

**8th August 2000**

**FPB Bank Holding Triples its Interim Profits to HK\$96 Million**

FPB Bank Holding Company Limited, the listed company of First Pacific Bank Limited (the Bank) and its subsidiaries (the Group) today announced that it recorded a profit attributable to shareholders of HK\$96 million for the first six months ended June 30, 2000, a substantial increase of 212.7 per cent over HK\$31 million reported in the same period in 1999.

Earnings per share grew to HK7.7 cents from HK2.5 cents in 1999. The Board recommended an interim cash dividend of HK4.0 cents per share for 2000, amounting to a total of HK\$50 million.

The Group's Managing Director, James Ng said: "We are pleased to report a credible performance in operating income which saw a rise of 27.7 per cent. Of particular note is the growth of net interest income by 32.4 per cent to HK\$355 million. This was mainly due to the efficient management of the Group's balance sheet. Consequently, the net interest margin for the first half of 2000 widened to an encouraging level of 3.27 per cent, recovering to the same spread recorded in the first half of 1996 and comparing favourably with the 2.53 per cent attained in 1999."

Mr Ng continued: "Due to our prudent policy of lending on a secure basis as well as substantial provisions already made for our loans, our non-performing loans declined steadily as the economy recovered. As business sentiment continues to improve and through an orderly liquidation of collateral, we are well positioned to further reduce such loans in the second half of the year." Non-performing loans represented 5.8 per cent of the total gross advances to customers as of June 30, 2000, improving from 6.9 per cent as at the end of 1999.

While the Bank was in the process of diversifying its loan mix, the Group's total assets stood at HK\$22,085 million as of June 30, 2000.

Shareholders' equity reached HK\$2,929 million, equivalent to a net asset value of HK\$2.35 per share as of June 30, 2000. The Bank's capital adequacy ratio rose to 21.26 per cent. Average liquidity ratio for the first half of 2000 was reported at 45.29 per cent.

Commenting on the business performance, Mr Ng said: "In view of the rapidly changing market conditions, the Bank repositioned its business mix early this year. We have been putting new emphasis on commercial lending, credit cards, consumer loans and asset based finance. These lines of businesses have registered substantial growth. The growth should continue to accelerate in the second half of the year."

The Bank has re-deployed its resources to boost commercial lending. "We have achieved an annual

growth rate of 30 per cent in industrial and commercial loans. The Bank will further take advantage of its edge in flexibility and responsiveness to provide our customers with first-rate service. Middle market and mid-tier corporate lending would be our targets. Consistent credit quality will remain our prime emphasis," Mr Ng added.

In Asset Based Finance, the Bank continued to be an active player, accounting for approximately six per cent of the market. In addition, it has been able to maintain sound loan quality and is expected to enlarge its customer base in this business.

The Bank also registered strong growth in the credit card business. Annually, card results were up 20 per cent, bolstered by improved consumer spending. "We have introduced two co-branded cards, namely Seiyu VISA Card and The Chamber of Hong Kong Computer Industry MasterCard in January 2000, catering to specific market segments. The successful launch of the cards a testament to our appropriate mix of niche marketing strategy and suitable business partners," Mr Ng said.

During the period, the Bank took further steps to develop its consumer loans. A new revolving credit product, "Easy Dollars Revolving Credit", was launched to meet consumers' increasing loan demand.

The Bank has continued to develop its Internet banking project, iFirst Banking, to provide increasingly convenient services for our customers. In March 2000, the Bank joined hands with Joint Electronic Teller Services Ltd to introduce the Virtual ATM, an additional service channel for customers who have Internet access. More service options including e-statement inquiries, cheque book and statement requisitions, and personal information updates will be provided shortly.

The Bank has also made efforts to maintain an efficient and cost-effective branch network. Mr Ng said, "We have consistently realigned and increased our branch network in strategic locations with business opportunities. The opening of Mongkok North Branch in July 2000 was another step towards this goal."

Mr Ng concluded: "It is encouraging for us to note the recent signs of recovery in the Hong Kong economy. Despite keen competition, the Group will strive to take advantage of increasing opportunities amidst the business upturn by focusing on niche strategy and the efficient utilisation of resources."

*Financial data*

# FPB BANK HOLDING COMPANY LIMITED

*(Incorporated in Bermuda with limited liability)*

## 2000 INTERIM RESULTS -- UNAUDITED

The Directors of FPB Bank Holding Company Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2000. First Pacific Bank Limited (the "Bank") is a 100 per cent subsidiary of the Company and is the sole material asset and operating company of the Group.

