

COMPANY REGISTRATION NUMBER 5888535

**BANK OF THE PHILIPPINE ISLANDS
(EUROPE) PLC
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2011**

1

SATURDAY



A18AXJSR

A05

05/05/2012

#296

COMPANIES HOUSE

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC
FINANCIAL STATEMENTS
YEAR ENDED 31st DECEMBER 2011

CONTENTS	PAGE
Officers and Professional Advisers	3
The Directors' Report	4
Independent Auditor's Report to the Members of the Bank of the Philippine Islands (Europe) Plc	8
Profit and Loss Account	10
Balance Sheet	11
Notes to the Financial Statements	12

**BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC
FINANCIAL STATEMENTS
YEAR ENDED 31st DECEMBER 2011**

The board of directors

Mr Edgardo Ocampo Madrilejo
Mr Alexander Balan Tan III
Ms Teresita Bautista Tan – Resigned 31 December 2011
Mr Aurelio Reyes Montinola III
Mr Nigel Mervyn Sutherland Rich C B E , FCA
Mr Simon Michell
Mr John Reed
Mr Mario Antonio Paner – Appointed 01 January 2012

Registered office

Fourth Floor
28/29 Threadneedle Street
London EC2R 8AY

Independent Auditor

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Company secretary

Mr Chi Wai Lu
Lu-Oliphant Solicitors
Premier House
12 Station Road
Edgware
Middlesex HAS 7AQ

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

FINANCIAL STATEMENTS

YEAR ENDED 31st DECEMBER 2011

THE DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 31st December 2011.

RESULTS AND DIVIDENDS

The profit for the year 2011, after taxation, amounted to £6,884 (2010, loss of £319,569). The directors have not recommended a dividend, (2010: nil)

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 deposit taking and money transmission services, primarily for the Filipino population of the United Kingdom (UK). The company is an authorised institution under the Financial Services and Markets Act 2000.

In 2009, the Financial Services Authority authorised the bank to provide cross border services to countries in continental Western Europe. The branch in Rome, Italy was opened on 1 June 2011.

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

REVIEW OF THE BUSINESS

The bank has reported a profit before tax for the year amounting to £19,865 (2010: loss before tax of £330,092).

Interest receivable and similar income for the year amounted to £587,278 (2010: £497,328), mainly due to interest received on interbank deposits. Fee and commission income during the year was £499,014 (2010: £364,822) and was due to remittance services. Gains from foreign exchange transactions for the year amounted to £133,845 (2010: £6,956). Total assets were £23,170,078 (2010: £22,729,878).

Operating expenses for the year amounted to £1,354,210 (2010: £1,173,468). The bank's current ratio (total assets divided by current liabilities) is 7.8 (2010: 8.9). The bank's return on equity (profit/(loss) after tax divided by the total shareholders' funds) for the year was 0.03% (2010: (1.6%)).

FUTURE DEVELOPMENTS

The directors do not expect any development in the Company's business in the current period to be significantly different from its present activities but it intends to develop its bond and foreign exchange trading capabilities in 2012.

FINANCIAL INSTRUMENTS

The company's material financial instruments comprise loans and advances to banks, loans and advances to customers 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 Board with guidance from the parent company, reporting lines and a system of control.

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC
FINANCIAL STATEMENTS
YEAR ENDED 31st DECEMBER 2011

THE DIRECTORS' REPORT (continued)

YEAR ENDED 31st DECEMBER 2011

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

Interest rate risk arises from possible mismatches in the interest rate profile on the bank's customer accounts vis-a-vis the interest received on loans and advances to banks as they change with market rates. To the extent possible, senior management matches the interest rate maturity dates.

Liquidity risk

The Bank's liquidity policy is to provide full cover for all liabilities, real and contingent, through call deposits with accredited banks and investments in UK gilts and corporate bonds. The liquidity risk limits set by the Financial Services Authority are complied with by senior management. At no time within the year was there a breach of these limits.

Credit risk

The Bank's main exposure to credit risk continues to be through interbank deposits. These deposits are placed by senior management within limits set by the board with guidance from the parent bank and are regularly reviewed. In 2010, the Bank purchased sovereign and bank bonds to diversify its credit risk. These credits are also regularly reviewed by senior management

Foreign currency risk

The Bank has started to trade in foreign exchange markets on its own account and is active in these markets in providing a customer service. All customers' transactions entered into by the Bank create minimal, if any, foreign exchange risk for the Bank. Where the Bank has bought securities with foreign exchange risk, the foreign exchange gain or loss is booked at the end of the day. Senior management monitors these customer balances and securities to minimize this risk. Senior management sells or purchases Euro and US dollar denominated securities should there be withdrawals or deposits by customers in these currencies.

