



Chinatrust
中國信託

19 January 2012

The Philippine Stock Exchange, Inc.

3F Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines 1226

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

Re : **Valuation of Tender Offer Shares**

Madam:

This pertains to your letter to us dated January 18, 2011 which referred the letter of Campus Lanuza & Co. Inc. sent on behalf of its client Mr. Carlos Z. Ortoll pertaining to three (3) valuation issues of our tender offer price of Php 26.14 per share.

We reply as follows.

On the issue of the 50% variance limit set in the selection of peer banks in relation to the Bank's actual price-to-book value, Mr. Ortoll raises that the setting of the variance is subjective but admits that there is no hard and fast rules. According to Punongbayan & Araullo (P&A), an independent firm duly accredited by the PSE, while the setting of the 50% variance limit is subjective, the limit allows for better industry peer comparison by identifying the peer banks that are more comparable to Chinatrust in terms of size and public float, among others. If no limit is imposed, the valuation will include banks that are not comparable with Chinatrust and may result to a distorted price that will further increase subjectivity.

On the issue that minority investors should be paid a premium, we believe that just like a majority shareholder, a minority shareholder takes an equity price risk and does not have any assurance of gain in any investment in a company. The fairness opinion is in accordance with PSE rules, and more than the required two (2) methodologies that was used by P&A. The higher value of the price range was selected with the view of offering a premium to the shareholders considering the low trading prices of the Bank, based on PSE records prior to the delisting announcement.

On the issue that the worth of the shares should be "at the start of the tender offer period xxx and not five to six months before, when the stock market was depressed and stock valuations low", we submit that the valuation conducted is in accordance with PSE memorandum no. 2011-0104, *Guidelines for Fairness Opinion and Valuation Reports* ("the Guidelines"), as approved by the Securities and Exchange Commission, and considered all latest financial information available for the past six months prior to the delisting



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announcement. Likewise, the validity of the valuation report is in accordance with Section II, paragraph 7 of the Guidelines, which states:

“The date of the fairness opinion and valuation report must not be more than three (3) months before the date of which (i) an offering prospectus is issued; (ii) the transaction involving the subject shares is executed; or (iii) the stockholders’ meeting is held where the transaction involving the subject shares is presented for approval.”

The Special Shareholders’ Meeting was held last December 15, 2011 where the share buyback including the tender offer price was approved by the shareholders.

We hope that we have sufficiently addressed the issues.

Thank you and best regards.

Very truly yours,

Atty. Maritess Parilla-Elbinias, VP
Legal Department Head and CIO