COMPANY REGISTRATION NUMBER 5888535

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

FINANCIAL STATEMENTS

YEAR ENDED 31st DECEMBER 2012

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Officers and Professional Advisers

The board of directors

Mr Edgardo Ocampo Madrilejo
Mr Alexander Balan Tan III
Mr Aurelio Reyes Montinola III
Mr Nigel Mervyn Sutherland Rich C B E , FCA
Mr Simon Michell
Mr John Reed
Mr Mario Antonio Paner

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

THE DIRECTORS' REPORT

The directors present their report and the audited financial statements of the Bank of Philippine Islands (Europe) Plc ("the company" or "BPI Europe") for the year ended 31st December 2012

RESULTS AND DIVIDENDS

The profit for the year 2012, after taxation, amounted to £85,833 (2011 £6,884) The directors have not recommended a dividend, (2011 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) and Italy 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, and Milan, Italy was opened on 17 June 2012

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 £110,513 (2011 £19,865)

Interest receivable and similar income for the year amounted to £609,757 (2011 £587,278), mainly due to interest received on interbank deposits. Fee and commission income during the year was £626,001 (2011 £499,014) and was due to foreign exchange profit and remittance services Gains from foreign exchange transactions for the year amounted to £790,975 (2011 £133,226) Total assets were £24,129,717 (2011 £23,170,078).

Operating expenses for the year amounted to £1,833,387 (2011 £1,354,210) The bank's current ratio (total assets divided by current liabilities) is 6 25 (2011 7 8) The bank's return on equity (profit after tax divided by the total shareholders' funds) for the year was 0 32% (2011 0 03%).

FUTURE DEVELOPMENTS

The directors do not expect any significant developments in the company's business in the current period to be significantly different from its present activities

FINANCIAL INSTRUMENTS

The company's material financial instruments comprise loans and advances to banks and customers, investment in debt securities 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

THE DIRECTORS' REPORT (continued)

YEAR ENDED 31st DECEMBER 2012

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, bank and corporate bonds Funds are placed by senior management within limits set by the board with guidance from the parent bank and are regularly reviewed These credits are also regularly reviewed by senior management

Foreign currency risk
The Bank is exposed to foreign currency risk in a number of ways trading in foreign exchange markets for its own account, trading in foreign exchange markets in providing a customer service and buying or selling securities denominated in foreign currencies 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
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

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 2012 was not more than 30

INTERNAL CONTROLS

Risk review and the internal controls 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 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 true and fair view of the state of affairs of the company and of the profit 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

THE DIRECTORS' REPORT (continued)

YEAR ENDED 31st DECEMBER 2012

- 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 18 MARCH 2013

On behalf of the board

Mr E O Madrilejo
Managing Director & CEO

Date 18 MARCH 2013

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 2012, 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 Statement of Directors' Responsibilities 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 2012 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

Opinion on other matter 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

Alastair Findlay (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
18 March 2013

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

PROFIT AND LOSS ACCOUNT

	Note	Year ended 31 Dec 12 £	Year ended 31 Dec 11 £
Interest receivable and similar income	2	609,757	587,278
Interest payable and similar charges	3	(14,030)	(14,360)
Net interest income		595,727	572,918
Fee and commission income		626,001	499,014
Foreign exchange gains		790,975	133,226
Other operating income		2,838	619
OPERATING INCOME		**2,015,541**	**1,205,777**
(Loss)/Gain on sale of investment	4	(23,240)	170,954
Administrative expenses		(1,757,003)	(1,273,994)
Depreciation		(76,384)	(80,216)
Impairment charges		(48,401)	(2,656)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	**110,513**	**19,865**
Tax on profit on ordinary activities	9	(24,680)	(12,981)
PROFIT FOR THE FINANCIAL YEAR		**85,833**	**6,884**

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

There are no material differences between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents

BALANCE SHEET

	Note	31 Dec 12 £	31 Dec 11 £
ASSETS			
Cash		367,657	45,598
Loans and advances to banks	10	16,633,854	16,084,686
Loans and advances to customers		355,702	317,268
Investment in subsidiary	11	1	1
Debt securities	17	4,797,261	2,677,703
Tangible fixed assets	12	420,145	444,522
Other assets	13	784,221	441,999
Amounts due from group undertakings	14	770,876	3,158,301
TOTAL ASSETS		**24,129,717**	**23,170,078**
LIABILITIES			
Customer accounts		3,573,375	2,638,824
Other liabilities	15,16	285,090	345,835
		3,858,465	2,984,659
TOTAL ASSETS LESS CURRENT LIABILITIES		**20,271,252**	**20,185,419**
Called-up equity share capital	19	20,000,000	20,000,000
Profit and loss account		271,252	185,419
TOTAL SHAREHOLDERS' FUNDS	20	**20,271,252**	**20,185,419**

These financial statements were approved by the board of directors and authorised for issue on 18 MARCH 2013 and are signed on their behalf by

Mr E O Madrilejo
Managing Director and CEO

Date . 18 MARCH 2013

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

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 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

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 is 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

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICIES (continued)

the amounts so written off are 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 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

Consolidation
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

2. INTEREST RECEIVABLE AND SIMILAR INCOME
The amount stated as interest receivable and similar income includes interest income from the parent company. In 2012, this amounted to £ 1,898 (2011 £1,251)

3. INTEREST PAYABLE AND SIMILAR CHARGES
There was no interest or similar charges payable to the parent company, (2011 nil)

4. (LOSS)/GAIN ON INVESTMENTS OR SECURITIES
The loss of GBP (23,240) was due to an investment in a callable bond of BNP Paribas which it called in 2012

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION
Profit on ordinary activities before taxation is stated after charging/(crediting)

	Year ended 31 Dec 12	Year ended 31 Dec 11
	£	£
Staff costs	999,479	744,914
Foreign exchange (gain)	(790,975)	(133,226)
Depreciation of fixed assets	76,384	80,216
Auditors' fees	21,012	20,500
Operating lease costs (rent expense)	215,874	155,438

The statutory audit fees payable to the Bank's auditors were £21,012 (2011 £20,500). There were no fees paid to the Bank's auditors in respect of non-audit services

NOTES TO THE FINANCIAL STATEMENTS

6. SEGMENTAL REPORTING

The company has two geographical and business segments the provision of banking services in the UK and in Italy

The Italian business has branches in Rome and Milan

The Milan branch opened on 17th June 2012 and the Rome branch on 1st June 2011 Interest income for 2012 was all earned in the UK and there was no contribution from the Milan or Rome branch

The Milan branch's main business for 2012 was customer remittances Total turnover was £107,224, composed of £91,071 in service charges and £16,153 in foreign exchange profit Costs to operate the Milan branch amounted to £206,147, which resulted in a Milan branch net loss of £98,923 in 2012 The total remittance count for 2012 was 20,223 There are no comparative figures for 2011

The Rome branch's main business for 2012 was customer remittances. Total turnover was £178,311 (2011 £125,601), composed of £144,972 (2011 £97,366) in service charges and £33,339 (2011 £28,235) in foreign exchange profit Costs to operate the Rome branch amounted to £387,867 (2011 £204,752), which resulted in a Rome branch net loss of £209,556 in 2012 (2011. £87,529) The total remittance count for 2012 was 31,540 (2011 15,953)

Financial data for Rome is for seven months only in 2011 but whole year for 2012 Financial data for Milan is for six months only in 2012 with no comparable figures in 2011

NOTES TO THE FINANCIAL STATEMENTS

6. SEGMENTAL REPORTING (continued)

PROFIT AND LOSS ACCOUNT	UK	ITALY	TOTAL
	Year ended	Year ended	Year ended
	31 Dec 12	31 Dec 12	31 Dec 12
	£	£	£
Interest receivable and similar income	609,757	-	609,757
Interest payable and similar charges	(14,030)	-	(14,030)
Net interest income	595,727	-	595,727
Fees and commission income	389,958	236,043	626,001
Foreign exchange gains	741,635	49,340	790,975
Other operating income	2,686	152	2,838
OPERATING INCOME	1,730,006	285,535	2,015,541
Loss on sale of investment	(23,240)	-	(23,240)
Administrative expenses	(1,171,176)	(585,827)	(1,757,003)
Depreciation	(68,197)	(8,187)	(76,384)
Impairment charges	(48,401)	-	(48,401)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	**418,992**	**(308,479)**	**110,513**
Tax on profit on ordinary activities	(24,680)	-	(24,680)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	**394,312**	**(308,479)**	**85,833**