These risks are assessed and reported to the Board through its Internal Capital Adequacy Assessment Process (ICAAP) report. Senior management also reports these risks on a periodic basis to the Financial Services Authority

DIRECTORS

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

Mr Edgardo O Madrilejo	Appointed on 27th July 2006
Mr Alexander Balan Tan III	Appointed on 27th July 2006
Ms Teresita Bautista Tan	Appointed on 27th July 2006 Resigned 31/12/2011
Mr Aurelio Reyes Montinola III	Appointed on 27th July 2006
Mr Nigel Mervyn Sutherland Rich C B E , FCA	Appointed on 25th May 2007
Mr Simon Michell	Appointed on 25th May 2007
Mr John Reed	Appointed on 24th June 2009
Mr Mario Antonio Paner	Appointed 01 January 2012

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC
FINANCIAL STATEMENTS
YEAR ENDED 31st DECEMBER 2011

THE DIRECTORS' REPORT (continued)

The company is a wholly owned subsidiary of the Bank of the Philippine Islands which is incorporated under the laws of the Republic of the Philippines. The interests of the group directors are disclosed in the financial statements of the parent company.

POLICY ON THE PAYMENT OF CREDITORS

It is the Company's policy in respect of all suppliers to settle the terms of payment within 30 days of invoice date. The number of creditor days in relation to suppliers' balance outstanding at 31 December 2011 was not more than 30.

INTERNAL CONTROLS

Risk review and internal control audit are guided by principles and policies provided by the parent's Risk Office and Internal Audit. The directors rely on the risk review procedures of BPI Group Risk and the Group Internal Audit to carry out reviews from time to time.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 judgments and accounting 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In so far as the directors are aware,

- there is no relevant audit information of which the company's auditors are unaware; and

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC
FINANCIAL STATEMENTS
YEAR ENDED 31st DECEMBER 2011

THE DIRECTORS' REPORT (continued)

YEAR ENDED 31st DECEMBER 2011

- 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 company's auditors are aware of that information.

Registered office
Fourth Floor
28/29 Threadneedle Street
London EC2R8AY

Approved by the directors on April 12, 2012

On behalf of the board :



Mr E O Madrilejo
Managing Director & CEO

Date: April 12, 2012

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC
FINANCIAL STATEMENTS
YEAR ENDED 31st DECEMBER 2011

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

We have audited the financial statements of Bank of the Philippine Islands (Europe) Plc for the year ended 31 December 2011, which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 6 to 7 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements.

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC
FINANCIAL STATEMENTS
YEAR ENDED 31st DECEMBER 2011**

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Alastair Findlay (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
16 April 2012

Notes:

- (a) The maintenance and integrity of the Bank of the Philippine Islands (Europe) Plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC
FINANCIAL STATEMENTS
YEAR ENDED 31st DECEMBER 2011

PROFIT AND LOSS ACCOUNT

		Year ended 31 Dec 11 £	Year ended 31 Dec 10 £
Interest receivable and similar income	Note 2	587,278	497,328
Interest payable and similar charges	3	(14,360)	(14,185)
Net interest income		572,918	483,143
Fee and commission income		499,014	364,822
Other operating income		133,845	6,956
OPERATING INCOME		1,205,777	854,921
Gain on sale of investment	4	170,954	-
Administrative expenses		(1,273,994)	(1,102,174)
Depreciation and amortisation		(80,216)	(71,294)
Impairment charges		(2,656)	(11,545)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	5	19,865	(330,092)
Tax on profit/(loss) on ordinary activities	9	(12,981)	10,523
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u>6,884</u>	<u>(319,569)</u>

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 year as set out above.

