



Lotus Pond — Being and Continuing
Chua Ek Kay



Lotus Pond – Being and Continuing

A recipient of Singapore's Cultural Medallion Award, Chua is best known for bridging Eastern and Western elements in his paintings. He is the first Chinese ink painter to win the UOB Painting Of The Year ("POY") Competition. Using Chinese ink as a medium, Chua brings out the beauty and spirit of the lotus at various periods of its life, capturing the graceful movements of the lotus for posterity. The UOB POY Competition and Exhibition is a flagship event under the Bank's corporate social responsibility programme.

Contents

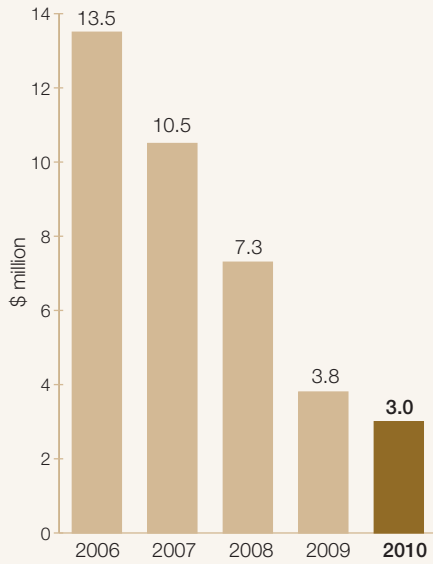
02	Financial Highlights
04	Chairman's Statement
05	Board of Directors
08	Corporate Governance
11	Group Financial Review
21	Risk Management
25	Financial Statements
61	Notice of Annual General Meeting
63	Proxy Form
	Corporate Information

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

Financial Highlights

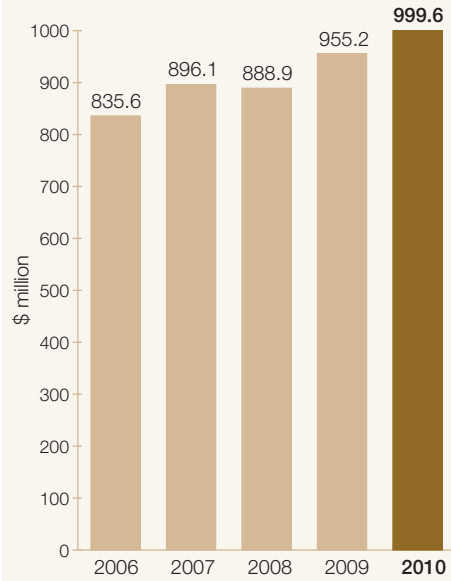
Net profit after tax

2010: \$3.0 million ■ -19.2%
 2009: \$3.8 million



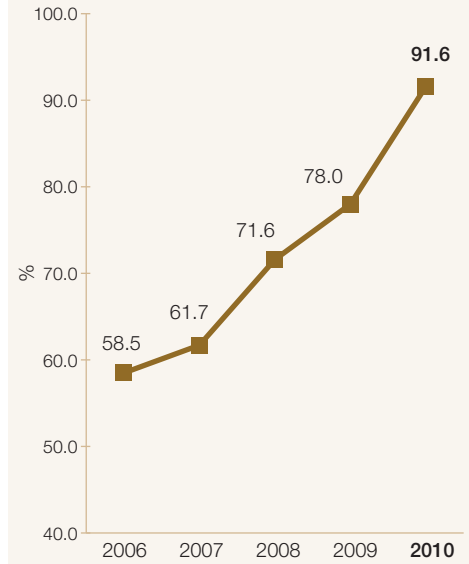
Total assets

2010: \$999.6 million ■ +4.6%
 2009: \$955.2 million



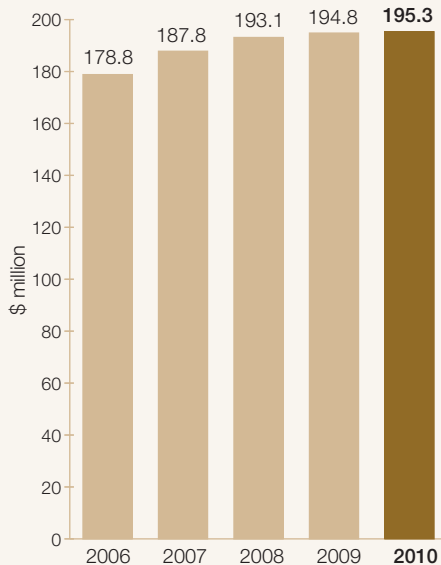
Capital adequacy ratio

2010: 91.6% ■ +13.6% points
 2009: 78.0%



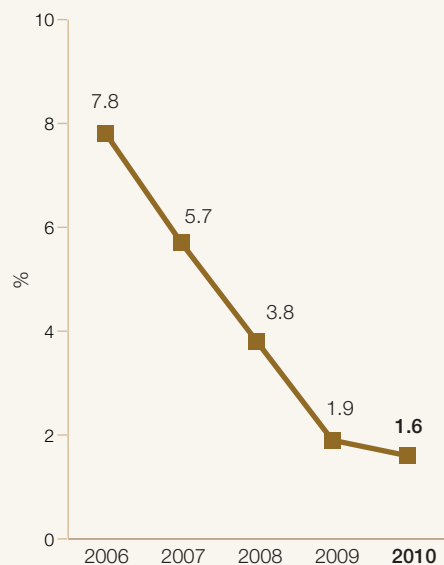
Shareholders' equity

2010: \$195.3 million ■ +0.2%
 2009: \$194.8 million



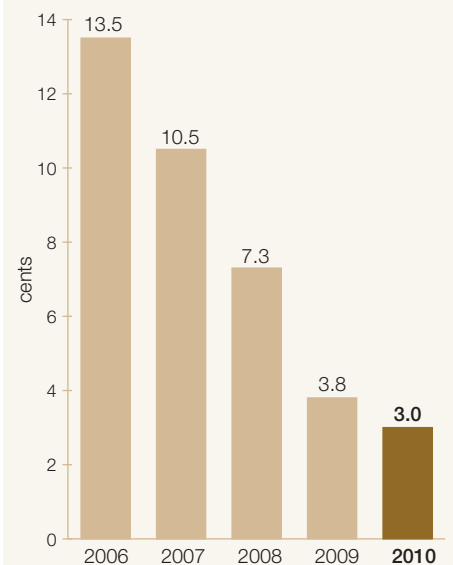
Return on average shareholders' equity

2010: 1.6% ■ -0.3% point
 2009: 1.9%



Earnings per share

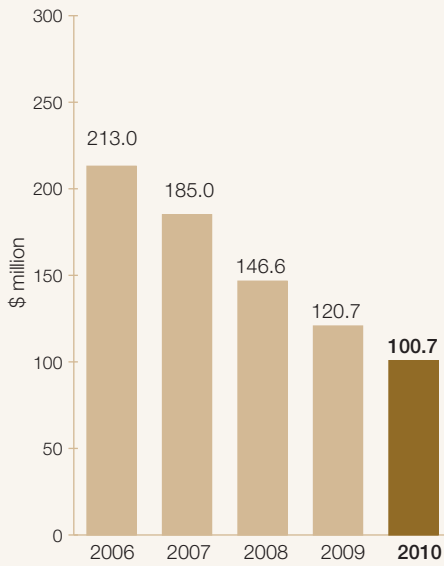
2010: 3.0 cents ■ -19.1%
 2009: 3.8 cents



Customer loans

2010: \$100.7 million
2009: \$120.7 million

■ -16.6%

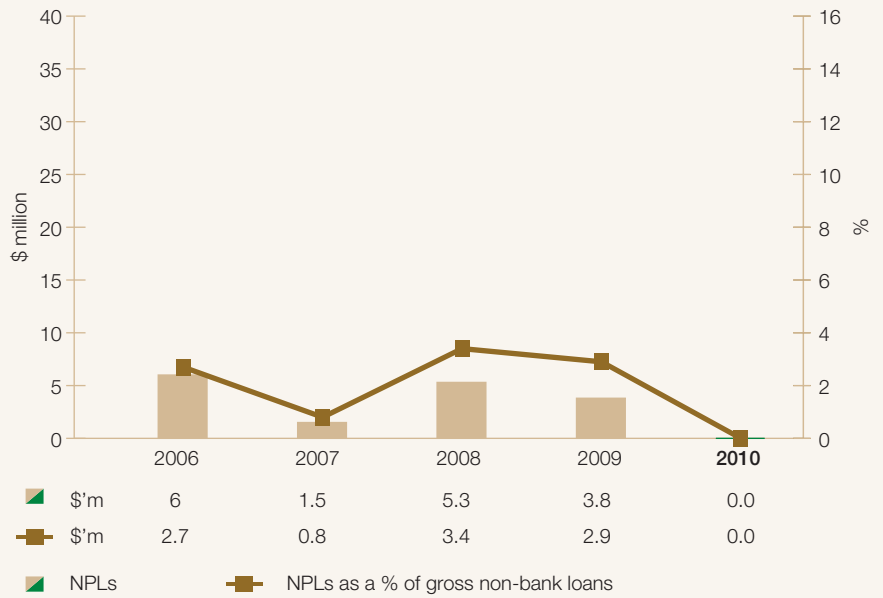


Total non-performing loans (NPLs)

NPLs
2010: \$0.0 million
2009: \$3.8 million

NPLs as a % of gross non-bank loans
2010: 0.0%
2009: 2.9%

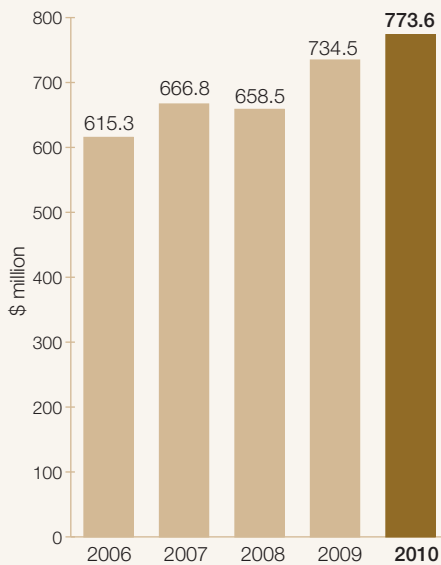
■ -2.9% points



Customer deposits

2010: \$773.6 million
2009: \$734.5 million

■ +5.3%

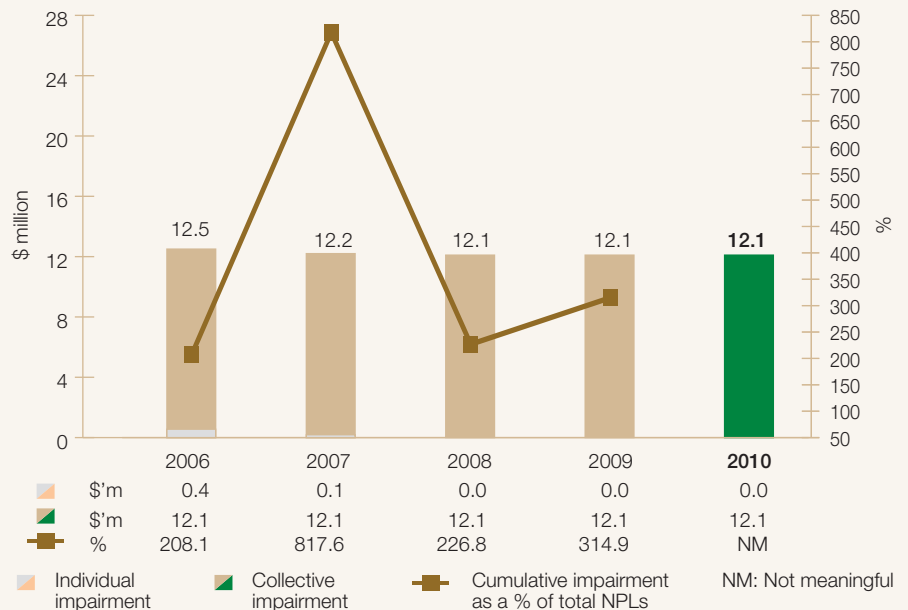


Total cumulative impairment

Individual impairment
2010: \$0.0 million
2009: \$0.0 million

Collective impairment
2010: \$12.1 million
2009: \$12.1 million

Total cumulative impairment as a % of total NPLs
2010: NM
2009: 314.9%



Chairman's Statement



Fuelled by a buoyant Asia and strong growth of the manufacturing and service sectors, Singapore's GDP grew by an impressive 14.5% in 2010. The astounding rebound led to concerns of hyper inflation and asset bubbles, and the low interest rate environment led to pressures on interest spreads.