### CONSOLIDATED PROFIT AND LOSS STATEMENT

for the six months ended 30 June	2000 HK\$'000	1999 HK\$'000	Change %
Interest income	924,617	882,629	
Interest expense	(569,605)	(614,503)	
Net interest income	355,012	268,126	+32.4
Other operating income	61,343	57,916	+5.9
Operating income	416,355	326,042	+27.7
Operating expenses	(207,658)	(190,436)	+9.0
Operating profit before provisions	208,697	135,606	+53.9
Charge for bad and doubtful debts <i>(Note 1)</i>	(94,131)	(101,766)	-7.5
Provision for investment securities	(123)	(1,000)	
Profit before taxation	114,443	32,840	+248.5
Taxation <i>(Note 2)</i>	(18,000)	(2,000)	
Profit attributable to shareholders	96,443	30,840	+212.7
Dividends	(49,920)	-	
Profit for the period retained	46,523	30,840	
Earnings per share (Hong Kong cents) <i>(Note 3)</i>	7.7	2.5	
Interim dividend per share (Hong Kong cents)	4.0	-	

*Notes:*

1. *Charge for bad and doubtful debts*

	2000 HK\$'000	1999 HK\$'000
<i>Specific provision charge</i>	94,131	118,766
<i>General provision write-back</i>	-	(17,000)
	94,131	101,766

2. *Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profit for the period. There is no material potential liability for deferred taxation as at 30 June 2000 (1999: Nil).*

3. *The calculation of earnings per share for the period is based on the profit attributable to shareholders of HK\$96,443,000 (1999: HK\$30,840,000) and the weighted average number of 1,248,000,000 shares (1999: 1,248,000,000 shares) in issue during the period.*

**CONSOLIDATED BALANCE SHEET**

	As at 30 June 2000	As at 31 December 1999
	HK\$'000	HK\$'000
<b>Assets</b>		
Cash and short-term funds	5,186,430	4,554,505
Placements with banks and other financial institutions maturing between one and twelve months	389,740	1,126,162
Certificates of deposit held	519,986	703,387
Other investments in securities	352	458
Advances to customers, trade bills and other accounts less provisions for bad and doubtful debts	14,598,652	15,342,421
Held-to-maturity securities and investment securities	424,991	603,093
Customers liabilities for acceptances	40,162	20,460
Fixed assets	924,561	953,493
Total assets	<u>22,084,874</u>	<u>23,303,979</u>
<b>Liabilities</b>		
Deposits and balances of banks and other financial institutions	16,137	8,124
Current, fixed, savings and other deposits of customers	18,686,369	19,000,559
Certificates of deposit issued	101,332	1,087,796
Total deposits	<u>18,803,838</u>	<u>20,096,479</u>
Acceptances outstanding	40,162	20,460
Accrued interest payable and other accounts	261,832	279,836
Proposed dividends	49,920	24,960
Total liabilities	<u>19,155,752</u>	<u>20,421,735</u>
<b>Shareholders' equity</b>		
Share capital	1,248,000	1,248,000
Reserves	1,681,122	1,634,244
Total shareholders' equity	<u>2,929,122</u>	<u>2,882,244</u>
Total liabilities and shareholders' equity	<u>22,084,874</u>	<u>23,303,979</u>

**SUPPLEMENTARY INFORMATION**

**(1) Advances to customers, trade bills and other accounts less provisions for bad and doubtful debts**

	<u>As at 30 June 2000</u>	<u>As at 31 December 1999</u>
	<b>HK\$'000</b>	HK\$'000
Advances to customers	<b>14,652,655</b>	15,418,739
Provisions for bad and doubtful debts		
- Specific	<b>(139,768)</b>	(175,609)
- General	<b>(154,014)</b>	(154,030)
Sub-total	<b>14,358,873</b>	15,089,100
Trade bills	<b>8,269</b>	4,476
Provision for bad and doubtful debts		
- General	<b>(83)</b>	(67)
Sub-total	<b>8,186</b>	4,409
Accrued interest and other accounts	<b>231,593</b>	248,912
Total	<b>14,598,652</b>	15,342,421

**(2) Advances to customers by industry sectors**

	As at 30 June 2000	As at 31 December 1999
	HK\$ million	HK\$ million
Loans for use in Hong Kong		
Industrial, commercial and financial		
- Property development	504	527
- Property investment	1,298	1,250
- Financial concerns	86	109
- Wholesale and retail trade	771	632
- Manufacturing	280	300
- Transport and transport equipment	1,830	1,801
- Others	541	475
Individuals		
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	309	464
- Loans for the purchase of other residential properties	7,204	7,997
- Credit card advances	544	482
- Others	988	1,020
Trade finance	267	328
Loans for use outside Hong Kong	31	34
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Total advances to customers	<b>14,653</b>	<b>15,419</b>
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**(3) Advances on which interest is being placed in suspense or on which interest accrual has ceased**