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC
FINANCIAL STATEMENTS
YEAR ENDED 31st DECEMBER 2011

BALANCE SHEET

	Note	31 Dec 11 £	31 Dec 10 £
ASSETS			
Cash		45,598	16,375
Loans and advances to banks	10	16,084,686	17,113,276
Loans and advances to customers		317,268	373,477
Investment in subsidiary	11	1	1
Debt securities	17	2,677,703	4,200,304
Tangible fixed assets	12	444,522	506,439
Other assets	13	441,999	322,583
Amounts due from group undertakings	14	3,158,301	197,423
TOTAL ASSETS		<u>23,170,078</u>	<u>22,729,878</u>
LIABILITIES			
Customer accounts		2,638,824	2,463,807
Other liabilities	15,16	345,835	87,536
		<u>2,984,659</u>	<u>2,551,343</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>20,185,419</u>	<u>20,178,535</u>
Called-up equity share capital	19	20,000,000	20,000,000
Profit and loss account		185,419	178,535
TOTAL SHAREHOLDERS' FUNDS	20	<u>20,185,419</u>	<u>20,178,535</u>

These financial statements were approved by the board of directors and authorised for issue on 12 April 2012 and are signed on their behalf by.



Mr E O Madribejo
Managing Director and CEO

Date . April 12, 2012

The notes on pages 12 to 24 form part of these financial statements

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC
FINANCIAL STATEMENTS
YEAR ENDED 31st DECEMBER 2011

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of preparation of financial statements

The financial statements have been prepared on the going concern basis, under the historical cost convention, in accordance with the Companies Act 2006 and applicable accounting standards (UK SSAPs and FRSs as issued by the Accounting Standards Board) and relevant recommendations contained in Statements of Recommended Accounting Practice (SORPs) issued by the British Banker's Association

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 by the Bank of the Philippine Islands, a bank incorporated in the Republic of the Philippines, and its parent publishes a consolidated Cash Flow statement, Balance Sheet and Income Statement

Recognition of income

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

Fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and provisions for impairment.

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 Improvements	Over the period of the lease
Office Furniture	5 years, straight line
Fixtures and Fittings	20% reducing balance
Computer Equipment	Over 5 years, straight line

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC
FINANCIAL STATEMENTS
YEAR ENDED 31st DECEMBER 2011

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICIES (continued)

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.

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.

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.

Financial Instruments

The bank's financial instruments comprise loans and advances, investments in debt securities and customer accounts.

Loans and advances and customer accounts are held at cost on the balance sheet. Debt securities are held at cost plus the amortisation of the premium to nominal value. The amount included in the balance sheet with respect to such securities purchased at a premium shall be reduced each financial year on a systematic basis so as to write the premium off over the period to the maturity date of the security and the amounts so written off shall be charged to the profit and loss account for the relevant financial years.

The Bank does not use derivatives to reduce its exposure to adverse movements in foreign currency.

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC
FINANCIAL STATEMENTS
YEAR ENDED 31st DECEMBER 2011

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICIES (continued)

exchange rates and interest rates.

Related party transactions

The company has taken advantage of the exemption conferred by Financial Reporting Standards "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 the parent's consolidated financial statements

2. INTEREST RECEIVABLE AND SIMILAR INCOME

The amount stated as interest receivable and similar income includes interest income from the parent company. In 2011, this amounted to £1,251, (2010: £501).

3. INTEREST PAYABLE AND SIMILAR CHARGES

There was no interest or similar charges payable to the parent company, (2010: nil).

4. GAIN ON SALE OF INVESTMENTS

The gain on sale of debt securities amounted to £170,954 and represented the sale of Euro and US Dollar denominated Republic of the Philippines Treasury Bills and UK Pound Sterling denominated gilts, following customer withdrawals in these currencies in 2011. There were no sales for 2010.

5. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting).

	Year ended 31 Dec 11	Year ended 31 Dec 10
	£	£
Staff costs	744,914	628,709
Foreign exchange (gain)	(133,226)	(6,235)
Depreciation of fixed assets	80,216	71,294
Auditors' fees	20,500	20,000
Operating lease costs (rent expense)	155,438	115,564

The statutory audit fees payable to the Bank's auditors were £20,500 (2010: £20,000). There were no fees paid to the Bank's auditors in respect of non-audit services.

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC
FINANCIAL STATEMENTS
YEAR ENDED 31st DECEMBER 2011

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICIES (continued)

6. SEGMENTAL REPORTING

The company has two geographical and business segments: the provision of banking services in the UK and in Italy. For Rome, the bank has initially provided remittance services with the expectation that full banking services will be provided in 2012.

The Rome branch started on 1 June 2011. Interest income for 2011 was all earned in the UK and there was no contribution from the Rome branch.

