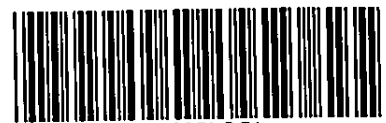


COMPANY REGISTRATION NUMBER 5888535

**BANK OF THE PHILIPPINE ISLANDS  
(EUROPE) PLC  
FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2009**

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**BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31<sup>st</sup> DECEMBER 2009**

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**BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31<sup>st</sup> DECEMBER 2009**

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**OFFICERS AND PROFESSIONAL ADVISERS**

Mr Edgardo Ocampo Madrilejo  
Mr Alexander Balan Tan III  
Ms Teresita Bautista Tan  
Mr Aurelio Reyes Montinola III  
Mr Nigel Mervyn Sutherland Rich C.B.E., FCA  
Mr Simon Michell  
Mr John Reed

**Registered office**

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

**Auditor**

PricewaterhouseCoopers LLP  
Chartered Accountants  
& Registered Auditors

**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 31<sup>st</sup> DECEMBER 2009**

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#### **THE DIRECTORS' REPORT**

The directors present their report and the financial statements of the company for the year ended 31st December 2009

#### **RESULTS AND DIVIDENDS**

The profit for the year 2009, after taxation, amounted to £63,879 (2008, £237,973). The Directors have not recommended a dividend.

#### **PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS**

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

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

During the year, the Financial Services Authority, has authorised the bank to provide cross border services to countries in continental Western Europe. The bank intends to passport and branch out to Italy and Spain in 2010.

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 loss before tax for the year amounting to £10,087 (2008 profit before tax of £369,051).

Interest receivable and similar income for the year amounted to £776,669 (2008 £1,172,794) mainly due to interbank deposits. Fees and commission income during the year of £316,410 (2008 £339,960) was due to remittance services. Gains from foreign exchange transactions for the year amounted to £54,019 (2008: £28,632).

Operating expenses for the year amounted to £1,131,778 (2008 £1,133,828). The bank's current ratio (total assets divided by current liabilities) is 13.8 (2008 14.0). The Bank has a debt to equity ratio (total debt divided by total shareholders' equity) of 0.08 (2008: 0.08). The Bank's return on equity (profit after tax divided by the total shareholders' equity) for the year was 0.3% (2008: 1.2%)

#### **FINANCIAL INSTRUMENTS**

The company's material financial instruments comprise loans and advances to banks, loans and advances to customers, 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 of Directors in accordance with guidelines from the parent company, reporting lines, and a system of control procedures. This structure is reviewed regularly by senior management who are charged with the responsibility for managing and controlling the exposures of the company, and then reviewed by the Board of Directors.

# **BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC**

## **FINANCIAL STATEMENTS**

### **YEAR ENDED 31<sup>st</sup> DECEMBER 2009**

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#### **THE DIRECTORS' REPORT** (continued)

##### ***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. This risk is monitored and reported to the Board on a periodic basis through its Internal Capital Adequacy Assessment Process (ICAAP) report.

##### ***Liquidity risk***

The Bank's liquidity policy is to provide full cover for all liabilities, real and contingent, through call deposits with accredited banks. 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. This risk is included in its ICAAP report and FSA reports.

##### ***Credit risk***

The Bank's main exposure to credit risk continues to be through interbank deposits. This was an area of particular focus and concern on the part of the directors as the financial crisis continued in 2009. These deposits are placed by senior management within limits set by the board with guidance from the parent bank and are regularly reviewed. This is reported to the Board through the ICAAP.

##### ***Foreign currency risk***

The Bank has not traded in foreign exchange markets to date on its own account, but is active in these markets in providing a customer service. All customers' transactions entered into by the Bank create minimal, if any, foreign exchange risk for the Bank. Senior management monitors these customer balances and securities to minimize this risk.

#### **DIRECTORS**

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

Mr Edgardo O Madrilejo  
Mr Alexander Balan Tan III  
Ms Teresita Bautista Tan  
Mr Aurelio Reyes Montinola III  
Mr Nigel Mervyn Sutherland Rich C.B.E.  
Mr Simon Michell  
Mr John Reed (appointed on 24th June 2009)

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.

# **BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC**

## **FINANCIAL STATEMENTS**

### **YEAR ENDED 31<sup>st</sup> DECEMBER 2009**

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#### **THE DIRECTORS' REPORT** (continued)

##### **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 2009 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.

##### **AUDITOR**

The Board agreed to tender the services of an external auditor for the ensuing year.

##### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping 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 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 2009**

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**THE DIRECTORS' REPORT** (continued)

In so far as the directors are aware:

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

Registered office  
4<sup>th</sup> Floor  
28/29 Threadneedle Street  
London EC2R8AY

Approved by the directors on April 26, 2010

Signed on behalf of the Directors



Mr E O Madrilejo  
Managing Director & CEO

# **BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC**

## **FINANCIAL STATEMENTS**

### **YEAR ENDED 31<sup>st</sup> DECEMBER 2009**

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#### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC YEAR ENDED 31<sup>st</sup> DECEMBER 2009**

We have audited the financial statements of the Bank of the Philippine Islands (Europe) Plc for the year ended 31 December 2009 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 and 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 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 Sections 495 and 496 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.

#### **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 2009 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 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.



**BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31<sup>st</sup> DECEMBER 2009**


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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC YEAR ENDED 31<sup>st</sup> DECEMBER 2009**

**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.



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

26 April 2010

**Notes:**

- (a) The maintenance and integrity of the Bank of the Philippines 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 2009**

**PROFIT AND LOSS ACCOUNT**

	Note	Year ended 31 Dec 09 £	Year ended 31 Dec 08 £
Interest receivable on loans and similar income		776,670	1,172,794
Interest payable on debt securities and similar charges		(10,459)	(38,507)
Net Interest Income		766,211	1,134,287
Fees and commissions receivable		316,411	339,960
Other operating income		39,069	28,632
OPERATING INCOME		1,121,691	1,502,879
Administrative expenses		(1,061,078)	(1,087,008)
Depreciation and amortisation		(70,700)	(46,820)
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(10,087)	369,051
Tax credit / (charge) on (loss) / profit on ordinary activities	5	73,966	(131,078)
PROFIT FOR THE FINANCIAL YEAR		63,879	237,973

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 31<sup>st</sup> DECEMBER 2009**

**BALANCE SHEET**

	Note	31 Dec 09 £	31 Dec 08 £
<b>ASSETS</b>			
Cash		4,478	15,088
Loans and advances to banks	6	20,375,251	20,516,316
Loans and advances to customers		236,925	70,000
Investment in subsidiary	7	1	1
Debt securities	13	460,706	-
Tangible fixed assets	8	573,223	631,522
Other assets	9	331,416	441,685
Amounts due from group undertakings		110,596	312,522
<b>TOTAL ASSETS</b>		<b>22,092,596</b>	<b>21,987,134</b>
<b>LIABILITIES</b>			
Customer accounts		1,525,722	1,407,951
Amounts due to group undertakings	10	7,656	25,326
Other liabilities	11	75,404	133,922
Sub Total		1,608,782	1,567,199
Called-up equity share capital	16	20,000,000	20,000,000
Profit and loss account		483,814	419,935
<b>SHAREHOLDERS' FUNDS</b>	17	<b>20,483,814</b>	<b>20,419,935</b>
<b>TOTAL LIABILITIES</b>		<b>22,092,596</b>	<b>21,987,134</b>

These financial statements were approved by the directors and authorised for issue on April 20, 2010 and are signed on their behalf by:

  
 -----  
 Mr E O Madrilejo

The notes on pages 12 to 22 form part of these financial statements

# **BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC**

## **FINANCIAL STATEMENTS**

### **YEAR ENDED 31<sup>st</sup> DECEMBER 2009**

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## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. ACCOUNTING POLICIES**

#### **Basis of preparation of financial statements:**

These financial statements are 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 Bankers' 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 No1 (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 on the accrual basis as the service is provided. Interest receivable on advances and interest payable on deposits received are recognised on an accruals basis

#### **Fixed assets**

All fixed assets are initially recorded at cost

#### **Depreciation**

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

Leasehold Property	Over the period of the lease
Office Furniture Over	5 years, straight line
Fixtures & 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 2009**

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**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, with the following exceptions:

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

Deferred tax balances are not discounted.

**Foreign currencies**

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

**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 carrying amount on the balance sheet. Debt securities are held at cost plus the amortisation of the premium to nominal

**BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC**  
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**YEAR ENDED 31<sup>st</sup> DECEMBER 2009**

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**NOTES TO THE FINANCIAL STATEMENTS**

**ACCOUNTING POLICIES** (continued)

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.

Since the bank does not measure financial instruments at fair value through profit and loss account, it falls out of the scope of FRS 26- Financial Instruments: Recognition and Measurement.