Because of its small size and low loan volume, Far Eastern Bank (FEB) was harder hit by interest pressures and the intense competition in the financial sector. Total income of \$13.230 million was 13.3% lower than 2010's of \$15.265 million. As a consequence, the Group's after tax profit fell by 19.2% to \$3.047 million (2010: \$3.773 million).

Total assets improved by 4.6% to \$999.6 million (2010: \$955.2 million), and shareholders' equity rose marginally by 0.2% to \$195.3 million (2010: \$194.8 million).

Total customer loans fell by \$20 million to \$100.7 million during the year, while deposits increased by \$37.9 million to \$793.6 million. On the positive side, total expenses decreased by \$531,000 to \$9.951 million, and there was a write-back of \$388,000.

The Board has decided to transfer \$1 million to reserves, and to recommend a first and final dividend of 2 cents per share for the financial year ended 31 December 2010.

Asia is expected to lead the global economy again in 2011. While the American and European economies are likely to continue to be plagued by severe unemployment as well as sovereign and corporate debts, the Asian countries are more likely to face inflationary pressures and asset bubbles. The Government estimates that Singapore's GDP growth would moderate to between 4% and 6%.

The slower GDP growth will lead to greater competition in the banking sector. FEB will continue to be constrained by its small size.

In conclusion, I thank my fellow Board Directors for their wise counsel and guidance, and management and staff members for their commitment and contributions.

Wee Cho Yaw
March 2011

Board of Directors



Wee Cho Yaw Chairman

Age 82. Dr Wee has been the Chairman and Chief Executive Officer (“CEO”) of United Overseas Bank (“UOB”) since 1974. He relinquished his position as CEO on 27 April 2007. He was appointed as Chairman of the FEB Board on 17 August 1984 and last re-appointed as Director on 29 April 2010. He is the Chairman of the FEB Executive and Remuneration Committees, and a member of the Nominating Committee.

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

Dr Wee was conferred the Businessman of the Year award twice at the Singapore Business Awards in 2001 and 1990. In 2006, he received the inaugural Credit Suisse-Ernst & Young Lifetime Achievement Award for his outstanding achievements in the Singapore business community. In 2009, he was conferred the Lifetime Achievement Award by The Asian Banker. Dr Wee is the Pro-Chancellor of Nanyang Technological University and the Honorary President of Singapore Chinese Chamber of Commerce & Industry, Singapore Federation of Chinese Clan Associations and Singapore Hokkien Huay Kuan. He received Chinese high school education and was conferred Honorary Doctor of Letters by the National University of Singapore in 2008.



Wee Ee Cheong Deputy Chairman & Chief Executive Officer

Age 58. Mr Wee was appointed to the Board on 3 January 1990. He was last re-elected as Director on 29 April 2009 and is a member of the Bank’s Executive Committee.

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

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

Mr Wee is the current Chairman of The Association of Banks in Singapore. He serves as a director of The Institute of Banking & Finance and chairs the Financial Industry Competency Standards (“FICS”) Steering Committee. He is a member of the Board of Governors of the Singapore-China Foundation, Visa International Senior Client Council, India-Singapore CEO Forum and Advisory Board of the INSEAD East Asia Council and International Council. He is also a director of Wee Foundation. Mr Wee is an honorary council member of Singapore Chinese Chamber of Commerce & Industry. He had previously served as Deputy Chairman of Housing & Development Board, and a director of Port of Singapore Authority, UOL Group and Pan Pacific Hotels Group.

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

Board of Directors



Wong Meng Meng

Age 62. Mr Wong was appointed to the Board on 24 March 2000 and last re-elected as Director on 30 April 2008. An independent and non-executive director, Mr Wong is the Chairman of the Bank's Nominating Committee.

Mr Wong is a lawyer by profession, and a Senior Counsel. He is the founder-consultant of WongPartnership LLP. He is the President of The Law Society of Singapore, a Vice President of Singapore Academy of Law, and a member of the Advisory Board of the Faculty of Law, National University of Singapore. Mr Wong is the Chairman of Mapletree Industrial Trust Management and FSL Trust Management. He also serves on the board of Mapletree Logistics Trust Management. He had previously served as a member of the Military Court of Appeal and Advisory Committee of the Singapore International Arbitration Centre. Mr Wong also serves on the board of United Overseas Bank.

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

Yeo Liat Kok Philip

Age 64. Mr Yeo was appointed to the Board on 26 May 2000 and last re-elected as Director on 29 April 2010. An independent and non-executive director, he is a member of the Bank's Executive, Nominating and Remuneration Committees.

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

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

He is the former Chairman of the Agency for Science, Technology & Research ("A*STAR") and the Economic Development Board. He is the Chairman of Accuron Technologies, MTIC Holdings, Singapore Aerospace Manufacturing, Ascendas Property Fund Trustee and Hexagon Development Advisors. Mr Yeo is a non-executive director on the Board of Directors of City Developments Limited and Vallar Plc (Jersey).

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



Cham Tao Soon

Age 71. Prof Cham was appointed to the Board on 6 April 2001 and last re-appointed as Director on 29 April 2010. An independent and non-executive director, he is a member of the Bank's Executive, Nominating and Remuneration Committees. Prof Cham is a director of United Overseas Bank ("UOB") and United Overseas Bank (China), a UOB subsidiary. He is the Chairman of NSL Ltd, MFS Technology and Singapore-China Foundation, and Deputy Chairman of Singapore Press Holdings. He is a director of WBL Corporation, Soup Restaurant Group and Singapore International Foundation. He is a former director of Adroit Innovations, Keppel Corporation, Land Transport Authority, TPA Strategic Holdings and Robinson & Company, and the former Chairman of Singapore Symphonia Company.

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

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



Ngiam Tong Dow

Age 73. Mr Ngiam was appointed to the Board on 3 February 2005 and last re-appointed as Director on 29 April 2010. An independent and non-executive director, he is a member of the Bank's Executive and Nominating Committees.

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

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

Corporate Governance

This statement describes the Bank's corporate governance framework and practices. The Bank upholds good governance standards and is committed to fair dealing in all its activities. The Bank's corporate governance framework is guided by the:

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

Board's Conduct of its Affairs

The Board's main duties and responsibilities are to:

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

Board Composition and Independence

The Board members are:

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

The Board regards its present size of six directors as adequate. Directors retire by rotation at least once every three years and may offer themselves for re-election. Directors who are above 70 years of age are subject to annual re-appointment. The Deputy Chairman & CEO, Mr Wee Ee Cheong, is the son of the Chairman of the Board, Dr Wee Cho Yaw.

The Nominating Committee ("NC") is of the view that the directors are qualified to act as bank directors. The directors' particulars are set out on pages 5 to 7.

Directors may obtain independent professional advice whenever necessary for the discharge of their duties. All independent directors are accessible to shareholders and for this reason, the Bank does not have a lead independent director. The Bank has an established process for handling complaints.

Board Meetings

The Board holds four scheduled meetings a year. Additional meetings are held when necessary. The attendance record of directors is set out on page 9.

The Chairman ensures that directors are provided with financial and other management reports prior to Board meetings. Directors have access to Management for information on any matter. They also have access to the Company Secretary for advice on changes in relevant laws, regulations and corporate governance matters.

The Bank's parent, United Overseas Bank ("UOB"), manages the Bank's operations. The Bank leverages UOB's infrastructure and management resources to carry out its banking business and provide the necessary management oversight.

Board Committees

The Board is assisted by the Executive, Nominating, and Remuneration Committees in the discharge of specific functions. The UOB Audit Committee ("UOB AC") assists the Board to oversee the Bank's audit matters, while the UOB Risk Management Committee assists in overseeing the Bank's risk management matters.

The **Executive Committee ("EXCO")** reviews the Bank's annual budget and business plans. The members of the EXCO are:

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

The **Nominating Committee** reviews nominations for appointment of directors and key management positions. The NC assesses the performance of directors and the Board annually. The assessment of directors is based on a range of criteria such as attendance record, skills, overall preparedness, participation, candour and clarity in communication, expertise, strategic insight, financial literacy, business judgement and sense of accountability.

Directors' Attendance for 2010

Name of director	Number of meetings attended in 2010			
	Board of Directors	Executive Committee	Nominating Committee	Remuneration Committee
Wee Cho Yaw	4	8	1	1
Wee Ee Cheong	3	11	NA	NA
Wong Meng Meng	4	NA	1	NA
Yeo Liat Kok Philip	3	7	1	1
Cham Tao Soon	4	11	1	1
Ngiam Tong Dow	4	11	1	NA
Number of meetings held in 2010	4	11	1	1

NA: Not applicable.

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

The Board reviews the NC composition annually. The NC members are:

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

The **Remuneration Committee ("RC")** reviews the directors' fees annually and recommends to the Board the amount of fees to be paid. The Board proposes the directors' fees to shareholders for approval at the annual general meeting. Directors who have additional responsibilities, such as serving on board committees, receive a higher portion of the approved fees. Directors' fees and remuneration are disclosed in the Directors' Report.

The Bank adopts the remuneration policies and systems of UOB.

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

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

The members of the RC are:

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

The RC meets at least once a year.

The **UOB Audit Committee** assists the Board to review the Bank's financial statements, the internal and external audit plans and audit reports, the external auditors' evaluation of the system of internal accounting controls, the scope and results of the internal and external audit procedures, the adequacy of internal audit resources and the cost effectiveness, independence and objectivity of the external auditors. The UOB AC reports the results of its review of the internal and external auditors' evaluation of internal control systems and risk management processes to the Board. The Board has reviewed the UOB AC's report and is of the view that the Bank's internal control systems, including financial, operational and compliance controls and risk management processes, are adequate.

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

Corporate Governance

Internal Audit

UOB Group Audit performs the internal audit functions for the Bank.

Risk Management

The **UOB Risk Management Committee** assists the Board to oversee the Bank's risk management which is an integral part of the Bank's business. This is a new board committee which has been formed by UOB to give dedicated attention to the management of risks, a task previously undertaken by the EXCO.

UOB Group Risk Management develops and maintains the UOB Group's risk management framework, policies and processes which are adopted by the Bank. UOB Group Compliance performs independent checks on the Bank's compliance with applicable laws and regulations.

Communication with Shareholders

The Bank disseminates relevant information to shareholders by way of notices, circulars, announcements and annual reports. At general meetings, shareholders have the opportunity to give feedback on relevant issues.

Ethical Standards

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

Group Financial Review

Review of Financial Performance

- 12 Highlights and Performance Indicators
- 13 Review of Group Performance
- 13 Net Interest Income
- 14 Non-interest Income
- 15 Operating Expenses
- 15 Impairment Charged to Profit and Loss Account

Overview of Balance Sheet

- 16 Total Assets
- 16 Securities
- 17 Customer Loans
- 18 Deposits
- 19 Loans/Deposits Ratio
- 19 Shareholders' Equity
- 20 Capital Adequacy Ratios

Notes:

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

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

"NM" denotes not meaningful.

