



A Listed Company at the Philippine Stock Exchange

18 June 2015

THE PHILIPPINE STOCK EXCHANGE

Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue,
Makati City

Attention: **MARSHA M. RESURRECCION**
Head, Issuer Regulation Division

Subject: **Letter of Philippine Deposit Insurance Corporation on LBC Express**

Dear Madam:

We write in response to the PSE letter request for clarification on the information provided by the Philippine Deposit Insurance Corporation ("PDIC") regarding the acquisition by LBC Development Corporation, the parent company of LBC Express, Inc. ("LBC Express"), of shares of stock in the Company.

Our responses to the cited PDIC letter are as follows:

- A. *"LBC Express has an outstanding obligation to LBC Bank in the total amount of Php1.8 Billion representing service fees for the bank's services and other charges as pay-out agent of LBC Express."*

We understand that PDIC has sent demand letters to LBC Express and its affiliates, claiming payment for outstanding receivables due to LBC Development Bank ("LBC Bank") from LBC Express. We were advised that LBC Express' lawyers have responded to said demand letters, requesting for details on how the aggregate amount of the alleged receivables were reached. Furthermore, we were informed that insofar as LBC Express' records are concerned, it has paid all amounts due to LBC Bank.

- B. *“PDIC advised PriceWaterhouseCoopers, the external auditor of LBC Express, that as per its PDIC investigation, LBC Bank has receivables in the amount of Php5.5 Billion, including the Php1.8 Billion above-stated, from the LBC Companies and the Araneta siblings, the beneficial owners of LBC Express.”*

We understand from LBC Express that PDIC wrote its former auditor, PriceWaterhouseCoopers, alleging receivables on the part of LBC Bank.

- C. *“PDIC filed with the Department of Justice (“DOJ”) a criminal complaint for estafa against the President of LBC Bank and its borrowers and that, after finding probable cause, information was filed with the Regional Trial Court of Makati, Branch 143, docketed as “People vs. Benito Ramon V. Araneta and Ma. Eliza Berenguer-Criminal Case No. 14-1092”. PDIC also filed with the DOJ-Financial Fraud Taskforce another case against the stockholders and former officers of LBC Bank.”*

The Company is not privy to any information in connection with the case entitled “People vs. Benito Ramon V. Araneta and Ma. Eliza Berenguer-Criminal Case No. 14-1092” as the case does not involve LBC Express or its officers and directors.

We are aware, however, that on 15 May 2015, the DOJ issued subpoenas to Santiago G. Araneta and Fernando G. Araneta directing them to submit their counter-affidavits in connection with the conduct of a preliminary investigation over a complaint filed by the PDIC against Ma. Eliza G. Berenguer, Juan Carlos G. Araneta, Santiago G. Araneta, Fernando G. Araneta, Monica G. Araneta, Ofelia F. Cuevas, Arlan T. Jurado and Jennifer E. Cerrada. We understand that the preliminary investigation is an inquiry to determine whether there is sufficient ground that the offenses alleged have been committed, and that trial should be held. The offenses alleged to have been committed are Estafa under Article 315 of the Revised Penal Code, Violations of Sections 21(f) and (g) of R.A. No. 3591, as amended, and Falsification of Commercial/Official Documents under Article 172 of the Revised Penal Code. The complaint against Messrs. Santiago and Fernando Araneta was filed in their capacity as stockholders of LBC Bank.

We trust that the foregoing explanations sufficiently clarify your concerns.

Very truly yours,


MIGUEL ANGEL A. CAMAHORT
President