others	-	-	-	-	-	123	9,040	9,163
Total assets	105,127	105,081	487,508	132,511	107,366	87,374	36,719	1,061,686
Deposits and balances of non-bank customers	562,970	39,331	122,992	86,702	6,922	666	-	819,583
Deposits and balances of related companies, and bills and drafts payable	24,764	-	-	-	-	-	-	24,764
Derivative financial liabilities	-	-	-	-	-	-	5	5
Others	938	-	30	-	-	-	699	1,667
Total liabilities	588,672	39,331	123,022	86,702	6,922	666	704	846,019
Total equity	-	-	-	-	-	-	195,074	195,074
Net on-balance sheet position	(483,545)	65,750	364,486	45,809	100,444	86,708	(159,059)	
Net off-balance sheet position	(619)	(2)	-	-	-	-	-	
Net maturity mismatch	(484,164)	65,748	364,486	45,809	100,444	86,708	(159,059)	

31. Financial Risk Management (continued)

(d) Liquidity Risk (continued)

(i) (continued)

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

The Group is subject to liquidity requirements to support calls under outstanding contingent liabilities and undrawn credit facility commitments as disclosed in Notes 27 and 29. These have been incorporated in the net off-balance sheet position for the year ended 31 December 2013 and 2012. 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 31d(ii).

Notes to the Financial Statements

for the financial year ended 31 December 2013

31. Financial Risk Management (continued)

(d) Liquidity Risk (continued)

- (ii) The following table shows the cashflow analysis of the Group's assets and liabilities for a one-year period 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.

	The Group			
	Up to 7 days \$'000	Over 7 days to 1 month \$'000	Over 1 to 3 months \$'000	Over 3 to 12 months \$'000
2013				
Cash, balances and placements with central bank	2,335	(237)	-	-
Singapore Government treasury bills and securities	-	-	124,000	3,023
Placements and balances with banks and related companies	101,166	100,154	350,281	100,085
Loans to non-bank customers	3,107	6,898	13,179	10,863
Derivative financial assets	-	-	-	-
Investment securities	-	-	385	19,773
Others	-	123	-	-
Total assets	106,608	106,938	487,845	133,744
Deposits and balances of non-bank customers ¹	33,000	41,022	-	-
Deposits and balances of related companies, and bills and drafts payable	24,204	560	-	-
Derivative financial liabilities	-	-	-	-
Others	16	-	30	-
Total liabilities	57,220	41,582	30	-
Net on-balance sheet position	49,388	65,356	487,815	133,744
Net off-balance sheet position	(82)	(316)	(141)	-
Net maturity mismatch	49,306	65,040	487,674	133,744

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

31. Financial Risk Management (continued)

(d) Liquidity Risk (continued)

(ii) (continued)

	The Group			
	Up to 7 days \$'000	Over 7 days to 1 month \$'000	Over 1 to 3 months \$'000	Over 3 to 12 months \$'000
2012				
Cash, balances and placements with central bank	2,016	(821)	–	–
Singapore Government treasury bills and securities	–	101,000	134	1,627
Placements and balances with banks and related companies	174,569	150,113	170,130	200,187
Loans to non-bank customers	1,966	8,993	5,565	12,606
Derivative financial assets	–	–	–	–
Investment securities	–	–	313	3,946
Others	–	–	–	–
Total assets	178,551	259,285	176,142	218,366
Deposits and balances of non-bank customers ¹	33,939	46,621	–	–
Deposits and balances of related companies, and bills and drafts payable	20,478	179	–	–
Derivative financial liabilities	–	–	–	–
Others	909	–	(9)	49
Total liabilities	55,326	46,800	(9)	49
Net on-balance sheet position	123,225	212,485	176,151	218,317
Net off-balance sheet position	(579)	(1,021)	(479)	(550)
Net maturity mismatch	122,646	211,464	175,672	217,767

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

Notes to the Financial Statements

for the financial year ended 31 December 2013

32. Capital Management

The Group's approach to capital management is to maintain an adequate level of capital to support business growth, taking into consideration regulatory requirements and underlying risks of the Group's business.