Group Financial Review

Review of financial performance

Highlights and performance indicators

	2010	2009	+ / (-) %
Summarised profit and loss (\$ million)			
Net interest income ("NII")	6.1	7.3	(16.3)
Non-interest income ("Non-NII")	7.1	7.9	(10.6)
Total income	13.2	15.3	(13.3)
Less: Total expenses	10.0	10.5	(5.1)
Operating profit before impairment charges	3.2	4.8	(31.4)
Less: (Write-back)/impairment charges	(0.4)	0.1	(>100.0)
Less: Tax	0.6	0.9	(33.0)
Net profit after tax	3.0	3.8	(19.2)
Key indicators			
Income mix (%):			
NII/Total income	46.5	48.1	(1.6)% points
Non-NII/Total income	53.5	51.9	1.6% points
	100.0	100.0	
Return on average shareholders' equity ("ROE") (%)	1.6	1.9	(0.3)% point
Basic earnings per share ("EPS") (cents)	3.0	3.8	(19.1)
Return on average total assets ("ROA") (%)	0.3	0.4	(0.1)% point
Net interest margin (%)	0.67	0.81	(0.14)% point
Expense/Income ratio (%)	75.2	68.7	6.5% points
Final dividend per share (cents)	2.0	2.0	–
Other indicators			
Customer loans (net) (\$ million)	100.7	120.7	(16.6)
Customer deposits (\$ million)	773.6	734.5	5.3
Loans/Deposits ratio ⁺ (%)	13.0	16.4	(3.4)% points
Non-performing loans ("NPLs") (\$ million)	0.0	3.8	(99.8)
Cumulative impairment (\$ million)	12.1	12.1	0.0
NPLs/Gross customer loans (%)	0.0	2.9	(2.9)% points
Cumulative impairment/NPLs (%)	NM	314.9	NM
Total assets (\$ million)	999.6	955.2	4.6
Shareholders' equity (\$ million)	195.3	194.8	0.2
Revaluation surplus* (\$ million)	94.1	72.1	30.6
Net asset value ("NAV") per share (\$)	1.95	1.95	0.0
Revalued NAV per share (\$)	2.89	2.67	8.2
Capital adequacy ratio (%)	91.6	78.0	13.6% points

NM: Not Meaningful

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

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

Review of Group performance

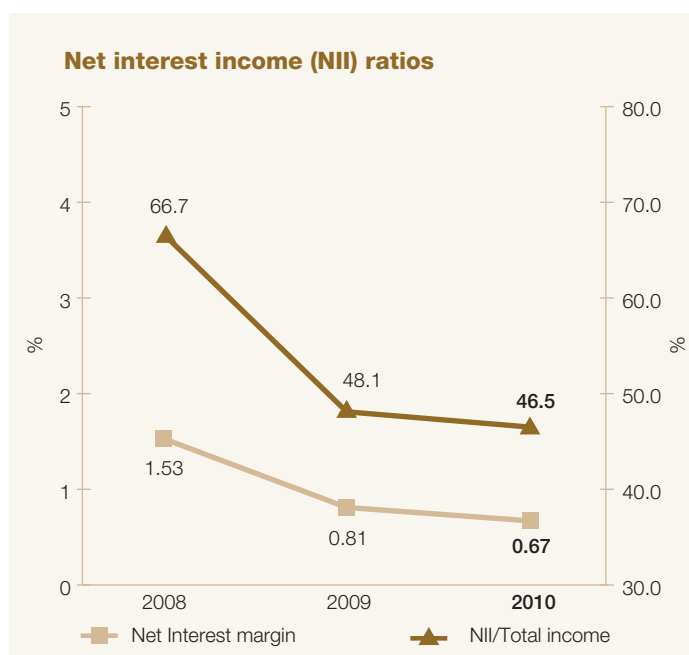
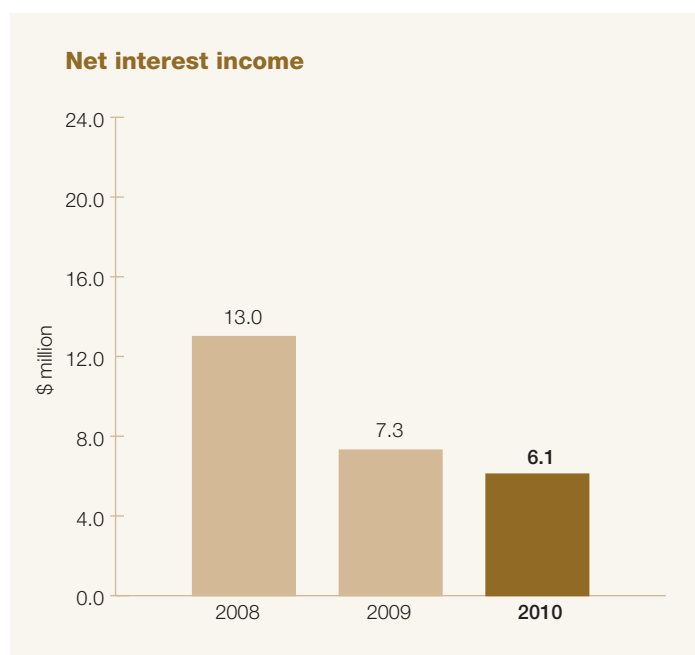
The Group recorded a net profit after tax ("NPAT") of \$3.0 million for the financial year ended 31 December 2010, representing a decrease of 19.2% over the \$3.8 million recorded for the financial year ended 31 December 2009. The decrease in NPAT was mainly attributed to lower net interest income and rental income, partially offset by lower operating expenses, write-back as opposed to impairment charges and lower income tax.

Net interest income

Net interest income for the Group decreased 16.3% to \$6.1 million in 2010 from \$7.3 million in 2009.

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

Net interest margin decreased 14 basis points to 0.67% in 2010 from 0.81% in 2009.



Average interest rates and margin

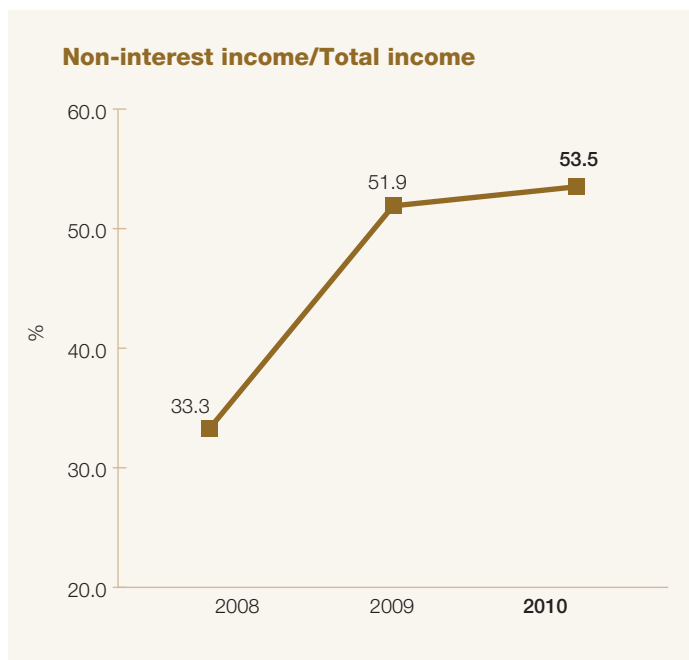
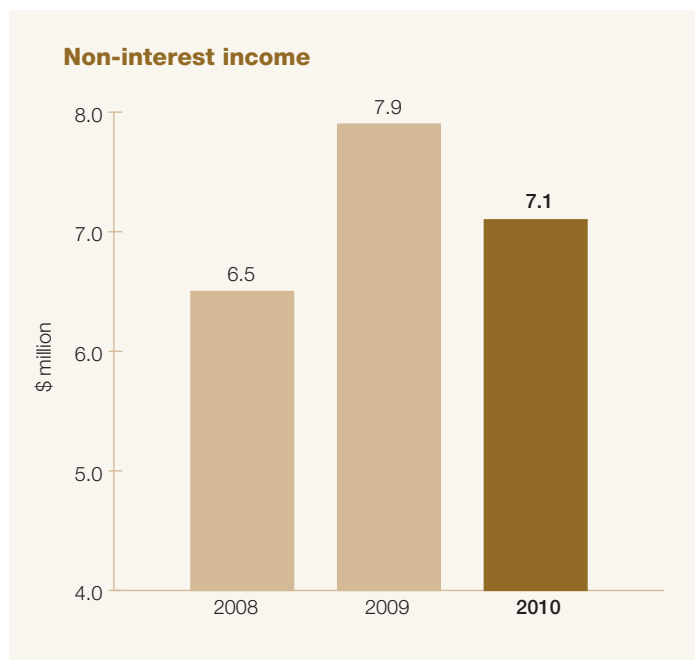
	2010			2009		
	Average balance \$'000	Interest \$'000	Average interest rate %	Average balance \$'000	Interest \$'000	Average interest rate %
Total interest bearing assets	918,970	7,987	0.87	901,981	9,747	1.08
Total interest bearing liabilities	768,923	1,839	0.24	752,540	2,404	0.32
Net interest income		6,148			7,343	
Net interest margin ⁺			0.67			0.81

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

Group Financial Review

Non-interest income

The Group's non-interest income for 2010 accounted for 53.5% of total income. Total non-interest income decreased by 10.6% to \$7.1 million in 2010 from \$7.9 million in 2009. The decrease was mainly from lower rental income, partially offset by profit on sale of investment securities.



Composition of non-interest income

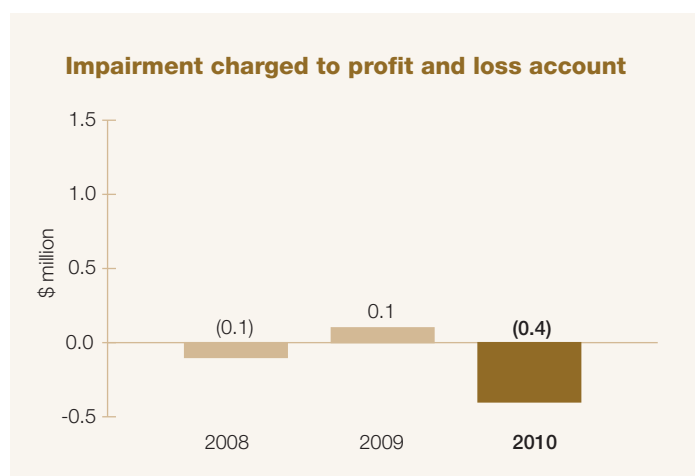
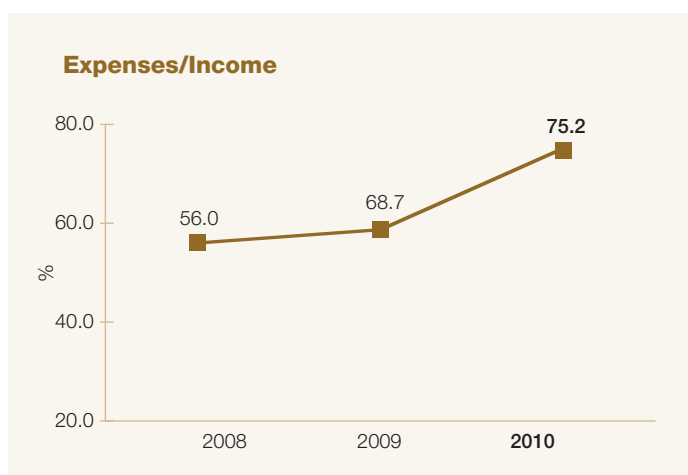
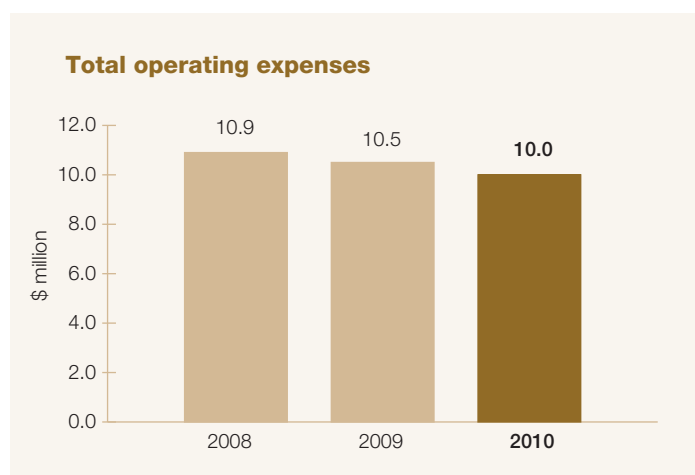
	2010 \$'000	2009 \$'000	+ / (-) %
Fee and commission income			
Investment-related	3	45	(93.3)
Loan-related and trade-related	499	494	1.0
Other	445	431	3.2
	947	970	(2.4)
Dividend and rental income	4,607	5,810	(20.7)
Other operating income			
Net profit/(loss) from:			
Government securities	35	4	>100.0
Foreign exchange	190	285	(33.3)
Investment securities	283	-	NM
Other	1,020	853	19.6
	1,528	1,142	33.8
Total non-interest income	7,082	7,922	(10.6)

Operating expenses

Total operating expenses decreased to \$10.0 million in 2010 from \$10.5 million in 2009, mainly due to lower management fees payable to holding company, partially offset by higher occupancy-related expenses.