The Rome branch's main business for 2011 was customer remittances. Total turnover was £125,601, composed of £97,366 in service charges and £28,235 in foreign exchange profit. Costs to operate the Rome branch amounted to £204,752, which resulted in a Rome branch net loss of £87,529 in 2011. There are no comparative figures for 2010.

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC
FINANCIAL STATEMENTS
YEAR ENDED 31st DECEMBER 2011

NOTES TO THE FINANCIAL STATEMENTS

6. SEGMENTAL REPORTING (continued)

PROFIT AND LOSS ACCOUNT	LONDON	ROME	TOTAL
	Year ended 31 Dec 11	Seven months ended 31 Dec 11	
Interest receivable and similar income	587,278	0	587,278
Interest payable similar charges	(14,360)	0	(14,360)
Net interest income	572,918	0	572,918
Fees and commission income	401,648	97,366	499,014
Other operating income	105,610	28,235	133,845
OPERATING INCOME	1,080,176	125,601	1,205,777
Gain on sale of investment	170,954	0	170,954
Administrative expenses	(1,069,242)	(204,752)	(1,273,994)
Depreciation and amortization	(71,838)	(8,378)	(80,216)
Impairment charges	(2,656)	0	(2,656)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	107,394	(87,529)	19,865
Tax on profit on ordinary activities	(12,981)	0	(12,981)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	94,413	(87,529)	6,884

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC
FINANCIAL STATEMENTS
YEAR ENDED 31st DECEMBER 2011

NOTES TO THE FINANCIAL STATEMENTS

7. PARTICULARS OF EMPLOYEES

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

	Year ended 31 Dec 11	Year ended 31 Dec 10
Number of administrative staff	17	13
Number of management staff	2	2
Total	19	15

Management staff comprises two directors who are employees of the company. The payroll costs of the staff employed were

	Year ended 31 Dec 11 £	Year ended 31 Dec 10 £
Wages and salaries	662,839	565,357
Social security costs	82,075	63,352
	744,914	628,709

Staff costs are included within administrative expenses in the Profit and Loss account

8. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	Year ended 31 Dec 11 £	Year ended 31 Dec 10 £
Directors' remuneration	317,497	321,767

Directors are not entitled to either shares or share options under long-term incentive schemes. No directors receive contributions to money purchase scheme pensions. No directors hold or exercised share options

Directors' emoluments are included within staff costs in Note 7 above and in the Profit and Loss account.

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC
FINANCIAL STATEMENTS
YEAR ENDED 31st DECEMBER 2011

NOTES TO THE FINANCIAL STATEMENTS

9. TAX ON PROFIT/(LOSS) FROM ORDINARY ACTIVITIES

(a) Analysis of tax charge for the year:

	Year ended 31 Dec 11 £	Year ended 31 Dec 10 £
Current tax		
In respect of the year		
UK corporation tax based on the results for the period at 26% (2010: 27%)	5,165	3,185
Deferred tax:		
Origination and reversal of timing differences	7,816	(13,708)
Tax charge/(credit) on profit/(loss) on ordinary activities	<u>12,981</u>	<u>(10,523)</u>

(b) Factors affecting tax charge for the year

The tax credit for the period is lower (2009: lower) than the standard rate of corporation tax in the UK (26%) due to the differences explained below:

	Year ended 31 Dec 11 £	Year ended 31 Dec 10 £
Profit/(loss) on ordinary activities before taxation	19,865	(330,092)
Profit/(loss) on ordinary activities multiplied by standard rate of UK corporation tax of 26% (2010: 27%)	5,165	0
Effects of under provision	0	3,185
Current tax (Note 6(a))	<u>5,165</u>	<u>3,185</u>

10. ASSETS PLEDGED AS SECURITY

Contained within loans and advances to banks is £100,000 deposited with Barclays as security for using their BACS payment system

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC
FINANCIAL STATEMENTS
YEAR ENDED 31st DECEMBER 2011

NOTES TO THE FINANCIAL STATEMENTS

11. INVESTMENT IN SUBSIDIARY

During 2008, BPI Europe purchased for £1, 100% of the share capital of BPI Remittance UK Plc which was a wholly-owned subsidiary of the Bank of the Philippine Islands. The business of BPI Remittance has been absorbed into BPI Europe. BPI Europe is exempt from the requirement to prepare group accounts since it is itself a subsidiary undertaking, owned 100% by the Bank of the Philippine Islands, and is included in the parent's consolidated financial statements

