

23rd February 2000

FPB BANK HOLDING REPORTS 1999 NET PROFIT OF HK\$61 MILLION

FPB Bank Holding Company Limited (the Company), the listed company of First Pacific Bank Limited (the Bank), and its subsidiaries (the Group) today announced that despite the sluggish economic environment, the Group recorded HK\$61 million profit attributable to shareholders for the year ended December 31, 1999, a decline of 43 per cent over 1998's performance.

Earnings per share were HK4.9 cents for the year, compared with HK8.6 cents recorded in 1998. The Board of Directors recommended a final dividend of HK2.0 cents per share, which was also the total cash dividend declared for the year ended December 31, 1999.

The Group's net interest income amounted to HK\$580 million for 1999, an increase of 9.4 per cent over the previous year's comparative figure, mainly attributable to the lower funding cost. As a result, the Group's net interest margin improved to 2.53 per cent in 1999 from 1.99 per cent in 1998.

Other operating income was reported at HK\$112 million, down by 12.9 per cent, which was mainly due to the slowdown in commercial lending activities and the fierce market competition in residential mortgage lending. Operating expenses increased by 8.1 per cent to HK\$405 million.

The Group's Managing Director James C. Ng said: "We continued to adopt a conservative policy in provisioning against advances to customers. Total provisions for bad and doubtful debts stood at HK\$330 million at the end of 1999, a decrease of HK\$71 million as compared with 1998."

The reduction was partly due to the reversal of HK\$18.5 million of the general loan loss provision led by the contraction of the loan portfolio. The general loan loss provision to total loans and advances has been maintained at 1 per cent.

Non-performing loans dropped from HK\$1,273 million or 7.72 per cent of the gross advances to customers as of December 31, 1998 to HK\$1,064 million or 6.90 per cent as of December 31, 1999. Of these non-performing loans, 97.5 per cent was covered by collateral and specific provisions.

As of December 31, 1999, total deposits and total assets of the Group reached HK\$20,096 million and HK\$23,304 million respectively. As a result of the slowdown in lending activities, the advances to customers declined by 6.5 per cent to HK\$15,419 million as of the year-end 1999.

Shareholders' equity of the Group stood at HK\$2,882 million as of December 31, 1999, equivalent to a net asset value of HK\$2.31 per share.

The Bank's capital adequacy ratio rose from 18.72 per cent at December 31, 1998 to 20.32 per cent at December 31, 1999. The average liquidity ratio for the year was 46.91 per cent compared with 41.59 per cent for the previous year.

Commenting upon the business performance and the operations review in 1999, Mr Ng said: "Despite the downturn of the economic conditions and keen competition in the credit card market, we are pleased to record a notable growth in our card business. Following the launch of the Bank's first MasterCard, the Pl@y Smart MasterCard in May 1999, over 38,000 applications have been approved, raising the number of card in force to about 115,000.

"We are also encouraged to see the new business opportunities arising in the implementation of Mandatory Provident Fund (MPF) schemes. To capture the potentials of the MPF market and to further expand its fee income, the Bank has joined the 10-bank alliance, the Bank Consortium Trust in September 1999. We will concentrate our effort on marketing the product to customers."

In October 1999, the Bank signed a strategic partnership agreement with IBM China/Hong Kong Limited to outsource the operations of its data centre for seven years starting April 2000. The outsourcing would not only enhance the Bank's ability to improve operation efficiency, but also enable it to further provide professional quality service and to pave the way for the Bank's e-business expansion with the best technical solutions.

Mr Ng added that the outsourcing exercise formed part of the measures for the Bank to remain as one of the forerunners in the application of technology to business.

"Since 1999, we have been actively developing the Internet banking services. The Bank's web-site, which was in place in the fourth quarter of 1998, was revamped and redesigned considerably in the second half of 1999 to give a contemporary look and

flexibility to cater for the development of varied Internet banking products.

"With the web enhancement, newly added functions including daily quotes on interest rates and foreign exchange rates, market commentary by the Bank's Treasury, etc are now accessible to our customers and the public. In addition, on-line applications for credit card, personal loan and tax loan are now available."

