

COMPANY REGISTRATION NUMBER 5888535

**BANK OF THE PHILIPPINE ISLANDS
(EUROPE) PLC
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
31 DECEMBER 2007**

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BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

FINANCIAL STATEMENTS

PERIOD FROM 27 JULY 2006 TO 31 DECEMBER 2007

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BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

Mr Edgardo Ocampo Madrilejo
Mr Alexander Balan Tan III
Ms Teresita Bautista Tan
Mr Aurelio Reyes Montinola III
Mr Nigel Mervyn Sutherland Rich C B E
Mr Simon Michell
Mr Jose Lopez Del Castillo Noche

Company secretary

Mr Chi Wai Lu

Registered office

4th Floor
28/29 Threadneedle Street
London
EC2R 8AY

Auditor

PricewaterhouseCoopers LLP
Chartered Accountants
& Registered Auditors

Solicitors

Lu Oliphant Solicitors
Premier House
112 Station Road
Edgware
Middlesex HA8 7AQ

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

THE DIRECTORS' REPORT *(continued)*

PERIOD FROM 27 JULY 2006 TO 31 DECEMBER 2007

The directors have pleasure in presenting their report and the financial statements of the company for the period from 27 July 2006 to 31 December 2007

RESULTS AND DIVIDENDS

The profit for the period, after taxation, amounted to £181,962. The directors have not recommended a dividend.

PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The company was incorporated on 27 July 2006 and started trading from April 2007.

The principal activity of the company is the provision of banking services, primarily to the Filipino population of the United Kingdom and continental Western Europe. The company is an authorised institution under the Financial Services and Markets Act 2000.

There have been no events since the balance sheet date which materially affects the position of the company.

REVIEW OF THE BUSINESS

The Bank has reported a profit before tax for the period amounting to £273,442.

Interest receivable and similar income for the year amounted to £824,504 mainly due to the Bank holding deposits in accounts offering higher interest rates during the period. Fees and commission income during the period was £17,417. Gains from foreign exchange transactions for the period amounted to £1,070.

Operating expenses for the period were £569,549.

The Bank's return on equity (net income divided by the total stockholders' equity) for the trading period between 1st April 2007 to 31st December 2007 was 1%.

FINANCIAL INSTRUMENTS

The company's material financial instruments comprise loans and advances to banks, deposits by bank and customer accounts.

The main risks arising from the bank's financial instruments are interest rate risk, liquidity risk, credit risk and foreign currency risk. The Bank has a formal structure for managing risk, including established risk limits set by the Bank with guidance from the parent company, reporting lines and a system of control procedures. This structure is reviewed regularly by senior management and the directors who are charged with the responsibility for managing and controlling the exposures of the company.

Interest rate risk

The interest rate risk on the bank's customer accounts relates to the interest received on loans and advances to banks which changes in line with market rates. The Bank manages this exposure on a continuous basis, within limits set by the Board.

Liquidity risk

The Bank's liquidity policy is to provide full cover for all liabilities, real and contingent, through call deposits with accredited banks. Senior management ensures compliance of this policy.

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

THE DIRECTORS' REPORT *(continued)*

PERIOD FROM 27 JULY 2006 TO 31 DECEMBER 2007

Credit risk

The Bank's only exposure to credit risk was through interbank deposits. These deposits are placed by senior management within limits set by the board and are regularly reviewed. The Bank did not provide credit facilities to its customers for the period up to 31 December 2007.

Foreign currency risk

The Bank has not traded in foreign exchange markets to date on its own account, but is active in these markets in providing a customer service. All customers' transactions entered into by the Bank do not create any foreign exchange risk for the Bank.

DIRECTORS

The directors who were appointed and served the company during the period were as follows:

Mr Edgardo Ocampo	
Madrilejo	Appointed on 27 th July 2006
Mr Alexander Balan	
Tan III	Appointed on 27 th July 2006
Ms Teresita Bautista	
Tan	Appointed on 27 th July 2006
Mr Aurelio Reyes	
Montinola III	Appointed on 27 th July 2006
Mr Nigel Mervyn	
Sutherland Rich C B E	Appointed on 25 th May 2007
Mr Simon Michell	Appointed on 25 th May 2007
Mr Jose Lopez Del	
Castillo Noche	Appointed on 27 th July 2006

The company is a wholly owned subsidiary of the Bank of the Philippine Islands. The interests of the group directors are disclosed in the financial statements of the parent company.

POLICY ON THE PAYMENT OF CREDITORS

The company pays their creditors in line with the suppliers' payment terms. The number of creditor days in relation to suppliers' balance outstanding at 31 December 2007 was 143.

