



**PHILIPPINE
BUSINESSBANK**
a savings bank

July 15, 2013

THE PHILIPPINE STOCK EXCHANGE, INC.

Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Attention : Ms Janet A. Encarnacion
Head – Disclosure Department

Subject : Quarterly Progress Report on Application of
Proceeds from IPO with External Auditor
Certification

Gentlemen:

We are submitting the following attachments as compliance with the PSE requirement for newly listed companies to provide a quarterly progress report on the application of proceeds resulting from fund raising activities.

1. Progress report on the application of proceeds from IPO for the quarter ended June 30, 2013.
2. Certification of Punongbayan & Araullo on the accuracy of information provided by Philippines Business Bank in relation to the progress report.

We hope you find everything in order.

Very truly yours,

Alice P. Rodil
SVP - Controller

July 15, 2013

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Attention : Ms Janet A. Encarnacion
Head – Disclosure Department

Subject : Quarterly Progress Report on Application of
Proceeds from IPO with External Auditor
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Gentlemen:

In line with the Initial Public Offering (IPO) of Philippine Business Bank (“PBB”) on February 19, 2013, we submit herewith our report on the application of the net proceeds coming from the primary offer of PBB shares, amounting to THREE BILLION EIGHT MILLION SIX HUNDRED TWENTY THOUSAND FOUR HUNDRED SEVENTY NINE PESOS & 80/100 PESOS (P3,008,620,479.80).

Proceeds from primary offer of PBB shares	Php 3,192,002,100.00
Less: IPO expenses	<u>183,381,620.20</u>
Net proceeds	Php <u>3,008,620,479.80</u>

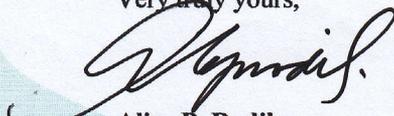
For the quarter ended June 30, 2013, the applications of the net proceeds are broken down as follows:

Use of Proceeds	Amount in Pesos
Available-for-Sale (AFS) Financial Assets	380,517,862.65
Branch Expansion	12,455,340.00
Information Technology Infrastructure	15,647,277.15
General Corporate Purpose	2,600,000,000.00
Total	3,008,620,479.80

Please note that General Corporate Purposes pertain to the funding of PBB’s Loans to Customers.

Thank you.

Very truly yours,



Alice P. Rodil
SVP - Controller



Punongbayan & Araullo

An instinct for growth™

Report on Factual Findings

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The Enterprise Center
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The Board of Directors
Philippine Business Bank, Inc. A Savings Bank
350 Rizal Avenue Extension corner 8th Avenue
Grace Park, Caloocan City

We have performed the procedures agreed upon with you and enumerated below with respect to the attached Quarterly Progress Report (dated July 15, 2013) as of June 30, 2013 on the application of the P3.008 billion proceeds from the initial public offering (the IPO) as at February 19, 2013 of Philippine Business Bank, Inc. A Savings Bank (the Bank) at the Philippine Stock Exchange, Inc. (PSE). The procedures were performed solely to comply with the PSE requirement to submit an external auditor's certification on the accuracy of the information being represented by the Bank relating to the application of proceeds whenever a report is submitted to the PSE. Our engagement was undertaken in accordance with Philippine Standard on Related Services 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*, applicable to agreed-upon procedures engagements.

The agreed-upon procedures on the Quarterly Progress Report and the results thereof are summarized as follows:

1. Checked the mathematical accuracy of the Quarterly Progress Report;
2. Compared the list of application of proceeds in the Quarterly Progress Report with the schedule of planned use of proceeds from the Offering. The list of application of proceeds in the Quarterly Progress Report follows:
 - a. Invested the net proceeds of P12.5 million for branch network expansion and P15.6 million for information technology (IT) infrastructure;
 - b. P2.6 billion was used to finance the Bank's loan growth (general corporate purpose); and,
 - c. Used the balance of P380.5 million to invest in available-for-sale financial assets.

3. Obtained the schedules of available-for-sale financial assets, gross receivables from customers, bank premises, furniture, fixtures and equipment, computer software, miscellaneous assets and miscellaneous expenses as of December 31, 2012 and June 30, 2013, and performed the following:
 - a. Agreed related totals of these accounts with the general ledger;
 - b. Compared the December 31, 2012 balances with June 30, 2013 available-for-sale financial assets, gross receivables from customers, bank premises, furniture, fixtures and equipment, computer software and miscellaneous assets; and
 - c. Obtained representation from the Bank on the movements of these accounts.

We report the results of our work as follows:

1. With respect to item 1, we found the amounts compared to be in agreement.
2. With respect to item 2, we found the list of application of proceeds in the Quarterly Progress Report to be in line with the Use of Proceeds section in the Offering Circular.
3. With respect to item 3, we noted the following:
 - a. The balances in the schedules agree with the general ledger.
 - b. The Bank received the proceeds from the IPO on February 19, 2013.

For the Bank's branch expansion, we compared the balances of the bank premises, furniture, fixtures and equipment as of December 31, 2012 and June 30, 2013 and noted a higher net increase of P51.9 million in these accounts than the proceeds invested in branch expansion amounting to P9.9 million pertaining to the said accounts; P2.2 million pertain to rental deposit, branch processing fees and computer software were initially booked and traced to the miscellaneous assets schedule of the Bank; and, the remaining P0.2 million was traced as advance rental on the newly opened branches.

For the investment to IT infrastructure, we traced P0.7 million to the increase in furniture, fixtures and equipment as of December 31, 2012 and June 30, 2013 while the remaining P14.9 million was traced to the schedules of computer software (P8.6 million), miscellaneous expense – consulting fees (P5.9 million) and miscellaneous assets (P0.4 million) of the Bank.

Gross receivables from customers as of December 30, 2012 and June 30, 2013 amounted to P19.7 billion and P24.6 billion, respectively, an increase by P4.9 billion, which is higher than the amount of proceeds applied as means to finance the growth of the Bank's loans amounting to P2.6 billion.

For available-for-sale financial assets, we noted that the net increase of P1.4 billion in the cost of the said asset as of December 31, 2012 and June 30, 2013 was higher than the proceeds invested in those accounts totalling P380.5 million.

- c. Based on the information obtained from Bank officers, part of the proceeds received from the IPO amounting to P12.5 million and P15.6 million were invested to branch network expansion and information technology, respectively, and the P2.6 billion were used to finance the loan growth of the Bank. The balance of P380.5 million was invested in available-for-sale financial assets.

Because the above procedures do not constitute either an audit or review made in accordance with Philippine Standards of Auditing (PSA) or Philippine Standards on Review Engagement (PSRE), respectively, we do not express an assurance on the use of proceeds from the IPO based on the said standards. Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with PSA or PSRE, respectively, other matters might have come to our attention that would have been reported to you.

We have no responsibility to update this report for events or circumstances occurring after the date of this report.

PUNONGBAYAN & ARAULLO

By: Benjamin P. Valdez
Partner

CPA Reg. No. 0028485
TIN 136-619-880
PTR No. 3671439, January 2, 2013, Makati City
SEC Group A Accreditation
Partner - No. 0009-AR-3 (until Dec. 9, 2014)
Firm - No. 0002-FR-3 (until Jan. 18, 2015)
BIR AN 08-002511-11-2011 (until Sept. 22, 2014)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

July 15, 2013