He said the impending Internet banking era has profound impact on conventional ways of running business, particularly in terms of cost and profit. As an innovative bank, the Bank would continue to leverage on strategic partnership to further its e-banking and e-commerce development. Furthermore, brand-building would remain as one of the cornerstones in the Bank's strategy for enlarging customer base.

"The Bank enters the Year 2000 with sound liquidity, strong capital and a prudently-managed balance sheet. China's accession to the World Trade Organisation will present a positive economic outlook for the coming years, providing the Bank with more opportunities when the market conditions continue to improve," Mr Ng concluded.

FPB BANK HOLDING COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

1999 AUDITED RESULTS

The Directors of FPB Bank Holding Company Limited (the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 1999. 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 year ended 31 December

	1999	1998
	HK\$'000	HK\$'000
Interest income	1,782,447	2,466,789
Interest expense	(1,202,023)	(1,936,450)
Net interest income	580,424	530,339
Other operating income	112,053	128,610
Operating income	692,477	658,949
Operating expenses	(404,834)	(374,454)
Operating profit before provisions	287,643	284,495
Charge for bad and doubtful debts <i>(Note 2)</i>	(221,078)	(177,298)
Provision for investment securities	(1,497)	-
Operating profit	65,068	107,197
Interest on subordinated loan note	-	(154)
Profit before taxation	65,068	107,043
Taxation <i>(Note 3)</i>	(4,000)	-
Profit attributable to shareholders	61,068	107,043
Dividends	(24,960)	(31,200)
Profit for the year retained	36,108	75,843
Earnings per share (Hong Kong cents) <i>(Note 4)</i>	4.9	8.6
Final dividend per share (Hong Kong cents)	2.0	0
Interim dividend per share (Hong Kong cents)	0	2.5
Total dividends per share (Hong Kong cents)	2.0	2.5

CONSOLIDATED BALANCE SHEET EXTRACTS

as at 31 December

	1999	1998
	HK\$'000	HK\$'000
Total assets	23,303,979	24,470,422
Gross advances to customers	15,418,739	16,492,885
Total deposits	20,096,479	21,379,979
Shareholders' equity	2,882,244	2,845,755

Notes:

1. *The Group adopted the new Statement of Standard Accounting Practice no. 24 "Accounting for investments in securities" commencing from 1 January 1999. Dated debt securities intended to be held to maturity are accounted for as held-to-maturity securities, and are stated in the balance sheet at amortised cost less any provision for diminution in value. Investments in other than held-to-maturity securities are accounted for using the benchmark treatment. Long-term securities investments are accounted for as investment securities and are stated at cost less any provision for diminution in value. Provisions for diminution in value in relation to held-to-maturity securities and investment securities are included in the profit and loss statement. Other securities investments are accounted for as other investments and are stated at their fair values in the balance sheet with the gains or losses included in the profit and loss statement. The opening retained earnings for 1999 and 1998 were not restated as the effect of this new statement is not considered to be material.*
2. *Charge for bad and doubtful debts*

	1999	1998
	HK\$ '000	HK\$ '000
<i>Specific provision charge</i>	239,578	240,298
<i>General provision write-back</i>	(18,500)	(63,000)
	221,078	177,298
	221,078	177,298
3. *Hong Kong profits tax has been provided at the rate of 16% (1998: 16%) on the estimated assessable profit for the year. There is no material potential liability for deferred taxation as at 31 December 1999 (1998: Nil).*
4. *The calculation of earnings per share for the year is based on the profit attributable to shareholders of HK\$61,068,000 (1998: HK\$107,043,000) and the weighted average number of 1,248,000,000 shares (1998: 1,248,000,000 shares) in issue during the year.*

