



EXPORT AND INDUSTRY BANK

21 October 2009

The Philippine Stock Exchange
Philippine Stock Exchange Centre
Exchange Road, Ortigas Center
Pasig City

Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

Gentlemen:

This refers to your letter of even date requiring the Bank to confirm and/or deny the veracity of the news article entitled “Central bank finds Exportbank in fictitious sale of own building” published in the 21 October 2009 issue of the Manila Standard Today which reads in part, as follows:

“The central bank has ordered Export (and) Industry Bank to reverse the ₱2.60 billion sale of Exportbank Plaza to ArthaLand Corp., formerly EIB Realty, after examiners said the transaction was “not a true sale”... But *Bangko Sentral* officials said the sale was simulated since less than ₱200 million actually changed hands between the two companies. Moreover, EIB and ArthaLand had serious issues on governance since the two firms had overlapping directors and officers...EIB, one of the few remaining problematic banks, has until the end of October to raise an extra ₱3.3 billion in tier 1 capital. EIB has been asking the central bank to extend the deadline to raise the additional capital every month since June...”

The sale of Exportbank Plaza is a true sale and was booked as such in accordance with international accounting standards as fully disclosed to *Bangko Sentral ng Pilipinas* (BSP). The Bank has received partial payment in accordance with the terms and conditions of the sale as approved by the Board and the balance of the purchase price is due upon fulfillment of the payment conditions.

Understandably, given its shareholdings in ArthaLand Corporation, the Bank has interlocking directors and officers in ArthaLand. Moreover, there is no prohibition for corporations with overlapping directors and officers to enter into sale transactions as in this case. The Bank has been fully transparent with the BSP on the transaction.

Finally, the Bank expects to meet the deadline set by the BSP to raise additional capital. Appropriate disclosures will be made accordingly.

We trust that we have clarified you on the foregoing.

Very truly yours,



Teresita Q. de Ocampo
Vice President

PSE-Manila Standard article (10.21.09)/corpsec/rvm