12. TANGIBLE FIXED ASSETS

	Leasehold Improvements £	Fixtures and Fittings £	Office Furniture £	Computer Equipment £	Total £
COST					
At 1 January 2011	523,165	42,491	123,728	11,070	700,454
Addition	6,329	6,267	-	5,703	18,299
At 31 Dec 2011	529,494	48,758	123,728	16,773	718,753
DEPRECIATION					
At 1 January 2011	(95,642)	(21,919)	(71,875)	(4,579)	(194,015)
Charge for the period	(39,854)	(12,703)	(24,746)	(2,913)	(80,216)
At 31 Dec 2011	(135,496)	(34,622)	(96,621)	(7,492)	(274,231)
NET BOOK VALUE					
At 31 December 2011	393,998	14,136	27,107	9,281	444,522

13. OTHER ASSETS

	31 Dec 11 £	31 Dec 10 £
Amounts falling due within one year:		
Accrued interest receivable	336,377	226,219
Prepayments and other assets	52,581	45,551
	388,958	271,770
Amounts falling due after more than one year:		
Operating lease deposit	53,041	50,813
TOTAL OTHER ASSETS	441,999	322,583

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC
FINANCIAL STATEMENTS
YEAR ENDED 31st DECEMBER 2011

NOTES TO THE FINANCIAL STATEMENTS

14. AMOUNTS DUE FROM GROUP UNDERTAKINGS

	31 Dec 11 £	31 Dec 10 £
Receivable on demand – From parent company	3,158,301	197,423

15. OTHER LIABILITIES

	31 Dec 11 £	31 Dec 10 £
Other taxation and social security	29,541	20,754
Accrued interest payable	617	7,463
Accrued expenses and other creditors	304,659	56,272
Deferred tax liability (Note 15)	10,526	2,710
Sub-total	345,343	87,199
Income tax withheld on customer accounts - Savings Accounts	449	305
Income tax withheld on customer accounts - Time Deposit Accounts	22	13
Income tax withheld on customer accounts - Current Accounts	21	19
	345,835	87,536

16. DEFERRED TAXATION

The movement in the deferred taxation provision during the period was:

	Year ended 31 Dec 11 £	Year ended 31 Dec 10 £
Profit and loss account movement arising during the period	7,816	13,708

The provision for deferred taxation consists of accelerated capital allowances and other timing differences

	Year ended 31 Dec 11 £	Year ended 31 Dec 10 £
At 1 January	2,710	16,418
Capital allowance in excess of depreciation	7,816	(13,708)
At 31 December	10,526	2,710

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC
FINANCIAL STATEMENTS
YEAR ENDED 31st DECEMBER 2011

NOTES TO THE FINANCIAL STATEMENTS

17. FINANCIAL INSTRUMENTS

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 2011 approximates to the amounts at which these instruments are reflected in the balance sheet.

Debt securities are composed of UK Gilts of £1,000,000 with a rate of 4.75% maturing in September 2015; Commonwealth Bank of Australia of £1,000,000 with a rate of 3.8975 maturing in December 2015; and BNP Paribas of £500,000 with a rate of 6.742% to mature in September 2017.

LIQUIDITY RISK

Assets / liabilities analysed by the earlier of interest re-pricing date or maturity date (all in £'000s)

As at 31 December 2011

	< 3 months	3-6 months	6-12 months	1-5 years	> 5 years	Non- Interest bearing	Total
Assets							
Cash	46						46
Loans and advances to banks	1,485	500	3,000	11,100			16,085
Loans and advances to customers	10	3	80	224			317
Investment in subsidiary						0	0
Debt securities				2,152	526		2,678
Tangible fixed assets						445	445
Other assets	43	4	18	313	63		441
Amounts due from group undertakings	3,158						3,158
Total Assets	4,742	507	3,098	13,789	589	445	23,170
Liabilities							
Customer accounts	2,426	202	11	-	-	-	2,639
Other liabilities	346			-	-		346
Shareholders' funds	-	-	-	-	-	20,185	20,185
Total Liabilities and Shareholders' Funds	2,772	202	11	-	-	20,185	23,170
Liquidity gap	1,970	305	3,087	13,789	589	(19,740)	0
Cumulative gap	1,970	2,275	5,362	19,151	19,740	0	

