

REPORT OF FACTUAL FINDINGS

To the Board of Directors and Shareholders of
Bank of the Philippine Islands
BPI Building, Ayala Avenue
Makati City

Gentlemen:

We have performed the procedures agreed with you and enumerated below with respect to the attached Quarterly Progress Report as at September 30, 2018 on the use proceeds from the stock rights offering of Bank of the Philippine Islands (the Bank) listed at the Philippine Stock Exchange (the "PSE") on May 4, 2018. The procedures were performed solely to enable the Bank to comply with the PSE's requirement to submit an external auditor's certification on the information being presented by the Bank relating to the use of proceeds. Our engagement was undertaken in accordance with Philippine Standards on Related Services 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*. These agreed-upon procedures and results thereof are summarized as follows:

1. Obtained the Quarterly Progress Report on the Application of Proceeds from the Offering as of September 30, 2018 (the Progress Report) and the related summary of expenses and checked the mathematical accuracy.
2. Compared the list of all the use of proceeds in the Progress Report with the schedule of planned application of proceeds from stock rights offering, as mentioned in the related Offering Circular.
3. Compared the details of the actual offer expenses included in the Progress Report against the supporting documents such as the official receipts, invoices, billing statements and statements of accounts issued by the counterparties.
4. Obtained the Bank's schedules of corporate loans, consumer loans (real estate, credit cards and manpower/microfinance loans), reverse repurchase agreements (RRPs), term deposit facilities (TDFs) and overnight deposit facilities (ODFs) as at September 30, 2018 and agree related totals of these accounts with the general ledger (GL).
5. Obtained the Bank's balances of certain loans as defined in item 4, RRP, TDFs and ODFs as at May 4, 2018, compared to the balances as at September 30, 2018 and traced the movements to the Progress Report.

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We report the results of our work as follows:

1. With respect to item 1, we found the Progress Report to be mathematically correct.
2. With respect to item 2, we noted that the net proceeds from the stock rights offering amounting to ₱49.5 billion were deployed as follows:

Corporate loans	₱ 23.2 billion
Consumer loans	8.1 billion
Reverse repurchase agreements	2.6 billion
Term deposit facilities	2.2 billion
Overnight deposit facilities	3.0 billion
Paydown of time deposits	10.4 billion
Total	₱ 49.5 billion

As represented by the management, the amounts invested in reverse repurchase agreements amounting to ₱2.6 billion, term deposit facilities amounting to ₱2.2 billion and overnight deposit facilities amounting to ₱3.0 billion will eventually be (1) reinvested in loans and (2) used to fund the expansion of the Bank's delivery infrastructure within the twelve-month period as stated in the prospectus.

The settlements of time deposits amounting to ₱10.4 billion as indicated above were for the period from May 4, 2018 to June 30, 2018. Management represented that no additional paydown of time deposits occurred subsequent to June 30, 2018 until September 30, 2018.

3. With respect to item 3, we found the summary of expenses to be mathematically correct and the amounts compared with the supporting documents to be in agreement.
4. With respect to item 4, we obtained the following balances per schedules and agreed that amounts with the GL as of September 30, 2018:

September 30, 2018 balances	Amount
Corporate loans	₱ 975.2 billion
Consumer loans	189.3 billion
RRPs	11.5 billion
TDFs	7.2 billion
ODFs	3.0 billion

5. With respect to item 5, we found that the net movements of the accounts from May 4, 2018 to September 30, 2018 were as follows:

Increase in net book value of corporate loans	₱ 41.3 billion
Increase in net book value of consumer loans	8.1 billion
Increase in RRP	2.6 billion
Increase in TDFs	2.2 billion
Increase in ODFs	3.0 billion
Total	₱ 57.2 billion

As represented by management, corporate loans which resulted to the increase in the net book value amounting to ₱41.3 billion was partially funded by the proceeds from stock rights offering amounting to ₱23.2 billion as indicated in item 2 above.

Because the above procedures do not constitute either an audit or a review made in accordance with Philippine Standards on Auditing (PSA) or Philippine Standards on Review Engagement (PSRE), respectively, we do not express any assurance on the use of proceeds from the Offering based on the said standards.

Had we performed additional procedures or had we performed an audit or review of the financial statements of the Bank 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.

Our report is intended solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. This report relates only to the the Bank's use of proceeds from the stock rights offering and certain items specified above and do not extend to any financial statements of the Bank, taken as a whole.

Isla Lipana & Co.



Zaldy D. Aguirre
Partner

CPA Cert No. 105660

P.T.R. No. 0024447, issued on January 10, 2018, Makati City

SEC A.N. (firm) as general auditors 0009-FR-5, Category A; effective until June 20, 2021

TIN 221-755-698

BIR A.N. 08-000745-077-2018, issued on January 29, 2018; effective until January 28, 2021

BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City
November 5, 2018