The Group adopted Basel III framework for its computation of capital adequacy ratios in accordance with MAS Notice 637 Risk-Based Capital Adequacy Requirements for Banks Incorporated in Singapore with effect from January 2013. The Group's Common Equity Tier 1 / Tier 1 Capital comprises mainly share capital and disclosed reserves, and Tier 2 Capital comprises excess of accounting provisions over Basel expected loss. Risk-weighted assets include both on-balance sheet and off-balance sheet exposures adjusted for credit, market and operational risks.

	The Group	
	Basel III 2013 \$'000	Basel II 2012 \$'000
Share capital	100,011	100,011
Disclosed reserves	95,064	95,630
Regulatory adjustments	(1,277)	
Common Equity Tier 1/Tier 1 Capital	193,798	
Provisions	1,210	1,360
Tier 2 Capital	1,210	
Eligible Total Capital	195,008	197,001
Risk-weighted assets	224,779	235,175
Capital Adequacy Ratios (%)		
Common Equity Tier 1	86.2	NA
Tier 1	86.2	83.2
Total	86.8	83.8

33. Related Party Transactions

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

34. Authorisation of Financial Statements

The financial statements were authorised for issue by the Board of Directors on 14 February 2014.

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 **55th 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, 23 April 2014, at 10.30 am to transact the following business:

AS ORDINARY BUSINESS

- Resolution 1** To receive Financial Statements, Directors' Report and Auditor's Report for the year ended 31 December 2013.
- Resolution 2** To declare a first and final one-tier tax-exempt dividend of two cents per share for the year ended 31 December 2013.
- Resolution 3** To approve Directors' fees of \$55,000 for 2013 (2012: \$64,375).
- Resolution 4** To re-appoint Ernst & Young LLP as Auditor of the Company and authorise the Directors to fix its remuneration.
- To re-elect the following Directors retiring by rotation:
- Resolution 5** Mr Hsieh Fu Hua
- Resolution 6** Mr Franklin Leo Lavin
- Resolution 7** To re-appoint Dr Wee Cho Yaw under Section 153(6) of the Companies Act, Cap 50, to hold office from the date of this Annual General Meeting until the next 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 7 April 2014 to 8 April 2014, both dates inclusive, for the preparation of dividend warrants. Registrable transfers received up to 5.00 pm on 4 April 2014 will be entitled to the dividend. If approved, the first and final dividend will be paid on 28 April 2014.
- Resolution 5** is to re-elect Mr Hsieh Fu Hua who will, if re-elected, continue as the Chairman of the Board and an independent member of the Executive, Nominating and Remuneration Committees.

Notice of Annual General Meeting

Resolution 6 is to re-elect Mr Franklin Leo Lavin who will, if re-elected, continue as an independent member of the Executive and Nominating Committees.

Resolution 7 is to re-appoint Dr Wee Cho Yaw who will, if re-appointed, continue as Chairman Emeritus and Adviser and non-independent Chairman of the Executive and Remuneration Committees, and a member of the Nominating Committee.

BY ORDER OF THE BOARD

Vivien Chan
Secretary

Singapore
1 April 2014

Notes

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

Proxy Form



Far Eastern Bank
遠東銀行

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

Number of Shares

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

of _____ (Address)

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

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

and/or *

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

* Please delete as appropriate.

or failing him/her, the **Chairman of the Meeting** as my/our proxy, to attend and vote for me/us on my/our behalf at the **55th 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, 23 April 2014 at 10.30 am and at any adjournment thereof.

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

No.	Ordinary Resolutions	For	Against
Resolution 1	Financial Statements, Directors' Report and Auditor's Report		
Resolution 2	Final Dividend		
Resolution 3	Directors' Fees		
Resolution 4	Auditor and its remuneration		
Resolution 5	Re-election (Mr Hsieh Fu Hua)		
Resolution 6	Re-election (Mr Franklin Leo Lavin)		
Resolution 7	Re-appointment (Dr Wee Cho Yaw)		

Dated this _____ day of _____ 2014.

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

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

**BUSINESS REPLY SERVICE
PERMIT NO. 07399**



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

FOLD AND GLUE OVERLEAF. DO NOT STAPLE.



Far Eastern Bank Limited

Company Registration No.: 195800116D

Head Office

80 Raffles Place,

UOB Plaza,

Singapore 048624

Phone: (65) 6533 9898

Fax: (65) 6534 2334

www.UOBGroup.com