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC
FINANCIAL STATEMENTS
YEAR ENDED 31st DECEMBER 2011

NOTES TO THE FINANCIAL STATEMENTS

17. FINANCIAL INSTRUMENTS (continued)

As at 31 December 2010

	< 3 months	3-6 months	6-12 months	1-5 years	> 5 years	Non- interest bearing	Total
Assets							
Cash	16						16
Loans and advances to banks	1,813		8,300	7,000			17,113
Loans and advances to customers	30	33	73	238			374
Investment in Subsidiary						0	0
Debt securities				3,077	1,123		4,200
Tangible fixed assets						506	506
Other assets	34	3	85	112	89		323
Amounts due from group undertakings	197						197
Total Assets	2,090	36	8,458	10,427	1,212	507	22,730
Liabilities							
Customer accounts	1,936	518	10	-	-	-	2,464
Other liabilities	43	42	3	-	-	-	88
Shareholders' funds	-	-	-	-	-	20,178	20,178
Total Liabilities and Shareholders' Funds	1,979	560	13	-	-	20,178	22,730
Liquidity gap	111	-524	8,445	10,427	1,212	(19,671)	0
Cumulative Gap	111	-413	8,032	18,459	19,671	0	

Interest Rate Risk

The company has no borrowings and is therefore not exposed to interest rate risk in this regard. It has £2,638,824 of customer deposit accounts on which interest is paid.

The company earns interest primarily on £16,084,686 of loans and advances to banks, £2,677,703 of debt securities, and £317,268 of loans and advances to customers.

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC
FINANCIAL STATEMENTS
YEAR ENDED 31st DECEMBER 2011

NOTES TO THE FINANCIAL STATEMENTS

17. FINANCIAL INSTRUMENTS (continued)

CURRENCY ASSETS AND LIABILITIES ANALYSED BY CURRENCY (reported in GBP translated at year end rates)

	EURO	US DOLLARS	PHILIPPINE PESO	31-Dec 2011 Total	31-Dec 2010 Total
ASSETS					
Loans and advances to banks	201,956	17,642	0	219,598	20,050
Debt securities	0	0	0	0	592,335
Amounts due from group undertakings	4,260	493,518	117,521	615,299	155,548
Other assets	2,227	0	0	2,227	26,241
Total Assets	208,443	511,160	117,521	837,124	794,174
LIABILITIES					
Customers accounts	45,142	149,098	0	194,240	543,847
Other liabilities	13,842	118	0	13,960	15
Total Liabilities	58,984	149,216	0	208,200	543,862

Foreign exchange risk is largely due to exchange movements between the Euro and Pounds Sterling, and to a lesser extent between the US Dollar and Pounds Sterling. In 2011, with the withdrawal of Euro and US Dollar customer deposits, the bank sold its investments in Euro and US Dollars denominated Republic of the Philippines Treasury Bills. Some exchange rate risk also arises from movements between the Philippine Peso and Pounds Sterling due to the intercompany account held with the parent, BPI Manila, and to the short term timing differences between receiving remittance funds in Pounds Sterling and processing them in Philippine Pesos.

18. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2011 the company had annual commitments under non-cancellable operating leases as set out below

	Land & Buildings	
	2011	2010
	£	£
Operating leases which expire		
After more than 5 years	65,000	108,425

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC
FINANCIAL STATEMENTS
YEAR ENDED 31st DECEMBER 2011

NOTES TO THE FINANCIAL STATEMENTS

19. CALLED UP SHARE CAPITAL

	Year ended 31 Dec 11 £	Year ended 31 Dec 10 £
Authorised share capital		
20,000,000 ordinary shares of £1 each	20,000,000	20,000,000
Allotted and called up:	£	£
Ordinary shares of £1 each	20,000,000	20,000,000

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Year ended 31 Dec 11 £	Year ended 31 Dec 10 £
Retained profit brought forward	178,535	498,104
Share capital brought forward	20,000,000	20,000,000
Opening shareholders' funds	20,178,535	20,498,104
Profit/(loss) for the financial year	6,884	(319,569)
New ordinary share capital subscribed	0	0
Net addition to shareholders' funds	6,884	(319,569)
Closing shareholders' funds	20,185,419	20,178,535

21. ULTIMATE PARENT COMPANY

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