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

THE DIRECTORS' REPORT *(continued)*

PERIOD FROM 27 JULY 2006 TO 31 DECEMBER 2007

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

THE DIRECTORS' REPORT *(continued)*


PERIOD FROM 27 JULY 2006 TO 31 DECEMBER 2007

AUDITOR

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985

Registered office
4th Floor
28/29 Threadneedle Street
London
EC2R 8AY

Approved by the directors on *Feb. 27, 2008*


Signed on behalf of the directors
Mr E O Madrilejo
Managing Director & CEO

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC *(continued)*

PERIOD FROM 27 JULY 2006 TO 31 DECEMBER 2007

We have audited the financial statements of Bank of the Philippine Islands (Europe) Plc for the period ended 31 December 2007 which comprises the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC *(continued)*

PERIOD FROM 27 JULY 2006 TO 31 DECEMBER 2007

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

Date 28 February 2008

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

PROFIT AND LOSS ACCOUNT

PERIOD FROM 27 JULY 2006 TO 31 DECEMBER 2007

		Period from 27 Jul 06 to 31 Dec 07
	Note	£
Interest receivable and similar income	2	824,504
Fees and commissions receivable		17,417
Other operating income		1,070
OPERATING INCOME		842,991
Administrative expenses		563,935
Depreciation and amortisation		5,614
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	273,442
Tax on profit on ordinary activities	5	91,480
PROFIT FOR THE FINANCIAL PERIOD		181,962

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the period as set out above

The notes on pages 10 to 16 form part of these financial statements.

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

BALANCE SHEET

31 DECEMBER 2007

	Note	31 Dec 07 £
ASSETS		
Tangible fixed assets	6	101,624
Loans and advances to banks	7	20,842,006
Other assets	8	344,071
TOTAL ASSETS		<u>21,287,701</u>
 LIABILITIES		
Customer accounts (repayable on demand)		58,096
Amount due to group undertakings	9	815,786
Other liabilities	10	231,857
		<u>1,105,739</u>
 Called-up equity share capital	15	20,000,000
Profit and loss account		181,962
SHAREHOLDERS' FUNDS	16	<u>20,181,962</u>
TOTAL LIABILITIES		<u>21,287,701</u>

These financial statements were approved by the directors and authorised for issue on *Feb. 27, 2008* and are signed on their behalf by


MR E O MADRILEJO

The notes on pages 10 to 16 form part of these financial statements

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 27 JULY 2006 TO 31 DECEMBER 2007

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The financial statements have been prepared under the historical cost convention and in accordance with the special provisions of Part VII of the companies Act 1985 relating to banking companies and the British Banker's Association Statements of Recommended Practice

The principal accounting policies, which have been consistently applied, are set out below

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement

Recognition of income

Income arising from fees and commissions and foreign exchange gains are recognised on the accruals basis as the service is provided Interest receivable on advances and interest payable on deposits received are recognised on an accruals basis

Fixed assets

All fixed assets are initially recorded at cost

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Leasehold Property	-	Over the period of the lease
Office Furniture	-	Over 5 years
Fixtures & Fittings	-	Over 5 years
Computer Equipment	-	Over 2 to 5 years

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

Pension costs

The company does not run its own pension scheme but makes contributions to certain employees personal plans as part of the remuneration package Contributions are charged to the profit and loss account when paid

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 27 JULY 2006 TO 31 DECEMBER 2007

1. ACCOUNTING POLICIES *(continued)*

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred

Current tax is measured at amounts expected to be paid using the tax laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax balances are not discounted

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Fair value of financial instruments

Fair value is the amount at which an asset or liability could be exchanged in an arm's length transaction between informed and willing parties, other than in a forced or liquidation sale. The Fair Value of all financial Instruments held at 31 December 2007 approximates to the amounts at which these instruments are reflected in the balance sheet.

Segmental reporting

The company has one reportable geographical and business segment, the provision of banking services in the United Kingdom.

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 27 JULY 2006 TO 31 DECEMBER 2007

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging

	Period from 27 Jul 06 to 31 Dec 07 £
Directors' emoluments	187,500
Amortisation	1,195
Depreciation of owned fixed assets	4,419
Auditors fees	10,000
Operating lease costs	
Other	19,221

3. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial period amounted to

	Period from 27 Jul 06 to 31 Dec 07 No
Number of administrative staff	5
Number of management staff	2
	<u>7</u>

The aggregate payroll costs of the above were

	Period from 27 Jul 06 to 31 Dec 07 £
Wages and salaries	303,949
Social security costs	28,018
	<u>331,967</u>

4. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were

	Period from 27 Jul 06 to 31 Dec 07 £
Emoluments receivable	<u>187,500</u>

Directors are not entitled to either shares nor share options under long-term incentive schemes. No directors receive contributions to money purchase scheme pensions. No directors hold or exercised share options.