SUPPLEMENTARY FINANCIAL INFORMATION

(1) Advances and other accounts

	As at 31 December 1999	As at 31 December 1998
	HK\$ million	HK\$ million
Advances to customers	15,419	16,493
Accrued interest and other accounts	249	412
Provisions for bad and doubtful debts		
- Specific	(176)	(228)
- General	(154)	(173)
	15,338	16,504
Advances to customers and other accounts	15,338	16,504
less provisions for bad and doubtful debts		

(2) Advances to customers by industry sectors

	As at 31 December 1999	As at 31 December 1998
	HK\$ million	HK\$ million
Loans for use in Hong Kong		
Industrial, commercial and financial		
- Property development	527	615
- Property investment	1,250	1,013
- Financial concerns	109	79
- Stockbrokers	-	7
- Wholesale and retail trade	632	599
- Manufacturing	300	558
- Transport and transport equipment	1,801	1,940
- Others	475	871
Individuals		
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	464	535
- Loans for the purchase of other residential properties	7,997	7,981
- Credit card advances	482	429
- Others	1,020	1,315
Trade finance	328	480
Loans for use outside Hong Kong	34	71
Total advances to customers	<u>15,419</u>	<u>16,493</u>

(3) Advances on which interest is being placed in suspense or on which interest accrual has ceased

	As at 31 December 1999		As at 31 December 1998	
	HK\$ million	% of gross advances to customers	HK\$ million	% of gross advances to customers
Gross advances	1,064	6.90	1,273	7.72
Specific provisions	(163)	=====	(196)	=====
	<u>901</u>		<u>1,077</u>	
	=====		=====	
Amount of collateral held	874		992	
Suspended interest	245		144	

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

	As at 31 December 1999		As at 31 December 1998	
	HK\$ million	% of gross advances to customers	HK\$ million	% of gross advances to customers
Advances to customers overdue for				
- Six months or less but over three months	118	0.77	240	1.46
- One year or less but over six months	189	1.23	749	4.54
- Over one year	617	4.00	235	1.42
Total	<u>924</u>	<u>6.00</u>	<u>1,224</u>	<u>7.42</u>
Specific provisions	126		192	
Market value of security held against the secured overdue advances	844		1,026	
Secured overdue advances	782		947	
Unsecured overdue advances	142		277	

	As at 31 December 1999		As at 31 December 1998	
	HK\$ million	% of gross advances to customers	HK\$ million	% of gross advances to customers
Rescheduled advances (net of those which have been overdue for over three months)	<u>422</u>	<u>2.74</u>	<u>250</u>	<u>1.52</u>

	As at 31 December 1999	As at 31 December 1998
	HK\$ million	HK\$ million
Advances overdue for more than three months	924	1,224
Add: advances overdue for three months or less and on which interest is being placed in suspense or on which interest accrual has ceased	90	72
Add: advances not overdue and on which interest is being placed in suspense or on which interest accrual has ceased	87	7
Less: advances overdue for more than three months and on which interest is still being accrued	(37)	(30)
Advances on which interest is being placed in suspense or on which interest accrual has ceased	<u>1,064</u>	<u>1,273</u>

(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 31 December 1999</u>	<u>As at 31 December 1998</u>
	HK\$ million	HK\$ million
Direct credit substitutes	116	36
Transaction-related contingencies	8	6
Trade-related contingencies	75	61
Other commitments		
With an original maturity of under one year or which are unconditionally cancellable	4,395	3,610
Others	-	7
Total	<u>4,594</u>	<u>3,720</u>

- **Derivatives**

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

	<u>As at 31 December 1999</u>	<u>As at 31 December 1998</u>
	HK\$ million	HK\$ million
Exchange rate contracts	491	347
Interest rate contracts	539	537
Equity contracts	304	364
Total	<u>1,334</u>	<u>1,248</u>

(6) **Capital adequacy and liquidity ratios of the Bank**

	<u>31 December 1999</u>	<u>31 December 1998</u>
	%	%
Capital adequacy ratio as at	20.32	18.72
Average liquidity ratio for the year ended	46.91	41.59

REVIEW AND PROSPECTS

In 1999, demand for new loans remained weak and domestic lending had fallen significantly. Despite the sluggish economic environment, the Group recorded profit attributable to shareholders of HK\$61 million for the year ended 31 December 1999, a decline of 43 per cent when compared with 1998.