	As at 30 June 2000		As at 31 December 1999	
	HK\$'000	% of gross advances to customers	HK\$'000	% of gross advances to customers
Gross advances	845,689	5.77	1,064,221	6.90
Specific provisions	(132,327)	=====	(162,870)	=====
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Total	<b>713,362</b>		901,351	
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Value of collateral held	709,837		874,445	
Suspended interest	254,164		244,629	

(4) **Overdue and rescheduled advances to customers**

	<b>As at 30 June 2000</b>		<b>As at 31 December 1999</b>	
	<b>HK\$'000</b>	<b>% of gross advances to customers</b>	<b>HK\$'000</b>	<b>% of gross advances to customers</b>
Advances to customers				
overdue for				
- Six months or less but over three months	<b>79,620</b>	<b>0.54</b>	118,234	0.77
- One year or less but over six months	<b>85,953</b>	<b>0.59</b>	189,025	1.23
- Over one year	<b>513,286</b>	<b>3.50</b>	617,224	4.00
<b>Total</b>	<b>678,859</b>	<b>4.63</b>	924,483	6.00
Specific provisions	<b>93,684</b>		125,943	
Market value of security held against the secured overdue advances	<b>674,971</b>		844,097	
Secured overdue advances	<b>611,600</b>		782,449	
Unsecured overdue advances	<b>67,259</b>		142,034	

	<b>As at 30 June 2000</b>		<b>As at 31 December 1999</b>	
	<b>HK\$'000</b>	<b>% of gross advances to customers</b>	<b>HK\$'000</b>	<b>% of gross advances to customers</b>
Rescheduled advances (net of those which have been overdue for over three months)	<b>259,108</b>	<b>1.77</b>	422,023	2.74

	<b>As at 30 June 2000</b>	<b>As at 31 December 1999</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Advances overdue for more than three months	<b>678,859</b>	924,483
Add: advances overdue for three months or less and on which interest is being placed in suspense or on which interest accrual has ceased	<b>76,929</b>	89,963
Add: advances not overdue and on which interest is being placed in suspense or on which interest accrual has ceased	<b>96,902</b>	86,905
Less: advances overdue for more than three months and on which interest is still being accrued	<b>(7,001)</b>	(37,130)
<b>Advances on which interest is being placed in suspense or on which interest accrual has ceased</b>	<b>845,689</b>	1,064,221

(5) **Off-balance sheet exposures**

**- Contingent liabilities and commitments**

The following is a summary of the contractual amounts of each significant class of contingent liability and commitment:

	<u>As at 30 June 2000</u>	<u>As at 31 December 1999</u>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Direct credit substitutes	<b>103,192</b>	116,147
Transaction-related contingencies	<b>6,882</b>	8,158
Trade-related contingencies	<b>101,526</b>	74,856
Other commitments		
With an original maturity of under one year or which are unconditionally cancellable	<b>4,996,067</b>	4,394,903
Others	<b>1,400</b>	-
Total	<b>5,209,067</b>	4,594,064

**- Derivatives**

The following is a summary of the notional amounts of each significant type of derivative:

	<u>As at 30 June 2000</u>	<u>As at 31 December 1999</u>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Exchange rate contracts	<b>732,963</b>	490,610
Interest rate contracts	<b>150,000</b>	538,600
Equity contracts	<b>276,090</b>	304,728
Total	<b>1,159,053</b>	1,333,938

**- Risk exposure on off-balance sheet instruments**

The following is a summary of the replacement costs and credit risk weighted amounts of the off-balance sheet exposures. These amounts do not take into account the effects of bilateral netting arrangement.

	<u>As at 30 June 2000</u>		<u>As at 31 December 1999</u>	
	<u>Replacement cost</u>	<u>Credit risk weighted amount</u>	<u>Replacement cost</u>	<u>Credit risk weighted amount</u>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Contingent liabilities and commitments		<b>53,377</b>		48,757
Exchange rate contracts	<b>955</b>	<b>2,072</b>	78	887
Interest rate contracts	<b>71</b>	<b>14</b>	5,937	1,187
Total	<b>1,026</b>	<b>55,463</b>	6,015	50,831



**(6) Reserves**

	<b>As at 30 June 2000</b>	As at 31 December 1999
	<b>HK\$'000</b>	HK\$'000
Share premium	<b>515,327</b>	515,327
Revaluation reserve – Bank premises	<b>230,240</b>	236,134
Revaluation reserve – Investment properties	<b>30,579</b>	30,579
Exchange reserve	<b>679</b>	324
Revenue reserve	<b>904,297</b>	851,880
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Total reserves	<b>1,681,122</b>	1,634,244
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**(7) Capital adequacy and liquidity ratios**

	<b>As at 30 June 2000</b>	As at 31 December 1999
Capital adequacy ratio	<b>21.26%</b>	20.32%

The capital adequacy ratio represents the consolidated ratio of the Bank computed in accordance with the Third Schedule of the Banking Ordinance.

