

COMPANY REGISTRATION NUMBER 5888535

**BANK OF THE PHILIPPINE ISLANDS  
(EUROPE) PLC  
FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2013**



**BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31<sup>st</sup> DECEMBER 2013**

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

**BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC  
FINANCIAL STATEMENTS  
YEAR ENDED 31<sup>st</sup> DECEMBER 2013**

**Officers and Professional Advisers**

**The Board of Directors ("the Board")**

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 Mitchell  
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 HA5 7AQ

**BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31<sup>st</sup> DECEMBER 2013**

**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" or "the bank") for the year ended 31st December 2013.

**RESULTS AND DIVIDENDS**

The profit for the 2013 financial year amounted to £99,097 (2012: £85,833) The directors have not recommended a dividend, (2012 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

There have been no events since the balance sheet date which materially affect the position of the company, other than the maturity of four deposits totaling \$33,945,000 (£20,506,542)

**REVIEW OF THE BUSINESS**

The bank has reported a profit before tax for the year amounting to £122,928 (2012: £110,513)

Interest receivable and similar income for the year amounted to £641,791 (2012 £609,757), mainly due to interest received on interbank deposits. Fee and commission income during the year was £712,926 (2012 £626,001) mainly due to remittance services. Gains from foreign exchange transactions for the year amounted to £1,046,104 (2012 £790,975) Total assets were £46,195,900 (2012 £24,129,717), and current liabilities were £25,825,551 (2012 £3,858,465) The increase in both assets and liabilities was brought about by four Time Deposit Placements totaling \$33,945,000 (£20,506,542). The proceeds of these Time Deposit Placements were deposited in the bank's account with the Bank of the Philippine Islands ("the parent bank") This is the main driver behind the decrease of the bank's current ratio, shown below

Operating expenses for the year amounted to £2,235,120 (2012 £1,833,387) The bank's current ratio (total assets divided by current liabilities) is 1.79 (2012 6.25) The bank's return on equity (profit after tax divided by the total shareholders' funds) for the year was 0.49% (2012 0.42%)

**FUTURE DEVELOPMENTS**

A new Managing Director is expected to assume office in 2014 He will carry out a review of the bank's present activities and initiate new business plans and strategies

**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

**BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31<sup>st</sup> DECEMBER 2013**

**THE DIRECTORS' REPORT** (continued)

established risk limits set by the Board with guidance from the parent company, reporting lines and a system of control and 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. The liquidity risk limits set by the Prudential Regulation 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. 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 Prudential Regulation 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 on 1st January 2012

**BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31<sup>st</sup> DECEMBER 2013**

**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 2013 was not more than 30 days.

**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.

**DIRECTORS' RESPONSIBILITIES STATEMENT**

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.

**BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC  
FINANCIAL STATEMENTS  
YEAR ENDED 31<sup>st</sup> DECEMBER 2013**

**THE DIRECTORS' REPORT** (continued)

**STATEMENT OF DISCLOSURE OF FINANCIAL INFORMATION TO AUDITORS**

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 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 24 March 2014

On behalf of the board

  
Mr Alexander B Tan III  
Managing Director

Date 25 March 2014

**BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC  
FINANCIAL STATEMENTS  
YEAR ENDED 31<sup>st</sup> DECEMBER 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 2013, 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 Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2013 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 31<sup>st</sup> DECEMBER 2013**

**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 (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

28 March 2014

**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 31<sup>st</sup> DECEMBER 2013**

**PROFIT AND LOSS ACCOUNT**

		Year ended 31 Dec 13	Year ended 31 Dec 12
	Note	£	£
Interest receivable and similar income	2	641,791	609,757
Interest payable and similar charges	3	(23,112)	(14,030)
Net interest income		618,679	595,727
Fee and commission income		712,926	626,001
Foreign exchange gains		1,046,104	790,975
Other operating income		1,005	2,838
<b>OPERATING INCOME</b>		<b>2,378,714</b>	<b>2,015,541</b>
Loss on sale of investment	4	-	(23,240)
Administrative expenses	7	(2,177,311)	(1,757,003)
Depreciation		(57,809)	(76,384)
Impairment charges	22	(20,666)	(48,401)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>122,928</b>	<b>110,513</b>
Tax on profit on ordinary activities	9	(23,831)	(24,680)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b><u>99,097</u></b>	<b><u>85,833</u></b>