Net interest income for the year increased 9.4 per cent, mainly attributable to the lower funding cost. The Group's net interest margin improved from 1.99 per cent in 1998 to 2.53 per cent in 1999. Other operating income was reported at HK\$112 million, a decrease of 12.9 per cent, which was mainly due to the slowdown in commercial lending activities and the fierce market competition in residential mortgage lending. Operating expenses increased by 8.1 per cent to HK\$405 million.

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As of 31 December 1999, shareholders' equity stood at HK\$2,882 million, equivalent to a net asset value of HK\$2.31 per share.

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In May 1999, the Bank successfully launched its first MasterCard, the Pl@y Smart MasterCard. Over 38,000 applications were approved, raising the Bank's number of cards-in-force to about 115,000.

In view of the potential of the Mandatory Provident Fund (MPF) market, the Bank joined the 10-bank alliance, the Bank Consortium Trust, in September 1999 to enhance its ability to market the MPF products.

In October 1999, the Bank signed a strategic partnership agreement with IBM China/Hong Kong Limited to outsource the data processing centre to IBM for seven years starting April 2000. Such outsourcing will enhance the Bank's ability to improve the Bank's operation efficiency, to provide professional quality service and to support the Bank's e-business expansion with the best technical solutions.

First Pacific Bank is one of the forerunners in the application of technology to its business. The Bank has been actively involved in developing Internet banking services since 1999. The Bank's web-site, which started to operate in the fourth quarter of 1998, was completely revamped and redesigned in the second half of 1999 with a contemporary look and the flexibility to cater for the development of varieties of Internet banking products. With the web enhancement, newly added functions include daily quotes on interest rates and foreign exchange rates, market commentary by the Bank's Treasury, etc. On-line application processing for credit cards, personal loans and tax loans are also available.

The Bank enters the Year 2000 with sound liquidity, strong capital and a prudently-managed balance sheet. China's World Trade Organisation accession will present a positive outlook for the coming years, providing the Bank with more opportunities when market conditions continue to improve.

YEAR 2000 COMPLIANCE

The Group has experienced a smooth transition to the Year 2000 and all computer systems are functioning as normal.

Year 2000 compliance means that performance or functionality of all systems and devices are not at all affected by dates prior to, during and after the Year 2000. First Pacific Bank took preventive action early and a project team has worked on this issue since 1995. A member of the management team reported the progress of the project at management meetings on a weekly basis. Detailed plans were made to address and to prevent the Year 2000 problem from disrupting services to customers or damaging records. These plans included upgrade of hardware and software, enhancement of application systems, internal testing of application systems, Year 2000 warranties from vendors, risk assessments of major counterparties, integrated testing and contingency drills. The Group obtained warranties from all of its service providers and information technology vendors on Year 2000 compliance.

As a result of these actions in the last quarter of 1999, all the critical and non-critical systems in the Group were fully Year 2000 compliant in meeting the guidelines from the Hong Kong Monetary Authority. The smooth transition was assured.

Other than the utilisation of internal resources, the incremental external costs, mainly on software and hardware, for this project are approximately HK\$2 million which have already been incurred and accounted for as at 31 December 1999. Costs relating to major systems changes that are not directly related to the Year 2000 but which address some Year 2000 issues are not included in these costs. No further major expenditure related to Year 2000 compliance is committed or expected.

FINAL DIVIDEND

The Directors recommend payment of a final cash dividend of HK2.0 cents per share totalling HK\$24,960,000 for the year 1999 subject to approval of shareholders at the Annual General Meeting to be held on 10 May 2000. If approved, the final dividend will be paid on 22 May 2000 to shareholders whose names appear on the register of members at close of business on 14 April 2000.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 10 April 2000 to 14 April 2000, both dates inclusive, during which period no transfers of shares will be registered. In order to qualify for the final 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 7 April 2000.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 1999, 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
23 February 2000