With the decrease in total income offset by the decrease in total expenses, the expense-to-income ratio of the Group increased 6.5% points to 75.2% in 2010 from 68.7% in 2009.

	2010	2009	+ / (-)
	\$'000	\$'000	%
Staff costs	641	605	6.0
Other operating expenses	9,310	9,877	(5.7)
Total operating expenses	9,951	10,482	(5.1)



Impairment charged to profit and loss account

Write-back of \$0.4 million in 2010 as opposed to an impairment charge of \$0.1 million in 2009 mainly on properties.

	2010	2009	+ / (-)
	\$'000	\$'000	%
Individual impairment on			
Loans	(57)	(43)	(32.6)
Investments	(51)	-	NM
Properties and other fixed assets	(280)	128	(>100.0)
Total (write-back)/impairment charges	(388)	85	(>100.0)

Group Financial Review

Overview of balance sheet

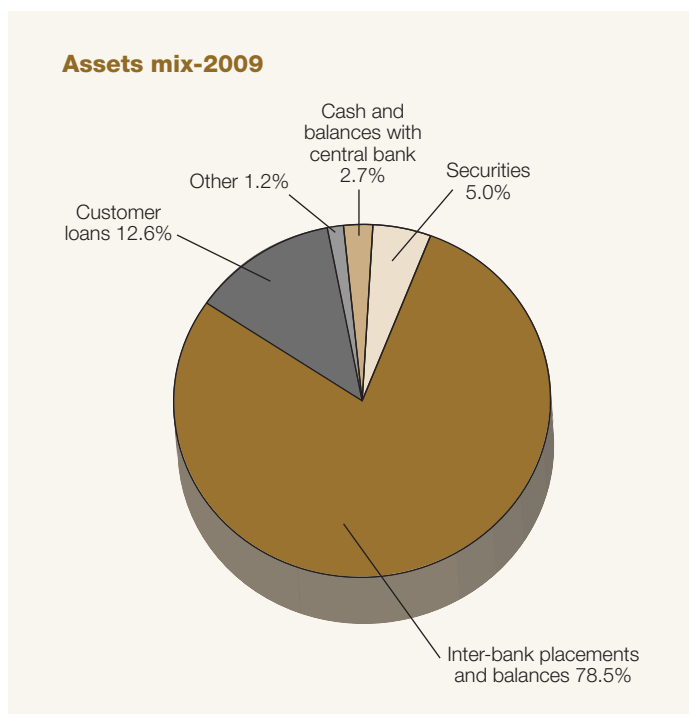
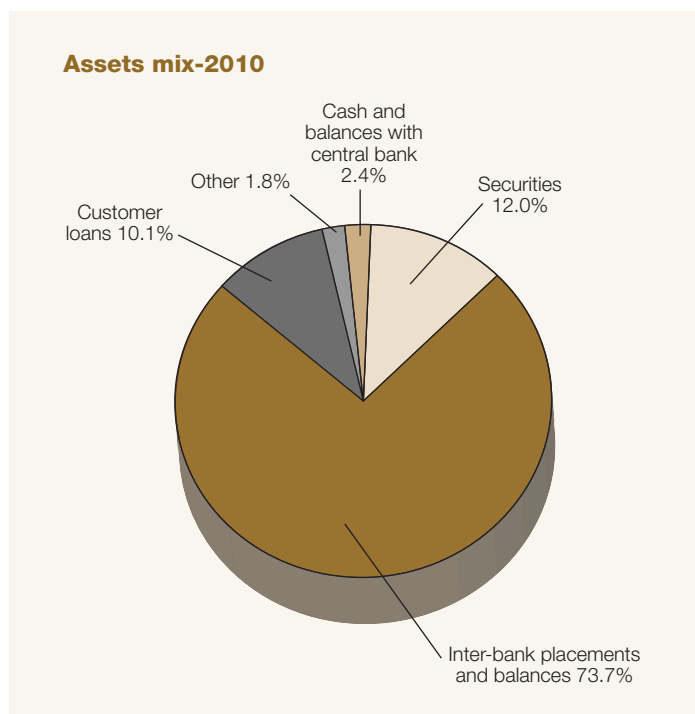
Total assets

Group total assets increased 4.6% to \$999.6 million as at 31 December 2010 from \$955.2 million as at 31 December 2009. The increase was primarily from securities, partially offset by decrease in customer loans and inter-bank placements and balances.

Assets mix

	2010		2009	
	\$'000	%	\$'000	%
Cash and balances with central bank	24,044	2.4	25,746	2.7
Securities*	120,019	12.0	47,385	5.0
Inter-bank placements and balances	736,854	73.7	750,047	78.5
Customer loans	100,707	10.1	120,705	12.6
Other	18,004	1.8	11,366	1.2
Total assets	999,628	100.0	955,249	100.0

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



Securities

Securities held by the Group as at 31 December 2010 were \$120 million (2009: \$47.3 million), comprising mainly Singapore Government treasury bills and securities.

	2010		2009	
	\$'000	%	\$'000	%
Singapore Government treasury bills and securities	120,019	100.0	46,738	98.6
Quoted equity shares	-	-	647	1.4
Total securities	120,019	100.0	47,385	100.0

Customer loans

Net customer loans were lower at \$100.7 million as at 31 December 2010 compared to \$120.7 million as at 31 December 2009. The fall of \$20 million or 16.6% was mainly from housing loans, overdrafts, term loans and trade financing.

Customer loans analysed by product group

	2010		2009	
	\$'000	%	\$'000	%
Housing loans	20,436	18.1	29,196	22.0
Term loans	56,276	49.9	60,365	45.5
Trade financing	12,720	11.3	15,580	11.7
Overdrafts	23,341	20.7	27,630	20.8
Total gross customer loans	112,773	100.0	132,771	100.0
Individual impairment	(7)		(7)	
Collective impairment	(12,059)		(12,059)	
Total net customer loans	100,707		120,705	

Gross customer loans analysed by industry

	2010		2009	
	\$'000	%	\$'000	%
Manufacturing	6,677	5.9	7,826	5.9
Building and construction	4,210	3.7	4,694	3.5
Housing loans	20,436	18.1	29,196	22.0
General commerce	35,554	31.5	42,173	31.8
Transport, storage and communication	1,486	1.3	1,733	1.3
Non-bank financial institutions	3,534	3.2	4,219	3.2
Professionals and private individuals	38,318	34.0	35,749	26.9
Other	2,558	2.3	7,181	5.4
Total gross customer loans	112,773	100.0	132,771	100.0

Gross customer loans analysed by currency and fixed/variable rates

	2010			2009		
	Fixed rate	Variable rate	Total	Fixed rate	Variable rate	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore dollar	13,519	92,057	105,576	24,551	97,582	122,133
US dollar	4,066	134	4,200	6,251	191	6,442
Japanese yen	1,768	75	1,843	2,537	19	2,556
Other	1,100	54	1,154	1,640	–	1,640
Total gross customer loans	20,453	92,320	112,773	34,979	97,792	132,771

Gross customer loans analysed by remaining maturity

	2010		2009	
	\$'000	%	\$'000	%
Within 1 year	48,676	43.2	54,866	41.3
Over 1 year but within 3 years	12,867	11.4	15,191	11.5
Over 3 years but within 5 years	11,082	9.8	13,025	9.8
Over 5 years	40,148	35.6	49,689	37.4
Total gross customer loans	112,773	100.0	132,771	100.0

Group Financial Review

Deposits

Total deposits increased by 5.0% or \$37.9 million to \$793.6 million as at 31 December 2010 from \$755.7 million as at 31 December 2009, mainly attributed to higher fixed deposits, current, savings accounts and other deposits.

Deposits analysed by product group

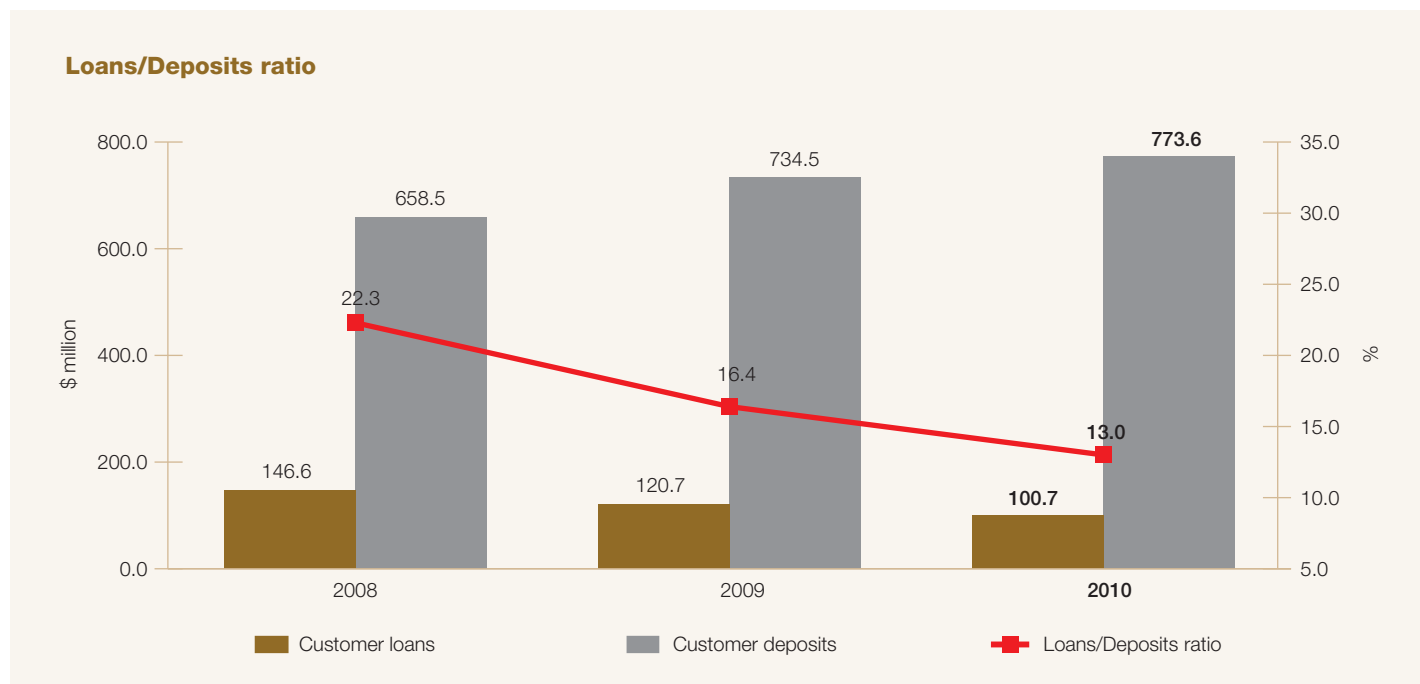
	2010		2009	
	\$'000	%	\$'000	%
Banker deposits	–	–	113	0.0
Customer deposits				
Fixed deposits	263,212	33.1	235,294	31.1
Current, savings and other deposits	510,410	64.3	499,185	66.1
	773,622	97.4	734,479	97.2
Fellow subsidiaries' deposits	534	0.1	2,362	0.3
Holding company's deposits	19,496	2.5	18,757	2.5
Total deposits	793,652	100.0	755,711	100.0

Deposits analysed by remaining maturity

	2010		2009	
	\$'000	%	\$'000	%
Within 1 year	775,081	97.7	727,898	96.3
Over 1 year but within 3 years	11,688	1.5	19,113	2.5
Over 3 years but within 5 years	6,573	0.8	4,133	0.6
Over 5 years	310	0.0	4,567	0.6
Total deposits	793,652	100.0	755,711	100.0

Loans/Deposits ratio

With the decrease in net customer loans of 16.6%, coupled with the increase in customer deposits of 5.3%, the loans-to-deposits ratio declined 3.4% points to 13.0% in 2010 from 16.4% in 2009.