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

**BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31<sup>st</sup> DECEMBER 2013**

**BALANCE SHEET**

	Note	31 Dec 13 £	31 Dec 12 £
<b>ASSETS</b>			
Cash		151,448	367,657
Loans and advances to banks	10	14,268,260	16,633,854
Loans and advances to customers		295,958	355,702
Investment in a subsidiary	11	1	1
Debt securities	18	9,814,785	4,797,261
Tangible fixed assets	12	375,577	420,145
Other assets	13	683,420	784,221
Amounts due from group undertakings	14	20,606,451	770,876
<b>TOTAL ASSETS</b>		<b><u>46,195,900</u></b>	<b><u>24,129,717</u></b>
<b>LIABILITIES</b>			
Customer accounts	15	25,061,621	3,573,375
Bank borrowings		499,800	-
Other liabilities	16	264,130	285,090
		<u>25,825,551</u>	<u>3,858,465</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>20,370,349</b>	<b>20,271,252</b>
Called up share capital	20	20,000,000	20,000,000
Profit and loss account		370,349	271,252
<b>TOTAL SHAREHOLDERS' FUNDS</b>	21	<b><u>20,370,349</u></b>	<b><u>20,271,252</u></b>

These financial statements were approved by the board of directors and authorised for issue on 24 MARCH 2014 and are signed on their behalf by

  
 Mr Alexander B Tan III  
 Managing Director

Date 25 March 2014

The notes on pages 12 to 25 form part of these financial statements.

**BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31<sup>st</sup> DECEMBER 2013**

**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 FRs 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 are recognised when the service is provided. Interest receivable on advances are recognised on an accruals basis. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account

**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 31<sup>st</sup> DECEMBER 2013**

**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 initially recognised at fair value, and then subsequently at amortised cost. 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

**BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31<sup>ST</sup> DECEMBER 2013**

**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 financial statement 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 2013, this amounted to £2,635 (2012: £1,898).

**3 INTEREST PAYABLE AND SIMILAR CHARGES**

There was no interest or similar charges payable to the parent company (2012: nil)

**4. LOSS ON SALE OF INVESTMENTS**

There was no loss on sale of investments in 2013 (2012: loss £23,240)

**5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

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

	Year ended 31 Dec 13	Year ended 31 Dec 12
	£	£
Staff costs	1,194,120	999,479
Foreign exchange (gain)	(1,046,104)	(790,975)
Depreciation of fixed assets	57,809	76,384
Auditors' fees	27,000	21,012
Operating lease costs (rent expense)	224,674	215,874

The statutory audit fees payable to the Bank's auditors were £27,000 (2012: £21,012). Audit related fees for the year amounted to £5,000 (2012: nil). There were no fees paid to the Bank's auditors in respect of non-audit and audit related services.

**BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31<sup>st</sup> DECEMBER 2013**

**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 2013 was all earned in the UK and there was no contribution from the Milan or Rome branch

The Milan branch's main business for 2013 was customer remittances and deposit taking Total turnover was £201,418 (2012 £107,224) composed of £176,747 (2012 £91,071) in service charges and £24,659 (2012 £16,153) in foreign exchange profit. Costs to operate the Milan branch amounted to £439,813 (2012 £206,147) which resulted in a Milan branch net loss of £238,395 in 2013 (2012 £98,923) The total remittance count for 2013 was 36,482 (2012 20,223). Financial data for Milan is only for six months in 2012 but the whole year in 2013

The Rome branch's main business for 2013 was customer remittances and deposit taking Total turnover was £166,588 (2012 £178,311), composed of £145,573 (2012 £145,058) in service charges and £21,014 (2012 £33,253) in foreign exchange profit Costs to operate the Rome branch amounted to £433,374 (2012 £387,867), which resulted in a Rome branch net loss of £266,786 in 2013 (2012 £209,556) The total remittance count for 2013 was 29,824 (2012 31,540)

**BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31<sup>st</sup> DECEMBER 2013**

**NOTES TO THE FINANCIAL STATEMENTS**

**6. SEGMENTAL REPORTING (continued)**

PROFIT AND LOSS ACCOUNT	UK	ITALY	TOTAL
	Year ended	Year ended	Year ended
	31 Dec 13	31 Dec 13	31 Dec 13
	£	£	£
Interest receivable and similar income	641,791	-	641,791
Interest payable and similar charges	(23,112)	-	(23,112)
Net interest income	618,679	-	618,679
Fees and commission income	390,676	322,250	712,926
Foreign exchange gains	1,000,431	45,673	1,046,104
Other operating income	922	83	1,005
OPERATING INCOME	2,010,708	368,006	2,378,714
Administrative expenses	(1,313,052)	(864,259)	(2,177,311)
Depreciation	(48,880)	(8,929)	(57,809)
Impairment charges	(20,666)	-	(20,666)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	628,110	(505,182)	122,928
Tax on profit on ordinary activities	(23,831)	-	(23,831)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	604,279	(505,182)	99,097



**BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31<sup>st</sup> DECEMBER 2013**

**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 13	Year ended 31 Dec 12
Number of administrative staff	37	31
Number of management staff	1	2
<b>Total</b>	<b>38</b>	<b>33</b>

Management staff comprises one director who is an employee of the company. The payroll costs of the staff employed were

	Year ended 31 Dec 13 £	Year ended 31 Dec 12 £
Wages and salaries	1,020,539	866,098
Social security costs	173,581	133,381
	<b>1,194,120</b>	<b>999,479</b>

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 13 £	Year ended 31 Dec 12 £
Directors' remuneration	223,198	313,852
Highest paid Director	127,750	190,432

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

**BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31<sup>st</sup> DECEMBER 2013**

**NOTES TO THE FINANCIAL STATEMENTS**

**9. TAX ON PROFIT FROM ORDINARY ACTIVITIES**

(a) Analysis of tax charge for the year

	Year ended 31 Dec 13 £	Year ended 31 Dec 12 £
Current tax		
In respect of the year		
UK corporation tax based on the results for the period at 20% (2012: 24%)	27,610	-
Deferred tax		
Timing differences	(3,779)	24,680
Tax charge on profit on ordinary activities	<u>23,831</u>	<u>24,680</u>

(b) Factors affecting tax charge for the year

The tax charge for the year is higher (2012: lower tax charge) than the standard rate of corporation tax in the UK of 20% (2012: 24%) due to the differences explained below:

	Year ended 31 Dec 13 £	Year ended 31 Dec 12 £
Profit on ordinary activities before taxation	122,928	110,513
Profit on ordinary activities multiplied by standard rate of UK corporation tax of 20% (2012: 24%)	24,586	26,523
Losses brought forward and utilised	-	(26,523)
Disallowable expenditure	3,024	-
Current tax (Note 9a)	<u>27,610</u>	<u>-</u>

**10. ASSETS PLEDGED AS SECURITY**

Contained within loans and advances to banks is £101,281 deposited with Barclays Bank in London as security for using their BACS payment system and €516,131 (£429,937) with Istituto Centrale Banche Popolari Italiane (ICBPI) in Rome, Italy

**BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31<sup>st</sup> DECEMBER 2013**

**NOTES TO THE FINANCIAL STATEMENTS**

**11. INVESTMENT IN A 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 financial statement 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 £
<b>COST</b>					
At 1 January 2013	567,045	54,579	127,330	22,172	771,126
Additions	5,193	3,063	1,955	1,961	12,172
At 31 Dec 2013	572,238	57,642	129,285	24,133	783,298
<b>DEPRECIATION</b>					
At 1 January 2013	176,296	44,855	118,135	11,695	350,981
Charge for the period	43,053	4,287	6,892	2,508	56,740
At 31 Dec 2013	219,349	49,142	125,027	14,203	407,721
<b>NET BOOK VALUE</b>					
At 31 December 2013	352,889	8,500	4,258	9,930	375,577