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 12	Year ended 31 Dec 11
Number of administrative staff	31	17
Number of management staff	2	2
Total	**33**	**19**

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

	Year ended 31 Dec 12	Year ended 31 Dec 11
	£	£
Wages and salaries	866,098	662,839
Social security costs	133,381	82,075
	999,479	**744,914**

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 12	Year ended 31 Dec 11
	£	£
Directors' remuneration	313,852	317,497
Highest paid Director	190,432	198,432

Directors are not entitled to either shares or share options under long-term incentive schemes. No director receives contributions to money purchase scheme pensions No director holds or exercised share options in the company

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

NOTES TO THE FINANCIAL STATEMENTS

9. TAX ON PROFIT FROM ORDINARY ACTIVITIES

(a) Analysis of tax charge for the year

	Year ended 31 Dec 12 £	Year ended 31 Dec 11 £
Current tax		
In respect of the year.		
UK corporation tax based on the results for the period at 24% (2011 26%)	-	5,165
Deferred tax		
Origination and reversal of timing differences	24,680	7,816
Tax charge on profit on ordinary activities	**24,680**	**12,981**

(b) Factors affecting tax charge for the year

The tax credit for the period is lower (2011 higher tax charge) than the standard rate of corporation tax in the UK (24%) due to the differences explained below

	Year ended 31 Dec 12 £	Year ended 31 Dec 11 £
Profit on ordinary activities before taxation	110,513	19,865
Profit on ordinary activities multiplied by standard rate of UK corporation tax of 24% (2011· 26%)	26,523	5,165
Losses brought forward and utilised	(26,523)	-
Effects of under provision		
Current tax (Note 9(a))	-	**5,165**

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

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 2012	529,494	48,758	124,098	16,773	719,123
Additions	37,551	5,821	3,232	5,399	52,003
At 31 Dec 2012	567,045	54,579	127,330	22,172	771,126
DEPRECIATION					
At 1 January 2012	135,496	34,622	96,988	7,492	274,598
Charge for the period	40,800	10,233	21,147	4,203	76,383
At 31 Dec 2012	176,296	44,855	118,135	11,695	350,981
NET BOOK VALUE					
At 31 December 2012	**390,749**	**9,724**	**9,195**	**10,477**	**420,145**

13. OTHER ASSETS

	31 Dec 12 £	31 Dec 11 £
Amounts falling due within one year		
Accrued interest receivable	603,183	336,377
Prepayments and other assets	107,553	52,581
	710,736	388,958
Amounts falling due after more than one year		
Operating lease deposit	73,485	53,041
TOTAL	**784,221**	**441,999**

NOTES TO THE FINANCIAL STATEMENTS

14. AMOUNTS DUE FROM GROUP UNDERTAKINGS

	31 Dec 12	31 Dec 11
	£	£
Receivable on demand – From parent company	**770,876**	**3,158,301**

15. OTHER LIABILITIES

	31 Dec 12	31 Dec 11
	£	£
Other taxation and social security	19,284	29,541
Accrued interest payable	568	617
Accrued expenses and other creditors	229,437	304,659
Deferred tax liability (Note 16)	35,206	10,526
Sub-total	284,495	345,343
Income tax withheld on customer accounts - Savings Accounts	547	449
Income tax withheld on customer accounts - Time Deposit Accounts	27	22
Income tax withheld on customer accounts - Current Accounts	21	21
TOTAL	**285,090**	**345,835**

16. DEFERRED TAXATION

The movement in the deferred taxation provision during the period was

	Year ended 31 Dec 12	Year ended 31 Dec 11
	£	£
Profit and loss account movement arising during the period	24,680	7,816