Shareholders' equity

Shareholders' equity as at 31 December 2010 was \$195.3 million, representing a 0.2% increase over the \$194.8 million as at 31 December 2009.

As at 31 December 2010, revaluation surplus of \$94.1 million (2009: \$72.1 million) on properties was not included in the financial statements.

	2010 \$'000	2009 \$'000	+/(–) %
Shareholders' equity	195,292	194,832	0.2
Add: Revaluation surplus	94,113	72,073	30.6
Shareholders' equity including revaluation surplus	289,405	266,905	8.4
Net asset value ("NAV") per share (\$)	1.95	1.95	–
Revaluation surplus per share (\$)	0.94	0.72	30.6
Revalued NAV per share (\$)	2.89	2.67	8.2

Group Financial Review

Capital adequacy ratios

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

As at 31 December 2010, the Group's total CAR was 91.6%, well above the minimum total CAR of 10% set by MAS. Compared to the total CAR of 78.0% as at 31 December 2009, it had increased 13.6% points attributed to reduction in the capital floor adjustment from 90% to 80%.

	2010	2009
	\$'000	\$'000
Tier 1 Capital		
Share capital	100,011	100,011
Disclosed reserves/other	95,315	94,268
	195,326	194,279
Upper Tier 2 Capital		
Cumulative collective impairment/other	1,353	1,586
Total capital	196,679	195,865
Risk-weighted assets⁺	214,692	251,010
Capital adequacy ratios (%)		
Tier 1 capital	91.0	77.4
Total capital	91.6	78.0

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

Risk Management

Increasing enterprise value through the careful understanding and management of risk

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

The Group applies the following risk management principles:

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

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

Credit Risk

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

The Group's Credit Committee 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. These processes, which include monthly reviews of all non-performing and special-mention loans, ensure credit quality and the timely recognition of asset impairment. In addition, credit reviews and audits are performed regularly to proactively manage any delinquency, minimise undesirable concentrations, maximise recoveries, and ensure that credit policies and procedures are complied with.

Delinquency monitoring

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

Classification and loan loss impairment

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

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

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

Write-off policy

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

Market Risk

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

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

Balance Sheet Risk Management

The ALCO approves policies, strategies and limits for the management of structural balance sheet risk exposures. These are monitored by the Balance Sheet Risk Management Division. ALCO's decisions and its risk management reports are reviewed by the Board and its EXCO. At a tactical level, the Management Portfolio unit of Global Markets and Investment Management is responsible for the effective management of balance sheet risk

Risk Management

in accordance with the Group's approved balance sheet risk management policies.

Interest Rate Risk

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

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

The table in Note 32(c) (page 55) of the financial statements represents the Group's interest rate risk sensitivity based on contractual repricing mismatches as at 31 December 2010. The Group had an overall positive interest rate sensitivity gap of \$381 million, which represented the net difference between interest rate sensitive assets and liabilities. Note 32(c) shows the change in Economic Value of Equity ("EVE") at risk sensitivities for 100 basis points ("bp") and 200bp parallel rate shock to the banking book. The reported figures are based on the worst case of an upward and downward parallel movement of the yield curve for Net Interest Income ("NII") and EVE. The repricing profile of loans and deposits that do not have maturity dates are generally based on the earliest possible repricing dates, taking into account the notice period to be served to the customers.

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

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

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

Liquidity Risk

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

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

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

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

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

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

The table in Note 32(d) (page 57) of the financial statements presents the maturity mismatch analysis of the Group's near and long-term time bands relating to the cash inflows and outflows based on contractual maturity arising from the Group's activities. Behavioural adjustments were made on significant balance sheet items that have actual maturity dates that differ substantially from their contractual profile.

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

Operational Risk

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

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

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

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

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

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

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

managed prior to entering into any new arrangements and on an on-going basis.

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

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

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

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

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Far Eastern Bank Limited

(Incorporated in Singapore)

Financial Statements

Contents

26	Directors' Report
28	Statement by Directors
29	Independent Auditors' Report
30	Profit and Loss Accounts
31	Statements of Comprehensive Income
32	Balance Sheets
33	Statements of Changes in Equity
34	Consolidated Cash Flow Statement
35	Notes to the Financial Statements

Directors' Report

for the financial year ended 31 December 2010

The directors are pleased to present their report to the members together with the audited financial statements of Far Eastern Bank Limited (the "Bank") and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2010.

Directors

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

Wee Cho Yaw (*Chairman*)

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

Wong Meng Meng

Yeo Liat Kok Philip

Cham Tao Soon

Ngiam Tong Dow

Arrangements to enable directors to acquire shares or debentures

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

Directors' interests in shares or debentures

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

	Direct interest		Deemed interest	
	At 31.12.2010	At 1.1.2010	At 31.12.2010	At 1.1.2010
Ordinary shares				
United Overseas Bank Limited				
Wee Cho Yaw	16,913,367	16,390,248	256,801,601	248,208,142
Wee Ee Cheong	2,965,549	2,865,357	152,207,242	147,064,793
Cham Tao Soon	–	–	10,003	9,775
Ngiam Tong Dow	–	–	14,074	13,600
Class E non-cumulative non-convertible preference shares				
Wee Cho Yaw	–	–	167,000	167,700
Wee Ee Cheong	20,000	20,000	167,000	167,700
Cham Tao Soon	–	–	1,000	1,000
Ngiam Tong Dow	2,000	2,000	2,000	2,000
Yeo Liat Kok Philip	–	–	1,000	1,000
United Overseas Insurance Limited				
Wee Cho Yaw	38,100	38,100	–	–

(b) There was no change in any of the above-mentioned interests between the end of the financial year-end and 21 January 2011 (being the 21st day after the end of the financial year).

Directors' contractual benefits

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

Directors' Report

for the financial year ended 31 December 2010

Directors' remuneration

Details of the total fees and other remuneration paid/payable by the Group to the directors of the Bank for the financial year ended 31 December 2010 are as follows:

	Directors' fees %	Salary %	Bonus %	Benefit-in-kind and others %	Total %
Below \$250,000					
Wee Cho Yaw	100.0	–	–	–	100.0
Wee Ee Cheong	100.0	–	–	–	100.0
Wong Meng Meng	100.0	–	–	–	100.0
Yeo Liat Kok Philip	100.0	–	–	–	100.0
Cham Tao Soon	100.0	–	–	–	100.0
Ngiam Tong Dow	100.0	–	–	–	100.0

Auditors

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board of Directors,

Wee Cho Yaw

Chairman

Wee Ee Cheong

Deputy Chairman & Chief Executive Officer

Singapore
25 February 2011

Statement by Directors

for the financial year ended 31 December 2010

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

- (a) the accompanying profit and loss accounts, balance sheets, statements of comprehensive income, statements of changes in equity and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Bank and of the Group as at 31 December 2010, the results of the business and changes in equity of the Bank and the Group and cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

Wee Cho Yaw

Chairman

Wee Ee Cheong

Deputy Chairman & Chief Executive Officer

Singapore

25 February 2011

Independent Auditors' Report

for the financial year ended 31 December 2010

To the members of Far Eastern Bank Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Far Eastern Bank Limited (the "Bank") and its subsidiaries (collectively, the "Group") set out on pages 30 to 60, which comprise the balance sheets of the Bank and the Group as at 31 December 2010, the profit and loss accounts, the statements of comprehensive income and the statements of changes in equity of the Bank and the Group, and the consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements of the Bank and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards, including the modification of the requirements of FRS39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning by MAS Notice 612 Credit Files, Grading and Provisioning, so as to give a true and fair view of the state of affairs of the Bank and the Group as at 31 December 2010, the results of the Bank and of the Group, the changes in equity of the Bank and the changes in equity and cash flows of the Group for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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

ERNST & YOUNG LLP

Public Accountants and
Certified Public Accountants

Singapore
25 February 2011

Profit and Loss Accounts

for the financial year ended 31 December 2010

	Note	The Group		The Bank	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Interest income	3	7,987	9,747	7,987	9,747
Less: Interest expense	4	1,839	2,404	1,839	2,404
Net interest income		6,148	7,343	6,148	7,343
Fee and commission income	5	947	970	947	970
Dividend income	6	–	44	–	44
Rental income	7	4,607	5,766	4,607	5,766
Other operating income	8	1,528	1,142	1,528	1,142
Non-interest income		7,082	7,922	7,082	7,922
Total operating income		13,230	15,265	13,230	15,265
Less: Staff costs	9	641	605	641	605
Other operating expenses	10	9,310	9,877	9,310	9,877
Total operating expenses		9,951	10,482	9,951	10,482
Operating profit before impairment charges		3,279	4,783	3,279	4,783
Less: Impairment / (write-back) of charges	11	(388)	85	(388)	85
Profit before tax		3,667	4,698	3,667	4,698
Less: Tax	12a	620	925	620	925
Profit for the financial year attributable to equity holders of the Bank		3,047	3,773	3,047	3,773

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 2010

	Note	The Group		The Bank	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Profit for the financial year		3,047	3,773	3,047	3,773
Change in available-for-sale reserve					
Change in fair value		(389)	(53)	(389)	(53)
Transfer to profit and loss account on disposal/impairment		(318)	(34)	(318)	(34)
Tax on net movement		120	21	120	21
Other comprehensive income for the financial year, net of tax	15a	(587)	(66)	(587)	(66)
Total comprehensive income for the financial year, net of tax		2,460	3,707	2,460	3,707

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

Balance Sheets

as at 31 December 2010

	Note	The Group		The Bank	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Equity					
Share capital	13	100,011	100,011	100,011	100,011
Retained earnings	14	15,909	15,862	15,905	15,858
Other reserves	15	79,372	78,959	79,372	78,959
Total equity		195,292	194,832	195,288	194,828
Liabilities					
Deposits and balances of:					
Banks and agents		–	113	–	113
Non-bank customers	17	773,622	734,479	773,622	734,479
Fellow subsidiaries		534	2,362	534	2,362
Subsidiaries		–	–	12	12
Holding company		19,496	18,757	19,496	18,757
		793,652	755,711	793,664	755,723
Bills and drafts payable		533	1,119	533	1,119
Derivative financial liabilities	29	5	3	5	3
Tax payable		741	1,170	741	1,170
Other liabilities	18	9,405	2,414	9,402	2,411
Total liabilities		804,336	760,417	804,345	760,426
Total equity and liabilities		999,628	955,249	999,633	955,254
Assets					
Cash, balances and placements with central bank		24,044	25,746	24,044	25,746
Singapore Government treasury bills and securities	19	120,019	46,738	120,019	46,738
Placements and balances with banks and agents	20	8,396	4,896	8,396	4,896
Loans to non-bank customers	21a	100,707	120,705	100,707	120,705
Placements with fellow subsidiaries		29	70	29	70
Placements with and amount owing by holding company		728,429	745,081	728,429	745,081
Derivative financial assets	29	2	12	2	12
Investment securities	22	–	647	–	647
Other assets	23	8,266	1,572	8,266	1,572
Investment in a fellow associate	24a	949	898	949	898
Investment in a subsidiary	25a	–	–	5	5
Investment properties	26	6,813	7,313	6,813	7,313
Fixed assets	27	775	492	775	492
Deferred tax assets	12c	1,199	1,079	1,199	1,079
Total assets		999,628	955,249	999,633	955,254
Off-balance sheet items					
Contingent liabilities	28	10,160	11,901	10,160	11,901
Financial derivatives	29	1,009	3,299	1,009	3,299
Commitments	30	95,278	112,918	95,278	112,918