	<b>30 June 2000</b>	30 June 1999
Average liquidity ratio for the period ended	<b>45.29%</b>	47.01%

The liquidity ratio is calculated as the average liquidity ratio of the Bank for the period computed in accordance with the Fourth Schedule of the Banking Ordinance.

**(8) Components of capital base after deductions**

The components of the total capital base after deductions as reported under Part 1 of the Capital Adequacy Return (MA(BS)3) are as follows:

	<b>As at 30 June 2000</b>	As at 31 December 1999
	<b>HK\$'000</b>	HK\$'000
Core capital		
Paid up ordinary share capital	<b>1,080,000</b>	1,080,000
Share premium	<b>114,288</b>	114,288
Reserves	<b>1,231,327</b>	1,190,789
Profit and loss statement	<b>39,492</b>	34,619
Less: Reserve funds related to mortgage loan sold	<b>(26,195)</b>	(32,116)
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Total core capital	<b>2,438,912</b>	2,387,580
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Supplementary capital		
Reserves on revaluation of land and interests in land	<b>141,757</b>	147,517
General provisions for doubtful debts	<b>154,097</b>	154,097
Perpetual subordinated debt	<b>86,857</b>	86,603
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Total supplementary capital	<b>382,711</b>	388,217
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Total capital base	<b>2,821,623</b>	2,775,797
Deductions:		
Shareholdings in subsidiaries or holding company	<b>(89,496)</b>	(89,496)
Exposures to connected companies	<b>(7,001)</b>	(7,001)
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Total capital base after deductions	<b>2,725,126</b>	2,679,300
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## REVIEW AND PROSPECTS

With the improving economy in the first six months of 2000, the Group is pleased to announce the 212.7% significant growth in profit attributable to shareholders, from HK\$31 million in the first half of 1999 to HK\$96 million in the first half of 2000.

Net interest income increased by 32.4%, mainly attributable to the efficient management of the Group's balance sheet. The Group's net interest margin improved from 2.53% in 1999 to 3.27% in the first half of 2000. Other operating income was reported at HK\$61 million, an increase of 5.9% when compared with the same period of last year. Operating expenses increased by 9.0% to HK\$208 million as the Group continued to invest in the build up of its customer base.

Profit before taxation amounted to HK\$114 million, 248.5% higher than the first half of 1999, benefiting from a 7.5% reduction in the charge for bad and doubtful debts and a better interest margins.

As a result of the non-performing loans decreasing by HK\$219 million and lower demand for loans, the gross advances to customers stood at HK\$14,653 million as at 30 June 2000, a decrease of 5% when compared with 31 December 1999. Non-performing loans represented 5.8% of the total gross advances to customers as at 30 June 2000 improving from 6.9% as at 31 December 1999.

Total deposits decreased by 6.4% during the first six months of 2000 to HK\$18,804 million arising from the active management of the Group's assets and liabilities. The redemption of the floating-rate certificates of deposit issued by the Bank totalled HK\$986 million. Customer deposits were scaled back by 1.7% to HK\$18,686 million as at 30 June 2000. Total assets stood at HK\$22,085 million as at 30 June 2000.

As of 30 June 2000, shareholders' equity stood at HK\$2,929 million, equivalent to a net asset value of HK\$2.35 per share against an equity base of HK\$2,882 million and a net asset value of HK\$2.31 per share as at 31 December 1999.

The average liquidity ratio for the first six months of 2000 was 45.29% compared with 47.01% for the same period in 1999. The capital adequacy ratio increased from 20.32% as at 31 December 1999 to 21.26% as at 30 June 2000.

The Group will accelerate the change in its business mix in the second half of the year by putting new emphases on credit cards and consumer loans, asset based finance and commercial business lending. The Group is well positioned to further reduce its non-performing loans through orderly liquidation of collateral. The Group will continue to realign and increase its branch network in core locations to provide dedicated and better services to customers.

## INTERIM DIVIDEND

The Directors have declared an interim cash dividend of HK4.0 cents per share for 2000 totalling HK\$49,920,000 to be paid on 8 September 2000, to shareholders whose names appear on the Register of Members at the close of business on 25 August 2000.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 23 August 2000 to 25 August 2000, both dates inclusive, during which period no transfers of shares will be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrars, Central Registration Hong Kong Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:00 p.m. on 22 August 2000.

## PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the first half of 2000, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares.

**By Order of the Board**  
Jessica K. M. Tse  
*Corporate Secretary*

Hong Kong  
8 August 2000