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

	Year ended 31 Dec 12	Year ended 31 Dec 11
	£	£
At 1 January	10,526	2,710
Origination and reversal of timing differences	24,680	7,816
At 31 December	35,206	10,526

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 2012 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, Bonds Commonwealth Bank of Australia of £1,000,000 with a rate of 3 8975% maturing in December 2015, Bank of America of £500,000 with a rate of 6 1/8% maturing on 15 September 2021 and Marks and Spencer of £2,000,000 with a rate of 6 1/8% maturing on 6 December 2021

LIQUIDITY RISK

Assets / liabilities analysed by the earlier of interest re-pricing date or maturity date as at 31 December 2012

£'000s	< 3 months	3-6 months	6-12 months	1-5 years	> 5 years	Non-interest bearing	Total
Assets							
Cash	368						368
Loans and advances to banks	5,534	3,000	4,000	4,100			16,634
Loans and advances to customers	11	17	65	263			356
Debt securities				2,110	2,687		4,797
Tangible fixed assets						420	420
Other assets	92	3	379	219	91		784
Amounts due from group undertakings	771						771
Total Assets	**6,776**	**3,020**	**4,444**	**6,692**	**2,778**	**420**	**24,129**
Liabilities	3,624	139	95				3,858
Customer accounts	3339	139	95				3,573
Other liabilities	285						285
Shareholders' funds						20,271	20,271
Total Liabilities and Shareholders' Funds	**3,624**	**139**	**95**			**20,271**	**24,129**
Liquidity Surplus/(Deficit)	**3,152**	**2,881**	**4,349**	**6,692**	**2,778**	**(19,852)**	
Cumulative Surplus/(Deficit)	3,152	6,033	10,302	17,074	19,852		

NOTES TO THE FINANCIAL STATEMENTS

17. FINANCIAL INSTRUMENTS (continued)

As at 31 December 2011

£'000	<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							
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 Surplus/(Deficit)	**1,970**	**305**	**3,087**	**13,789**	**589**	**(19,740)**	
Cumulative Surplus/(Deficit)	1,970	2,275	5,362	19,151	19,740		

Interest Rate Risk

The company has no bank or wholesale borrowings, and therefore it is not exposed to interest rate risk in relation to these. It has £3,573,375 of customer deposit accounts on which interest is paid

The company earns interest primarily on

£16,633,854 of loans and advances to banks, £4,797,261 of debt securities, and £355,702 of loans and advances to customers

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 2012 Total	31-Dec 2011 Total
ASSETS					
Foreign currency notes	330	13		**343**	
Loans and advances to banks	1,930	833		**2,763**	**219,598**
Debt securities					
Amounts due from group undertakings	6	353	188	**547**	**615,299**
Fixed assets	47			**47**	
Other assets	27			**27**	**2,227**
TOTAL ASSETS	**2,340**	**1,199**	**188**	**3,727**	**837,124**
LIABILITIES					
Customer accounts	46	614		**660**	**194,240**
Other liabilities	82			**82**	**13,960**
TOTAL LIABILITIES	**128**	**614**		**742**	**208,200**

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. 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 2012 the company had annual commitments under non-cancellable operating leases as set out below

Land and Buildings

	2012	2011
Operating leases which expire	£	£
0 - 1 years	4,922	2,228
1 - 5 years	50,813	-
After more than 5 years	17,750	50,813

NOTES TO THE FINANCIAL STATEMENTS

19. CALLED UP SHARE CAPITAL

	Year ended 31 Dec 12	Year ended 31 Dec 11
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 12	Year ended 31 Dec 11
	£	£
Retained profit brought forward	185,419	178,535
Share capital brought forward	20,000,000	20,000,000
OPENING SHAREHOLDERS' FUNDS	**20,185,419**	**20,178,535**
Profit for the financial year	85,833	6,884
Net addition to shareholders' funds	85,833	6,884
CLOSING SHAREHOLDERS' FUNDS	**20,271,252**	**20,185,419**

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