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 27 JULY 2006 TO 31 DECEMBER 2007

5. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the period

	Period from 27 Jul 06 to 31 Dec 07 £
Current tax	
In respect of the period	
UK Corporation tax on profits for the period	82,340
Total current tax	<u>82,340</u>
Deferred tax	
Origination and reversal of timing differences	9,140
Tax on profit on ordinary activities	<u>91,480</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is higher than the standard rate of corporation tax in the UK of 30%

	Period from 27 Jul 06 to 31 Dec 07 £
Profit on ordinary activities before taxation	<u>273,442</u>
Profit on ordinary activities multiplied by standard rate in the UK 30%	82,033
Expenses not deductible for tax purposes	9,089
Capital allowances for period in excess of depreciation	<u>(8,782)</u>
Total current tax (note 5(a))	<u>82,340</u>

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 27 JULY 2006 TO 31 DECEMBER 2007

6. TANGIBLE FIXED ASSETS

	Leasehold Improvements £	Fixtures and Fittings £	Office Furniture £	Computer Equipment £	Total £
COST					
Additions	37,466	5,346	60,123	4,303	107,238
At 31 December 2007	<u>37,466</u>	<u>5,346</u>	<u>60,123</u>	<u>4,303</u>	<u>107,238</u>
DEPRECIATION					
Charge for the period	1,195	89	4,143	187	5,614
At 31 December 2007	<u>1,195</u>	<u>89</u>	<u>4,143</u>	<u>187</u>	<u>5,614</u>
NET BOOK VALUE					
At 31 December 2007	<u>36,271</u>	<u>5,257</u>	<u>55,980</u>	<u>4,116</u>	<u>101,624</u>

7. LOANS AND ADVANCES TO BANKS

	31 Dec 07
	£
Receivable on demand	20,842,006

8. OTHER ASSETS

	31 Dec 07
	£
Debtors Amounts falling due within one year	
Other assets	150,692
Prepayments and accrued income	193,379
	<u>344,071</u>

9. AMOUNT DUE TO GROUP UNDERTAKINGS

	31 Dec 07
	£
Payable on demand – To parent company	815,786

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 27 JULY 2006 TO 31 DECEMBER 2007

10. OTHER LIABILITIES

	31 Dec 07
Creditors Amounts falling due within one year	£
Corporation tax	82,340
Other taxation and social security	15,851
Other creditors	490
Accruals and deferred income	124,036
Deferred tax (note 12)	9,140
	<u>231,857</u>

11. INTEREST RATE REPRICING RISK

All financial assets and liabilities are receivable / payable on demand All non-financial assets and liabilities are non-interest bearing

12. DEFERRED TAXATION

The movement in the deferred taxation provision during the period was

	Period from 27 Jul 06 to 31 Dec 07
	£
Profit and loss account movement arising during the period	9,140
Provision carried forward	<u>9,140</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of

	31 Dec 07
	£
Excess of taxation allowances over depreciation on fixed assets	9,140
	<u>9,140</u>

13. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2007 the company had annual commitments under non-cancellable operating leases as set out below

	Land & Buildings
	£
Operating leases which expire After more than 5 years	<u>43,245</u>

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 27 JULY 2006 TO 31 DECEMBER 2007

14. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 "Related party disclosures" not to disclose transactions with members of the group headed by Bank of Philippine Islands on the grounds that 100% of the voting rights in the company are controlled within that group and the company is included in consolidated financial statements

15. SHARE CAPITAL

Authorised share capital:

	31 Dec 07
	£
20,000,000 Ordinary shares of £1 each	<u>20,000,000</u>

Allotted and fully paid:

	No	£
Ordinary shares of £1 each	<u>20,000,000</u>	<u>20,000,000</u>

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 Dec 07
	£
Profit for the financial period	181,962
New ordinary share capital subscribed	<u>20,000,000</u>
Net addition to shareholders' funds	<u>20,181,962</u>
Closing shareholders' funds	<u>20,181,962</u>

17. ULTIMATE PARENT COMPANY

The company's ultimate parent company is Bank of the Philippines Islands, being incorporated in the Philippines. Copies of the consolidated financial statements of Bank of the Philippines Islands are available from Registered Office of Bank of the Philippines, BPI Buildings, Ayala Avenue Corner Paseo de Roxas, Makati City, Philippines

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

MANAGEMENT INFORMATION

PERIOD FROM 27 JULY 2006 TO 31 DECEMBER 2007

**The following pages do not form part of the statutory financial statements
which are the subject of the independent auditor's report on pages 6 to 7**

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

DETAILED PROFIT AND LOSS ACCOUNT

PERIOD FROM 27 JULY 2006 TO 31 DECEMBER 2007

		Period from 27 Jul 06 to 31 Dec 07
	£	£
Fees and commissions receivable		17,417
Bank interest receivable		824,504
Other operating income		1,070
OPERATING INCOME		842,991
OVERHEADS		
Directors salaries	187,500	
Wages and salaries	116,449	
Employers national insurance contributions	28,018	
Rent	19,221	
Rates and water	4,206	
Service charge	4,064	
Light and heat	244	
Insurance	4,244	
Cleaning of premises	150	
Travel and subsistence	10,736	
Telephone	10,939	
Computer software and expenses	4,750	
Taxes and licences	18,223	
Office stationery	9,575	
Staff benefits	3,200	
Staff training and meeting costs	797	
Sundry expenses	2,579	
Interest payable	2	
Advertising	11,552	
Entertaining	5,298	
Legal and professional fees	95,828	
Accountancy fees	15,112	
Auditors remuneration	10,000	
Amortisation of leasehold improvements	1,195	
Depreciation of fixtures and fittings	89	
Depreciation of furniture	4,143	
Depreciation of computer equipment	187	
Bank charges	1,248	
		569,549
PROFIT ON ORDINARY ACTIVITIES		273,442