**13. OTHER ASSETS**

	31 Dec 13 £	31 Dec 12 £
Amounts falling due within one year		
Accrued interest receivable	427,933	603,183
Prepayments and other assets	181,037	107,553
	608,970	710,736
Amounts falling due after more than one year		
Operating lease deposit	74,450	73,485
<b>TOTAL</b>	<b>683,420</b>	<b>784,221</b>

**BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31<sup>st</sup> DECEMBER 2013**

**NOTES TO THE FINANCIAL STATEMENTS**

**14. AMOUNTS DUE FROM GROUP UNDERTAKINGS**

	31 Dec 13	31 Dec 12
	£	£
Receivable on demand – From parent company	<b>20,606,451</b>	<b>770,876</b>

The increase was brought about by four Time Deposit Placements totaling \$33,945,000 (£20,506,542), the proceeds of which were deposited in the company's account with the parent bank

**15. CUSTOMER ACCOUNTS**

	31 Dec 13	31 Dec 12
	£	£
Customer Accounts	<b>25,061,621</b>	<b>3,573,375</b>

Including the four Time Deposit Placements totaling \$33,945,000 (£20,506,542) referred to in Note 14

**16. OTHER LIABILITIES**

	31 Dec 13	31 Dec 12
	£	£
Other taxation and social security	29,855	19,284
Accrued interest payable	247	568
Accrued expenses and other creditors	201,853	229,437
Deferred tax liability (Note 16)	31,427	35,206
Sub-total	263,382	284,495
Income tax withheld on customer accounts - Savings Accounts	603	547
Income tax withheld on customer accounts - Time Deposit Accounts	128	27
Income tax withheld on customer accounts - Current Accounts	17	21
<b>TOTAL</b>	<b>264,130</b>	<b>285,090</b>

**17. DEFERRED TAXATION**

The movement in the deferred taxation provision during the period was

	Year ended 31 Dec 13	Year ended 31 Dec 12
	£	£
Profit and loss account movement arising during the period	(3,779)	24,680

**BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31<sup>st</sup> DECEMBER 2013**

**NOTES TO THE FINANCIAL STATEMENTS**

**17. DEFERRED TAXATION (continued)**

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

	Year ended 31 Dec 13 £	Year ended 31 Dec 12 £
At 1 January	35,206	10,526
Timing differences capital allowance in excess of depreciation	(3,779)	24,680
At 31 December	31,427	35,206

**18. 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 2013 approximates to the amounts at which these instruments are reflected in the balance sheet.

Debt securities are composed of UK Gilts, UK Corporate Bonds and Non-UK Corporate Bonds

**LIQUIDITY RISK**

Assets / liabilities analysed by the earlier of interest re-pricing date or maturity date as at 31 December 2013

£'000s	< 3 months	3-6 months	6-12 months	1-5 years	> 5 years	Non- interest bearing	Total
<b>Assets</b>							
Cash	151						151
Loans and advances to banks	11,568	200	2,500				14,268
Loans and advances to customers	17	18	82	179			296
Debt securities	24	36	86	2,943	6,726		9,815
Tangible fixed assets						376	376
Other assets	274	71	72	267			684
Amounts due from group undertakings	20,606						20,606
<b>Total Assets</b>	<b>32,640</b>	<b>325</b>	<b>2,740</b>	<b>3,389</b>	<b>6,726</b>	<b>376</b>	<b>46,196</b>

**BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31<sup>st</sup> DECEMBER 2013**

**NOTES TO THE FINANCIAL STATEMENTS**

**18. FINANCIAL INSTRUMENTS (continued)**

<b>Liabilities</b>						
Customer accounts	24,928	134				25,062
Loans from bank	500					500
Other liabilities	264					264
Shareholders' funds					20,370	20,370
<b>Total Liabilities and Shareholders' Funds</b>	<b>25,692</b>	<b>134</b>			<b>20,370</b>	<b>46,196</b>
Liquidity Surplus/(Deficit)	6,948	191	2,740	3,389	6,726	(19,994)
Cumulative Surplus	6,948	7,139	9,879	13,268	19,994	