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 2010

	The Group			
	Share capital \$'000	Retained earnings \$'000	Other reserves \$'000	Total equity \$'000
2010				
Balance at 1 January	100,011	15,862	78,959	194,832
Profit for the financial year	–	3,047	–	3,047
Other comprehensive income for the financial year	–	–	(587)	(587)
Total comprehensive income for the financial year	–	3,047	(587)	2,460
Transfer from retained earnings to other reserves	–	(1,000)	1,000	–
Dividends	–	(2,000)	–	(2,000)
Balance at 31 December	100,011	15,909	79,372	195,292
2009				
Balance at 1 January	100,011	15,089	78,025	193,125
Profit for the financial year	–	3,773	–	3,773
Other comprehensive income for the financial year	–	–	(66)	(66)
Total comprehensive income for the financial year	–	3,773	(66)	3,707
Transfer from retained earnings to other reserves	–	(1,000)	1,000	–
Dividends	–	(2,000)	–	(2,000)
Balance at 31 December	100,011	15,862	78,959	194,832
	Note	13	14	15
The Bank				
	Share capital \$'000	Retained earnings \$'000	Other reserves \$'000	Total equity \$'000
2010				
Balance at 1 January	100,011	15,858	78,959	194,828
Profit for the financial year	–	3,047	–	3,047
Other comprehensive income for the financial year	–	–	(587)	(587)
Total comprehensive income for the financial year	–	3,047	(587)	2,460
Transfer from retained earnings to other reserves	–	(1,000)	1,000	–
Dividends	–	(2,000)	–	(2,000)
Balance at 31 December	100,011	15,905	79,372	195,288
2009				
Balance at 1 January	100,011	15,085	78,025	193,121
Profit for the financial year	–	3,773	–	3,773
Other comprehensive income for the financial year	–	–	(66)	(66)
Total comprehensive income for the financial year	–	3,773	(66)	3,707
Transfer from retained earnings to other reserves	–	(1,000)	1,000	–
Dividends	–	(2,000)	–	(2,000)
Balance at 31 December	100,011	15,858	78,959	194,828
	Note	13	14	15

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

Consolidated Cash Flow Statement

for the financial year ended 31 December 2010

	2010	2009
	\$'000	\$'000
Cash flows from operating activities:		
Operating profit before impairment charges	3,279	4,783
Adjustments for:		
Depreciation of assets	500	503
Operating profit before working capital changes	3,779	5,286
Changes in working capital:		
Increase in deposits	39,030	76,121
(Decrease)/increase in bills and drafts payable	(586)	318
Increase/(decrease) in other liabilities	6,993	(3,538)
(Increase)/decrease in placements and balances with banks and agents	(3,500)	1,528
Decrease in loans to non-bank customers	19,998	25,854
(Increase)/decrease in other assets	(6,690)	6,106
Decrease/(increase) in net balance with related companies	15,604	(105,351)
Cash generated from operations	74,628	6,324
Income tax paid	(1,049)	(1,585)
Net cash provided by operating activities	73,579	4,739
Cash flows from investing activities:		
Net cash flow from liquidation of subsidiary	–	88
Net cash used in investing activities	–	88
Cash flows from financing activities:		
Dividend paid by the Bank	(2,000)	(2,000)
Net cash used in financing activities	(2,000)	(2,000)
Net increase in cash and cash equivalents for the financial year	71,579	2,827
Cash and cash equivalents at beginning of the financial year	72,484	69,657
Cash and cash equivalents at end of the financial year (Note 31)	144,063	72,484

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 2010

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

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

2. Summary of significant accounting policies

(a) Basis of preparation

The financial statements of the Bank and its subsidiaries (collectively, the "Group") have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") as required by the Companies Act, Cap. 50, with modification to FRS39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning, as provided in MAS Notice 612 Credit Files, Grading and Provisioning.

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

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

(b) Changes in accounting policies

The Group adopted the following new or amended FRS:

- FRS27 Consolidated and Separate Financial Statements
- FRS103 Business Combinations

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

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

Future changes in accounting policies

The following FRS that is in issue applies to the Group for accounting period beginning 1 January 2011:

- Revised FRS24 Related Party Disclosures

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

(c) Basis of consolidation

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

(d) Subsidiaries

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

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 profit and loss account if they result in loss of control in the subsidiaries, and in equity reserve, if otherwise.

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

Notes to the Financial Statements

for the financial year ended 31 December 2010

2. Summary of significant accounting policies (continued)

(e) Foreign currencies

On initial recognition, transactions in foreign currencies are recorded in the respective functional currencies of the Bank and its subsidiaries 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 profit and loss account.

(f) Financial assets and financial liabilities

(i) Classification

Financial assets and financial liabilities are classified as follows:

At fair value through profit and loss

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

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

Held to maturity

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

Loans and receivables

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

Available-for-sale

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

Non-trading liabilities

Non-derivative financial liabilities that are not held for active trading or designated as at fair value through profit and 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 at fair value through profit and loss, transaction costs are expensed off.

Subsequent measurement

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

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

2. Summary of significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

(ii) Measurement (continued)

Subsequent measurement (continued)

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

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

Fair value determination

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

(iii) Recognition and derecognition

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

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

(iv) Impairment

Individual impairment

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

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

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

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

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

Collective impairment

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

(g) Financial derivatives

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

Notes to the Financial Statements

for the financial year ended 31 December 2010

2. Summary of significant accounting policies (continued)

(h) Investment properties and fixed assets

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

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

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

The residual value, expected useful life and depreciation method of investment properties and fixed assets are reviewed annually. Their carrying amounts are reviewed for impairment when events or changes in circumstances indicate that they may be below their recoverable amounts, being the higher of fair value less cost to sell and value in use.

Investment properties and fixed assets are derecognised upon disposal and the resulting gain or loss is taken to the profit and loss account.

(i) Tax

(i) Current tax

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

(ii) Deferred tax

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

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

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

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

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

(j) Provision

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

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

(k) Revenue recognition

Interest income is recognised using the effective interest method.

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

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

Rental income is recognised on a time proportion basis.

2. Summary of significant accounting policies (continued)

(l) Employee benefits

Base pay, cash bonuses, allowances, commissions and defined contributions under regulations are recognised in the profit and loss account when incurred.

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

(m) Government grants

Grants from the government are recognised as receivables at their fair value when the Group has complied with the specified conditions and there is reasonable assurance that the grants will be received. Government grants under the Jobs Credit Scheme are deducted against staff costs over the period of the grant.

(n) Dividend payment

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

(o) Significant accounting estimates and judgements

Preparation of the financial statements requires certain significant accounting estimates and judgements to be made such as provision for impaired assets and tax computation. The processes involve making reasonable assumptions, selecting appropriate valuation models, discount rates and growth rates, estimating cash flow and collateral value and assessing likelihood of events. These judgements, assumptions and estimates would affect the financials disclosed and they are being assessed on an on-going basis based on past experience and future expectation that are believed to be reasonable in the circumstances.

3. Interest income

	The Group and The Bank	
	2010	2009
	\$'000	\$'000
Singapore Government treasury bills and securities	776	596
Loans to non-bank customers	4,774	6,504
Placements and balances with banks and agents	2,437	2,647
	7,987	9,747
Received/receivable from:		
Holding company	2,437	2,644
Third parties	5,550	7,103
	7,987	9,747

4. Interest expense

	The Group and The Bank	
	2010	2009
	\$'000	\$'000
Deposits of non-bank customers	1,839	2,400
Deposits of banks and agents	–	4
	1,839	2,404
Paid/payable to:		
Holding company	–	3
Fellow subsidiaries	1	5
Third parties	1,838	2,396
	1,839	2,404

Notes to the Financial Statements

for the financial year ended 31 December 2010

5. Fee and commission income

	The Group and The Bank	
	2010	2009
	\$'000	\$'000
Investment-related	3	45
Loan and trade-related	499	494
Other	445	431
	947	970

6. Dividend income

	The Group and The Bank	
	2010	2009
	\$'000	\$'000
Other quoted investments	–	44

7. Rental income

Rental income represents income from the tenanted areas of the buildings owned by the Bank. Included in the rental income for the financial year was income of \$2,854,000 (2009: \$3,646,000) received from the holding company.

8. Other operating income

	The Group and The Bank	
	2010	2009
	\$'000	\$'000
Net profit on disposal of Singapore Government treasury bills and securities	35	4
Net profit on foreign exchange	190	285
Net profit on investment securities	283	–
Other income	1,020	853
	1,528	1,142

9. Staff costs

	The Group and The Bank	
	2010	2009
	\$'000	\$'000
Salaries, bonus and allowances	544	503
Employer's contribution to the Central Provident Fund	66	71
Other staff-related costs	31	31
	641	605
Number of employees at 31 December	11	15

10. Other operating expenses

	The Group and The Bank	
	2010	2009
	\$'000	\$'000
Included in other operating expenses are:		
Depreciation of assets	500	503
Maintenance of premises and other assets	304	296
Other expenses of premises	969	876
Audit fees	74	74
Management fees payable to holding company	7,036	7,713
Fees payable to directors of the Bank	55	55
Expenses on investment properties that generate rental income	1,054	1,055

11. Impairment charges

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

	The Group and The Bank	
	2010	2009
	\$'000	\$'000
Net write-back of individual impairment on loans	(57)	(43)
Write-back of impairment on investments	(51)	–
Provision for impairment on properties	(282)	128
Other assets	2	–
	(388)	85

12. Tax

(a) Tax expense

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

	The Group and The Bank	
	2010	2009
	\$'000	\$'000
On the profit of the financial year		
Current tax	620	861
Deferred tax	–	(5)
	620	856
Under/(over) provision of tax in respect of prior financial year		
Deferred tax	–	1
Effect of change in tax rate	–	68
	620	925

Notes to the Financial Statements

for the financial year ended 31 December 2010

12. Tax (continued)

(b) Tax reconciliation

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

	The Group and The Bank	
	2010	2009
	\$'000	\$'000
Profit before tax	3,667	4,698
Tax calculated at a tax rate of 17%	623	799
Effects on:		
Singapore statutory stepped income exemption	(26)	(26)
Income not subject to tax	(60)	(22)
Income taxed at a concessionary rate of 10%	(12)	(15)
Expenses not deductible for tax purposes	95	120
Total expense on profit of the financial year	620	856

(c) Deferred tax

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

	The Group and The Bank	
	2010	2009
	\$'000	\$'000
Deferred tax assets on non-tax deductible collective impairment		
Balance at 1 January	1,434	1,519
Amount offset against deferred tax liabilities	(235)	(355)
Effect of change in tax rate	–	(85)
Net balance at 31 December	1,199	1,079

	The Group and The Bank		
	Accelerated tax depreciation	Available-for-sale financial assets	Total
	\$'000	\$'000	\$'000
Deferred tax liabilities			
2010			
Balance at 1 January	261	94	355
Credited to equity	–	(120)	(120)
Effect of change in tax rate	–	–	–
Balance at 31 December	261	(26)	235
Amount offset against deferred tax assets			(235)
Net balance at 31 December			–

12. Tax (continued)
(c) **Deferred tax** (continued)

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

13. Share capital

	The Group and The Bank	
	2010	2009
	\$'000	\$'000
Issued and fully paid		
100,010,566 (2009: 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.

14. Retained earnings

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Balance at 1 January	15,862	15,089	15,858	15,085
Profit for the financial year attributable to equity holders of the Bank	3,047	3,773	3,047	3,773
Transfer to other reserves	(1,000)	(1,000)	(1,000)	(1,000)
Dividends				
Final dividend of 2 cents one-tier tax exempt (2009: 2 cents one-tier tax exempt) per share paid in respect of the prior financial year	(2,000)	(2,000)	(2,000)	(2,000)
Balance at 31 December	15,909	15,862	15,905	15,858

(b) The retained earnings are distributable reserves.

(c) In respect of the financial year ended 31 December 2010, 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 2011 financials upon approval of the equity holders of the Bank.

Notes to the Financial Statements

for the financial year ended 31 December 2010

15. Other reserves

(a)

	The Group and The Bank			
	Fair value reserve	Statutory reserve	General reserve	Total
	\$'000	\$'000	\$'000	\$'000
2010				
Balance at 1 January	459	54,900	23,600	78,959
Other comprehensive income for the financial year attributable to equity holders of the Bank	(587)	–	–	(587)
Transfer from retained earnings	–	–	1,000	1,000
Balance at 31 December	(128)	54,900	24,600	79,372
2009				
Balance at 1 January	525	54,900	22,600	78,025
Other comprehensive income for the financial year attributable to equity holders of the Bank	(66)	–	–	(66)
Transfer from retained earnings	–	–	1,000	1,000
Balance at 31 December	459	54,900	23,600	78,959

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

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

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

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

16. Classification of financial assets and financial liabilities

(a)

	The Group				Total
	Held for trading	Designated as fair value through profit and loss	Available-for-sale	Loans and receivables/ amortised cost	
	\$'000	\$'000	\$'000	\$'000	
2010					
Cash, balances and placements with central bank	–	–	–	24,044	24,044
Singapore Government treasury bills and securities	–	–	120,019	–	120,019
Placements and balances with banks and agents	–	–	–	8,396	8,396
Loans to non-bank customers	–	–	–	100,707	100,707
Placements with and amount owing by related companies	–	–	–	728,458	728,458
Derivative financial assets	2	–	–	–	2
Investment securities	–	–	–	–	–
Other assets	–	–	–	8,249	8,249
Total financial assets	2	–	120,019	869,854	989,875
Non-financial assets					9,753
Total assets					999,628

16. Classification of financial assets and financial liabilities (continued)

(a) (continued)

	The Group				Total \$'000
	Held for trading \$'000	Designated as fair value through profit and loss \$'000	Available- for-sale \$'000	Loans and receivables/ amortised cost \$'000	
2010 (continued)					
Deposits and balances of banks and agents, non-bank customers and related companies	–	–	–	793,652	793,652
Bills and drafts payable	–	–	–	533	533
Derivative financial liabilities	5	–	–	–	5
Other liabilities	–	–	–	9,371	9,371
Total financial liabilities	5	–	–	803,556	803,561
Non-financial liabilities					775
Total liabilities					804,336
2009					
Cash, balances and placements with central bank	–	–	–	25,746	25,746
Singapore Government treasury bills and securities	–	–	46,738	–	46,738
Placements and balances with banks and agents	–	–	–	4,896	4,896
Loans to non-bank customers	–	–	–	120,705	120,705
Placements with and amount owing by related companies	–	–	–	745,151	745,151
Derivative financial assets	12	–	–	–	12
Investment securities	–	–	647	–	647
Other assets	–	–	–	1,530	1,530
Total financial assets	12	–	47,385	898,028	945,425
Non-financial assets					9,824
Total assets					955,249
Deposits and balances of banks and agents, non-bank customers and related companies	–	–	–	755,711	755,711
Bills and drafts payable	–	–	–	1,119	1,119
Derivative financial liabilities	3	–	–	–	3
Other liabilities	–	–	–	2,375	2,375
Total financial liabilities	3	–	–	759,205	759,208
Non-financial liabilities					1,209
Total liabilities					760,417

Notes to the Financial Statements

for the financial year ended 31 December 2010

16. Classification of financial assets and financial liabilities (continued)

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

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

	The Group					
	2010			2009		
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Singapore Government treasury bills and securities	120,019	–	–	46,738	–	–
Derivative financial assets	2	–	–	12	–	–
Investment securities	–	–	–	647	–	–
	120,021	–	–	47,397	–	–
Total financial assets carried at fair value			120,021			47,397
Derivative financial liabilities	5	–	–	3	–	–
	5	–	–	3	–	–
Total financial liabilities carried at fair value			5			3

17. Deposits and balances of non-bank customers

	The Group and The Bank	
	2010	2009
	\$'000	\$'000
Deposits and balances of non-bank customers comprise:		
Fixed deposits	263,212	235,294
Current, savings and other deposits	510,410	499,185
	773,622	734,479

18. Other liabilities

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Accrued interest payable	459	470	459	470
Accrued operating expenses	245	276	245	276
Unclaimed balances	847	845	847	845
Gold savings accounts	–	725	–	725
Other	7,854	98	7,851	95
	9,405	2,414	9,402	2,411

19. Singapore Government treasury bills and securities

	The Group and The Bank	
	2010	2009
	\$'000	\$'000
Available-for-sale	120,019	46,738

20. Placements and balances with banks and agents

	The Group and The Bank	
	2010	2009
	\$'000	\$'000
Analysed by remaining maturity:		
Within 1 year	8,396	4,896

21. Loans to non-bank customers

(a)

	The Group and The Bank	
	2010	2009
	\$'000	\$'000
Loans to non-bank customers (gross)	112,773	132,771
Individual impairment	(7)	(7)
Collective impairment	(12,059)	(12,059)
Loans to non-bank customers (net)	100,707	120,705
Comprising:		
Trade bills	1,107	1,759
Advances to customers	99,600	118,946
	100,707	120,705

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

	The Group and The Bank	
	2010	2009
	\$'000	\$'000
Transport, storage and communication	1,486	1,733
Building and construction	4,210	4,694
Manufacturing	6,677	7,826
Non-bank financial institutions	3,534	4,219
General commerce	35,554	42,173
Professionals and private individuals	38,318	35,749
Housing loans	20,436	29,196
Other	2,558	7,181
	112,773	132,771

Notes to the Financial Statements

for the financial year ended 31 December 2010

21. Loans to non-bank customers (continued)

(c) Movements of provision for impairment

	The Group and The Bank					
	2010			2009		
	Individual impairment \$'000	Collective impairment \$'000	Total \$'000	Individual impairment \$'000	Collective impairment \$'000	Total \$'000
Balance at 1 January	7	12,059	12,066	7	12,059	12,066
Write-off	-	-	-	(5)	-	(5)
Net charged/(write-back) to profit and loss account	-	-	-	5	-	5
Balance at 31 December	7	12,059	12,066	7	12,059	12,066

22. Investment securities

	The Group and The Bank	
	2010	2009
	\$'000	\$'000
Quoted equity shares Available-for-sale	-	647

23. Other assets

	The Group and The Bank	
	2010	2009
	\$'000	\$'000
Interest receivable	1,326	1,366
Other	6,940	206
	8,266	1,572

24. Investment in a fellow associate

(a) Unquoted equity shares

	The Group and The Bank	
	2010	2009
	\$'000	\$'000
At cost	1,250	1,250
Provision for impairment	(301)	(352)
	949	898

(b) Movements of provision for impairment

	The Group and The Bank	
	2010	2009
	\$'000	\$'000
Balance at 1 January	352	353
Write-back to profit and loss accounts	(51)	(1)
Balance at 31 December	301	352

25. Investment in a subsidiary

(a)

	The Bank	
	2010	2009
	\$'000	\$'000
Unquoted equity shares, at cost	5	5

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

Name of subsidiary	Principal activities	Country of incorporation and place of business	Cost of investment by the Bank	
			2010	2009
			\$'000	\$'000
Far Eastern Bank Nominees Private Limited (<i>dormant</i>)	Nominee services	Singapore	5	5

26. Investment properties

	The Group and The Bank	
	2010	2009
	\$'000	\$'000
Balance at 1 January	7,313	7,472
Depreciation charge	(449)	(447)
Provision for impairment	282	(122)
Reclassification	(333)	410
Balance at 31 December	6,813	7,313
Represented by:		
Cost	16,933	17,953
Accumulated depreciation	(9,678)	(9,944)
Provision for impairment	(442)	(696)
Net carrying amount	6,813	7,313
Comprising:		
Freehold properties	1,994	1,661
Leasehold properties	4,819	5,652
	6,813	7,313
Market value of properties at 31 December	89,642	75,787

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

Notes to the Financial Statements

for the financial year ended 31 December 2010

27. Fixed assets

	2010			2009		
	Owner-occupied properties \$'000	Other \$'000	Total \$'000	Owner-occupied properties \$'000	Other \$'000	Total \$'000
The Group and The Bank						
Balance at 1 January	356	136	492	795	82	877
Additions	–	1	1	–	87	87
Depreciation charge	(21)	(30)	(51)	(23)	(33)	(56)
Provision for impairment	–	–	–	(6)	–	(6)
Reclassification	333	–	333	(410)	–	(410)
Balance at 31 December	668	107	775	356	136	492
Represented by:						
Cost	1,864	2,794	4,658	844	2,810	3,654
Accumulated depreciation	(1,196)	(2,687)	(3,883)	(461)	(2,674)	(3,135)
Provision for impairment	–	–	–	(27)	–	(27)
Net carrying amount	668	107	775	356	136	492
Comprising:						
Freehold properties	–			81		
Leasehold properties	668			275		
	668			356		
Market value of properties at 31 December	11,952			3,955		

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

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

28. Contingent liabilities

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

	The Group and The Bank	
	2010 \$'000	2009 \$'000
Direct credit substitutes	3,340	4,282
Transaction-related contingencies	3,856	4,031
Trade-related contingencies	2,964	3,588
	10,160	11,901

29. Financial derivatives

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

	The Group and The Bank					
	2010			2009		
	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	1,009	2	5	3,299	12	3

30. Commitments

	The Group and The Bank	
	2010 \$'000	2009 \$'000
Undrawn credit facilities	93,315	112,918
Other	1,963	–
	95,278	112,918

31. Cash and cash equivalents

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

	The Group and The Bank	
	2010 \$'000	2009 \$'000
Cash, balances and placements with central bank	24,044	25,746
Singapore Government treasury bills and securities	120,019	46,738
	144,063	72,484

32. Financial risk management

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

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

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

The main financial risks that the Group are 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.

Notes to the Financial Statements

for the financial year ended 31 December 2010

32. Financial risk management (continued)

(a) Credit risk (continued)

The Group's 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. Significant trends are reported to the Credit Committee.

(i) Credit exposure

	The Group	
	2010 \$'000	2009 \$'000
Balances and placements with central bank	23,489	25,374
Singapore Government treasury bills and securities	120,019	46,738
Placements and balances with banks and agents	8,396	4,896
Loans to non-bank customers	100,707	120,705
Derivative financial assets	2	12
Other	1,333	1,427
	253,946	199,152
Contingent liabilities	10,160	11,901
Commitments	95,278	112,918
	359,384	323,971

(ii) Credit quality of gross loans

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

	The Group	
	2010 \$'000	2009 \$'000
Performing		
Passed	112,764	127,592
Special mention	–	1,347
	112,764	128,939
Non-performing		
Substandard	–	3,825
Doubtful	7	–
Loss	2	7
	9	3,832

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

32. Financial risk management (continued)(a) **Credit risk** (continued)(iii) **Ageing analysis of past due but not impaired and non-performing loans**

	The Group			
	2010		2009	
	Past due but not impaired \$'000	Non-performing \$'000	Past due but not impaired \$'000	Non-performing \$'000
Within 90 days	3,371	–	3,389	2
Over 90 to 180 days	–	8	–	–
Over 180 days	–	1	–	3,830
Total	3,371	9	3,389	3,832

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

	The Group					
	2010			2009		
	Past due but not impaired \$'000	Non-performing \$'000	Individual impairment \$'000	Past due but not impaired \$'000	Non-performing \$'000	Individual impairment \$'000
Transport, storage and communication	–	–	–	–	–	–
Building and construction	–	–	–	–	–	–
Manufacturing	–	–	–	–	2	2
Non-bank financial institutions	–	–	–	–	–	–
General commerce	1,799	–	–	131	–	–
Professionals and private individuals	1,572	9	7	318	7	5
Housing loans	–	–	–	2,940	–	–
Other	–	–	–	–	3,823	–
	3,371	9	7	3,389	3,832	7

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

	The Group	
	2010 \$'000	2009 \$'000
NPLs secured by		
Properties	–	3,823
Marketable securities, fixed deposits and other	–	–
Unsecured NPLs	9	9
	9	3,832

(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 risk limits and policies approved by the Asset and Liability Committee (“ALCO”).