As at 31 December 2012

£'000	<3 months	3-6 months	6-12 months	1-5 years	>5 years	Non interest bearing	Total
<b>Assets</b>							
Cash	368						368
Loans and advances 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
<b>Total Assets</b>	<b>6,776</b>	<b>3,020</b>	<b>4,444</b>	<b>6,692</b>	<b>2,778</b>	<b>420</b>	<b>24,129</b>
<b>Liabilities</b>							
Customer accounts	3,339	139	95				3,573
Other liabilities	285						285
Shareholders' funds						20,271	20,271
<b>Total Liabilities and Shareholders' Funds</b>	<b>3,624</b>	<b>139</b>	<b>95</b>			<b>20,271</b>	<b>24,129</b>
Liquidity Surplus/(Deficit)	3,152	2,881	4,349	6,692	2,778	(19,852)	
Cumulative Surplus	3,152	6,033	10,382	17,074	19,852		

**BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31<sup>st</sup> DECEMBER 2013**

**NOTES TO THE FINANCIAL STATEMENTS**

**18. FINANCIAL INSTRUMENTS (continued)**

**Interest Rate Risk**

The company has an outstanding interbank borrowing of €600,000 (£499,800) which exposes the bank to interest rate risk. It has £25,061,621 of customer deposit accounts on which interest is paid.

The company earns interest primarily on

£14,268,260 of loans and advances to banks, £9,814,785 of debt securities, and £295,958 of loans and advances to customers.

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

	<b>EURO</b>	<b>US DOLLARS</b>	<b>PHILIPPINE PESO</b>	<b>31-Dec 2013 Total</b>	<b>31-Dec 2012 Total</b>
<b>ASSETS</b>					
Foreign currency notes	127	7		134	343
Loans and advances to banks	1,237	722		1,959	2,763
Debt securities –					
Amounts due from group undertakings	123	19,867	76	20,066	547
Fixed assets	50			50	47
Other assets	52	89		141	27
<b>TOTAL ASSETS</b>	<b>1,589</b>	<b>20,685</b>	<b>76</b>	<b>22,350</b>	<b>3,727</b>
<b>LIABILITIES</b>					
Customer accounts	444	20,763		21,207	660
Bank borrowings	500			500	
Other liabilities	56			56	82
<b>TOTAL LIABILITIES</b>	<b>1,000</b>	<b>20,763</b>		<b>21,763</b>	<b>742</b>

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.

**BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31<sup>st</sup> DECEMBER 2013**

**19. COMMITMENTS UNDER OPERATING LEASES**

At 31 December 2013 the company had annual commitments under non-cancellable operating leases as set out below.

Land and Buildings	2013	2012
	£	£
Operating leases which expire		
0 - 1 year	6,000	38,445
1 - 5 years	158,780	51,896
After more than 5 years	70,000	141,317

**20. CALLED UP SHARE CAPITAL**

	Year ended 31 Dec 13	Year ended 31 Dec 12
	£	£
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

**21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	Year ended 31 Dec 13	Year ended 31 Dec 12
	£	£
Retained profit brought forward	271,252	185,419
Share capital brought forward	20,000,000	20,000,000
<b>OPENING SHAREHOLDERS' FUNDS</b>	<b>20,271,252</b>	<b>20,185,419</b>
Profit for the financial year	99,097	85,833
Net addition to shareholders' funds	99,097	85,833
<b>CLOSING SHAREHOLDERS' FUNDS</b>	<b>20,370,349</b>	<b>20,271,252</b>



**BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31<sup>st</sup> DECEMBER 2013**

**22. IMPAIRMENT CHARGES**

Impairment charges consist of provisions for doubtful loans and advances to customers in both years and impairment of goodwill in 2012

**23. COMMITMENTS AND CONTINGENT LIABILITIES**

The contingent liabilities relate to negotiated letters of credit (LC) awaiting reimbursements from the LC – Issuing bank amounting to £146,000 (2012 Nil)

**24. 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