Notes to the Financial Statements

for the financial year ended 31 December 2010

32. Financial risk management (continued)

(b) Foreign exchange risk (continued)

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

	The Group		
	Singapore dollars \$'000	Other \$'000	Total \$'000
2010			
Cash, balances and placement with central bank	24,042	2	24,044
Treasury bills and securities	120,019	–	120,019
Placements and balances with banks, agents and related companies	714,634	22,220	736,854
Loans to non-bank customers	93,510	7,197	100,707
Derivative financial assets	2	–	2
Other	17,987	15	18,002
Total assets	970,194	29,434	999,628
Deposits and balances of non-bank customers	758,008	15,614	773,622
Deposits and balances of banks, agents and related companies, and bills and drafts payable	8,103	12,460	20,563
Derivative financial liabilities	5	–	5
Other	9,011	1,135	10,146
Total liabilities	775,127	29,209	804,336
Net on-balance sheet open position	195,067	225	195,292
Net off-balance sheet open position	(382)	382	–
Net open position	194,685	607	195,292
2009			
Cash, balances and placement with central bank	25,746	–	25,746
Treasury bills and securities	47,385	–	47,385
Placements and balances with banks, agents and related companies	733,000	17,047	750,047
Loans to non-bank customers	110,067	10,638	120,705
Derivative financial assets	12	–	12
Other	11,322	32	11,354
Total assets	927,532	27,717	955,249
Deposits and balances of non-bank customers	719,669	14,810	734,479
Deposits and balances of banks, agents and related companies, and bills and drafts payable	12,703	9,648	22,351
Derivative financial liabilities	3	–	3
Other	325	3,259	3,584
Total liabilities	732,700	27,717	760,417
Net on-balance sheet open position	194,832	–	194,832
Net off-balance sheet open position	(1,685)	1,685	–
Net open position	193,147	1,685	194,832

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.

32. Financial risk management (continued)

(c) Interest rate risk

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

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

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

	The Group							Total interest bearing \$'000	Effective interest rate %	Total \$'000
	Non-interest bearing \$'000	Up to 7 days \$'000	Over 7 days to 1 month \$'000	Over 1 to 3 months \$'000	Over 3 to 12 months \$'000	Over 1 to 3 years \$'000	Over 3 years \$'000			
2010										
Cash, balances and placement with central bank	24,044	-	-	-	-	-	-	-	-	24,044
Treasury bills and securities	2,019	-	2,000	2,000	53,000	38,000	23,000	118,000	1.47	120,019
Placements and balances with banks, agents and related companies	-	111,854	-	625,000	-	-	-	736,854	0.38	736,854
Loans to non-bank customers	(12,073)	27,861	53,211	20,180	10,599	923	6	112,780	3.70	100,707
Derivative financial assets	2	-	-	-	-	-	-	-	-	2
Other	18,002	-	-	-	-	-	-	-	-	18,002
Total assets	31,994	139,715	55,211	647,180	63,599	38,923	23,006	967,634	-	999,628
Deposits and balances of non-bank customers	200,216	315,292	49,134	102,176	88,233	11,688	6,883	573,406	0.30	773,622
Deposits and balances of banks, agents and related companies, and bills and drafts payable	7,569	12,460	534	-	-	-	-	12,994	-	20,563
Derivative financial liabilities	5	-	-	-	-	-	-	-	-	5
Other	10,112	-	-	34	-	-	-	34	-	10,146
Total liabilities	217,902	327,752	49,668	102,210	88,233	11,688	6,883	586,434	-	804,336
Total equity	195,292	-	-	-	-	-	-	-	-	195,292
	413,194	327,752	49,668	102,210	88,233	11,688	6,883	586,434	-	999,628
Net interest rate sensitivity gap	(381,200)	(188,037)	5,543	544,970	(24,634)	27,235	16,123	381,200		

Notes to the Financial Statements

for the financial year ended 31 December 2010

32. Financial risk management (continued)

(c) Interest rate risk (continued)

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

The change in economic value of equity (“EVE”) sensitivity at 100 and 200 basis points parallel interest rate shocks were negative \$1.9 million and negative \$3.7 million (2009: negative \$0.1 million and negative \$0.2 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.

32. 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.

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

	The Group							Total \$'000
	Up to 7 days \$'000	Over 7 days to 1 month \$'000	Over 1 to 3 months \$'000	Over 3 to 12 months \$'000	Over 1 to 3 years \$'000	Over 3 years \$'000	Non- specific maturity \$'000	
2010								
Cash, balances and placements with central bank	1,196	146	–	–	–	–	22,702	24,044
Treasury bills and securities	–	2,000	2,000	53,000	38,000	23,000	2,019	120,019
Placements and balances with banks, agents and related companies	111,854	–	625,000	–	–	–	–	736,854
Loans to non-bank customers	1,519	5,125	8,188	7,895	11,480	43,183	23,317	100,707
Derivative financial assets	–	–	–	–	–	–	2	2
Other	18	67	107	95	153	2,136	15,426	18,002
Total assets	114,587	7,338	635,295	60,990	49,633	68,319	63,466	999,628
Deposits and balances of non-bank customers	515,019	49,134	102,176	88,233	11,688	7,372	–	773,622
Deposits and balances of banks, agents and related companies, and bills and drafts payable	20,029	534	–	–	–	–	–	20,563
Derivative financial liabilities	–	–	–	–	–	–	5	5
Other	306	29	94	52	7	4	9,654	10,146
Total liabilities	535,354	49,697	102,270	88,285	11,695	7,376	9,659	804,336
Total equity	–	–	–	–	–	–	195,292	195,292
Net maturity mismatch	(420,767)	(42,359)	533,025	(27,295)	37,938	60,943	(141,485)	

Notes to the Financial Statements

for the financial year ended 31 December 2010

32. Financial risk management (continued)

(d) Liquidity risk (continued)

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

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

32. Financial risk management (continued)

(d) Liquidity risk (continued)

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

	The Group					Total \$'000
	Up to 7 days \$'000	Over 7 days to 1 month \$'000	Over 1 to 3 months \$'000	Over 3 to 12 months \$'000	Over 1 year \$'000	
2010						
Cash, balances and placements with central bank	1,196	146	–	–	22,702	24,044
Treasury bills and securities	–	2,000	2,000	53,000	63,019	120,019
Placements and balances with banks, agents and related companies	111,854	–	625,000	–	–	736,854
Loans to non-bank customers	3,584	7,516	11,088	18,047	60,472	100,707
Derivative financial assets	–	–	–	–	2	2
Other	46	99	145	231	17,481	18,002
Total assets	116,680	9,761	638,233	71,278	163,676	999,628
Deposits and balances of non-bank customers	45,766	29,621	–	–	698,235	773,622
Deposits and balances of banks, agents and related companies, and bills and drafts payable	20,029	534	–	–	–	20,563
Derivative financial liabilities	–	–	–	–	5	5
Other	27	18	34	–	10,067	10,146
Total liabilities	65,822	30,173	34	–	708,307	804,336
Total equity	–	–	–	–	195,292	195,292
Net maturity mismatch	50,858	(20,412)	638,199	71,278	(739,923)	
2009						
Cash, balances and placements with central bank	372	–	–	–	25,374	25,746
Treasury bills and securities	–	3,000	7,000	25,000	12,385	47,385
Placements and balances with banks, agents and related companies	575,047	–	175,000	–	–	750,047
Loans to non-bank customers	454	6,902	9,754	9,911	93,684	120,705
Derivative financial assets	–	–	–	–	12	12
Other	6	91	129	131	10,997	11,354
Total assets	575,879	9,993	191,883	35,042	142,452	955,249
Deposits and balances of non-bank customers	7,513	19,853	–	–	707,113	734,479
Deposits and balances of banks, agents and related companies, and bills and drafts payable	21,232	–	–	–	1,119	22,351
Derivative financial liabilities	–	–	–	–	3	3
Other	5	13	–	–	3,566	3,584
Total liabilities	28,750	19,866	–	–	711,801	760,417
Total equity	–	–	–	–	194,832	194,832
Net maturity mismatch	547,129	(9,873)	191,883	35,042	(764,181)	

Notes to the Financial Statements

for the financial year ended 31 December 2010

33. Capital Management

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

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

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

	The Group	
	2010 \$'000	2009 \$'000
Tier 1 capital		
Share capital	100,011	100,011
Disclosed reserves/other	95,315	94,268
	195,326	194,279
Upper Tier 2 capital		
Cumulative collective impairment/other	1,353	1,586
Total capital	196,679	195,865
Risk-weighted assets¹	214,692	251,010
Capital adequacy ratios (%)		
Tier 1	91.0	77.4
Total	91.6	78.0

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

34. Related party transactions

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

35. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on 25 February 2011.

Notice of Annual General Meeting

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

Notice is hereby given that the **Fifty-Second Annual General Meeting** of members of the Company will be held at the Penthouse of United Overseas Bank Limited, 80 Raffles Place, 61st Storey UOB Plaza 1, Singapore 048624 on Thursday, 28 April 2011, at 11.00 am to transact the following business:

As Ordinary Business

- Resolution 1** To receive Financial Statements, the Directors' Report and Auditors' Report for the year ended 31 December 2010.
- Resolution 2** To declare a first and final one-tier tax exempt dividend of 2 cents per share for the year ended 31 December 2010.
- Resolution 3** To approve Directors' fees of \$55,000 for 2010 (2009: \$55,000).
- Resolution 4** To re-appoint Messrs Ernst & Young LLP as Auditors of the Company and authorise the Directors to fix their remuneration.
- Resolution 5** To re-elect Mr Wong Meng Meng.
- To pass the following resolution under Section 153(6) of the Companies Act, Cap. 50:
- "THAT pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr _____ be and is hereby re-appointed as a Director of the Company to hold such office until the next Annual General Meeting of the Company."
- in respect of:-
- Resolution 6** Dr Wee Cho Yaw
- Resolution 7** Mr Ngiam Tong Dow
- Resolution 8** Professor Cham Tao Soon

As Special Business

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

- Resolution 9** "THAT pursuant to Section 161 of the Companies Act, Cap. 50, approval be and is hereby given to the Directors to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this resolution shall not exceed 10 per cent of the issued shares in the capital of the Company for the time being."

Notes to Resolutions

Resolution 2 to approve a first and final dividend. The Transfer Books and Register of Members will be closed from 11 April 2011 to 12 April 2011, both dates inclusive, for the preparation of dividend warrants. Registrable transfers received up to 5.00 pm on 8 April 2011 will be entitled to the dividend. If approved, the first and final dividend will be paid on 3 May 2011.

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

BY ORDER OF THE BOARD

Chan Vivien
Secretary

Singapore, 4 April 2011

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

Number of Shares Held



Far Eastern Bank
遠東銀行

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

--

I/We _____ (Name)

of _____ (Address)

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

Name	NRIC/Passport No.	Proportion of shareholdings	
		No. of shares	%
Address			

and/or *

Name	NRIC/Passport No.	Proportion of shareholdings	
		No. of shares	%
Address			

* Please delete as appropriate.

or failing him/her, the Chairman of the Meeting as my/our proxy, to attend and vote for me/us on my/our behalf at the **Fifty-Second Annual General Meeting** of members of the Company, to be held at the Penthouse of United Overseas Bank Limited, 80 Raffles Place, 61st Storey, UOB Plaza 1, Singapore 048624 on Thursday, 28 April 2011 at 11.00am and at any adjournment thereof.

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

No.	Ordinary Resolutions	For	Against
Resolution 1	Financial Statements, Directors' Report & Auditors' Report		
Resolution 2	Final Dividend		
Resolution 3	Directors' Fees		
Resolution 4	Auditors & their remuneration		
Resolution 5	Re-election (Mr Wong Meng Meng)		
Resolution 6	Re-appointment (Dr Wee Cho Yaw)		
Resolution 7	Re-appointment (Mr Ngiam Tong Dow)		
Resolution 8	Re-appointment (Professor Cham Tao Soon)		
Resolution 9	Authority to issue shares (General)		

Dated this _____ day of _____ 2011

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

Important: Please Read Notes Overleaf

Notes:

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

1st fold

2nd fold

FEB

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

Fold and glue overleaf. Do not staple.



Corporate Information

Board of Directors

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

Executive Committee

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

Nominating Committee

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

Remuneration Committee

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

Secretary

Chan Vivien

Share Transfer Office

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

Auditors

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

Registered Office

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

Main Branch

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

Correspondents

In all principal cities of the world

uobgroup.com

Far Eastern Bank Limited

Registered Office

80 Raffles Place

UOB Plaza

Singapore 048624

Company Registration No.: 195800116D

Phone: (65) 6533 9898

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