The Bank does not use derivatives to reduce its exposure to adverse movements in foreign currency exchange rates and interest rates

**Segmental reporting**

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

**2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

Profit on ordinary activities before taxation is stated after charging:

	Year ended 31Dec09	Year ended 31Dec08
	£	£
Directors' emoluments	309,817	291,696
Amortisation of leasehold improvements	35,814	22,449
Depreciation of owned fixed assets	34,886	24,371
Operating lease costs:		
Other (Rent Expense)	114,732	115,695

The statutory audit fees payable to the Bank's auditors were £19,500 (2008 £19,500). 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 31<sup>st</sup> DECEMBER 2009**

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**NOTES TO THE FINANCIAL STATEMENTS**

**3. PARTICULARS OF EMPLOYEES**

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

	Year ended 31Dec09	Year ended 31Dec08
Number of administrative staff	13	16
Number of management staff	2	2
Total	15	18

Management staff comprise two Directors who are employees of the company. The payroll costs of the staff employed were:

	Year ended 31Dec09 £	Year ended 31Dec08 £
Wages and salaries	561,436	501,884
Social security costs	60,337	60,080
	621,773	561,964

**4. DIRECTORS' EMOLUMENTS**

The directors' aggregate emoluments in respect of qualifying services were

	Year ended 31 Dec 09 £	Year ended 31 Dec 08 £
Directors' remuneration	309,817	291,696

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.

**BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC**  
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**YEAR ENDED 31<sup>st</sup> DECEMBER 2009**

**NOTES TO THE FINANCIAL STATEMENTS**

**5. TAXATION ON ORDINARY ACTIVITIES**

	Year ended 31Dec09 £	Year ended 31Dec08 £
(a) Analysis of charge in the year:		
Current tax		
In respect of the year:		
UK Corporation tax based on the results for the period at 28% (2008: 28.5%)	(64,435)	99,979
Deferred tax:		
Origination and reversal of timing differences	(9,531)	31,099
Tax (credit) / charge on (loss) / profit on ordinary activities	(73,966)	131,078

(b) Factors affecting tax charge for the year:

The tax credit for the period is higher (2008 charge lower) than the standard rate of corporation tax in the UK (28%) due to the differences explained below:

	Year ended 31 Dec09 £	Year ended 31 Dec08 £
(Loss) / Profit on ordinary activities before taxation	(10,087)	369,051
(Loss) / Profit on ordinary activities multiplied by standard rate of UK Corporation tax of 28% (2008 28.5%)	(2,824)	105,179
Effects of:		
Expenses not deductible for tax purposes	20,399	19,375
Capital allowances in excess of depreciation	(15,365)	(35,763)
Adjustment in respect of prior period	(66,645)	11,188
Current tax (Note 5(a))	(64,435)	99,979

The adjustment in respect of prior period represents a tax receivable relating to the realisation of deferred tax assets arising from BPI Remittance's trading losses.

**6. ASSETS PLEDGED AS SECURITY**

Contained within Loans and advances to banks is £100k deposited with Barclays as security for using their BACS payment system.



**BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC**  
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**YEAR ENDED 31<sup>st</sup> DECEMBER 2009**

**NOTES TO THE FINANCIAL STATEMENTS**

**7. 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.

**8. TANGIBLE FIXED ASSETS**

	Leasehold Improvements £	Fixtures and Fittings £	Office Furnitures £	Computer Equipment £	Total £
<b>COST</b>					
At 1 January 2009	510,801	42,491	122,710	7,954	683,956
Addition	12,364	0	403	257	13,024
Cost of Disposal				(793)	(793)
At 31 Dec 2009	523,165	42,491	123,113	7,418	696,187
<b>DEPRECIATION</b>					
At 1 January 2009	23,644	4,923	22,537	1,313	52,417
Charge for the period	35,814	8,498	24,602	1,863	70,778
Eliminated on Disposals				(230)	(230)
At 31 Dec 2009	59,458	13,421	47,140	2,946	122,964
<b>NET BOOK VALUE</b>					
At 31 December 09	463,708	29,070	75,974	4,471	573,223
At 1 January 09	487,157	37,568	100,173	6,642	631,540

**9. OTHER ASSETS**

	31Dec09 £	31Dec08 £
Amounts falling due within one year:		
Accrued interest receivable	160,744	337,742
Corporation tax receivable	73,144	-
Prepayments and other assets	45,459	53,130
Sub Total	279,347	390,872
Amounts falling due after more than one year:		
Operating lease deposit	52,073	50,813
	331,416	441,685

**BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31<sup>st</sup> DECEMBER 2009**

**NOTES TO THE FINANCIAL STATEMENTS**

**10. AMOUNTS DUE TO GROUP UNDERTAKINGS**

	31 Dec 09	31 Dec 08
	£	£
Payable on demand -To parent company	7,656	25,326

**11. OTHER LIABILITIES**

	31Dec09	31Dec08
	£	£
Corporation tax payable	-	28,791
Other taxation and social security	17,696	18,645
Accrued interest payable	228	4,137
Accrued expenses and other creditors	26,556	40,020
Deferred tax liability (note 12)	30,708	40,239
Sub-total	75,188	131,832
Income tax withheld on customer accounts-Savings Accounts	152	319
Income tax withheld on customer accounts-Time Deposit Accounts	44	1,194
Income tax withheld on customer accounts -Current Accounts	20	577
Total	75,404	133,922

**12. DEFERRED TAXATION**

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

	Year ended 31Dec09	Year ended 31Dec08
	£	£
Profit and loss account movement arising during the period	(9,531)	31,099

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

	Year ended 31Dec09	Year ended 31Dec08
	£	£
At 1 January	40,239	9,140
Capital allowance in excess of depreciation	(9,531)	31,708
Effect of change in standard rate of Corporation Tax	-	(609)
At 31 December	30,708	40,239

**BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC**  
**FINANCIAL STATEMENTS**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**13. 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 2009 approximates to the amounts at which these instruments are reflected in the balance sheet.

Most financial assets and liabilities are receivable/payable within one year. Debt Securities of £461k mature in 2016.

**INTEREST RATE SENSITIVITY ANALYSIS:**

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

**As at 31 December 2009**

	<3months	3-6 months	6-12 months	1-5 Years	>5 years	Non interest bearing	Total
<b>Assets</b>							
Cash	4	-	-	-	-	-	4
Loans and advances to banks	3,650	4,625	7300	4800	-	-	20,375
Loans and advances to customers	1	35	201	-	-	-	237
Investment in subsidiary	-	-	-	-	-	1	1
Debt Securities	-	-	-	-	461	-	461
Tangible Fixed Assets	-	-	-	-	-	573	573
Other Assets	179	44	56	52	-	-	331
Amounts due from group undertakings	111	-	-	-	-	-	111
<b>Total Assets</b>	<b>3,945</b>	<b>4,704</b>	<b>7557</b>	<b>4852</b>	<b>461</b>	<b>574</b>	<b>22,093</b>
<b>Liabilities</b>							
Customer accounts	1,365	161	-	-	-	-	1,526
Amounts due to group undertakings	8	-	-	-	-	-	8
Other Liabilities	44	-	-	31	-	-	75
Shareholders' funds	-	-	-	-	-	20,484	20484
<b>Total Liabilities</b>	<b>1,417</b>	<b>161</b>	<b>-</b>	<b>31</b>	<b>-</b>	<b>20,484</b>	<b>22,093</b>
<b>Interest rate sensitivity gap</b>	<b>2,528</b>	<b>4,543</b>	<b>7537</b>	<b>4841</b>	<b>461</b>	<b>(19,910)</b>	
Cumulative Gap	2,528	7,071	14608	19,449	19,910	-	

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**As at 31 December 2008**

	<3months	3-6 months	6-12 months	1-5 Years	>5 years	Non interest bearing	Total
<b>Assets</b>							
Cash	15	-	-	-	-	-	15
Loans and advances to banks	6,060	3,470	10,986	-	-	-	20,516
Loans and advances to customers	-	40	30	-	-	-	70
Investment in subsidiary	-	-	-	-	-	1	1
Debt Securities	-	-	-	-	-	-	-
Tangible Fixed Assets	-	-	-	-	-	631	631
Other Assets	376	4	11	51	-	-	442
Amounts due from group undertakings	312	-	-	-	-	-	312
<b>Total Assets</b>	<b>6,763</b>	<b>3,514</b>	<b>11,027</b>	<b>51</b>	<b>-</b>	<b>632</b>	<b>21,987</b>
<b>Liabilities</b>							
Customer accounts	1,408	-	-	-	-	-	1,408
Amounts due to group undertakings	25	-	-	-	-	-	25
Other Liabilities	134	-	-	-	-	-	134
Shareholders' funds	-	-	-	-	-	20,420	20,420
<b>Total Liabilities</b>	<b>1,567</b>					<b>20,420</b>	<b>21,987</b>
<b>Interest rate sensitivity gap</b>	5,196	3,514	11,027	51	-	(19,788)	
Cumulative Gap	5,196	8,710	19,737	19,788	19,788	-	

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**NOTES TO THE FINANCIAL STATEMENTS**

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

	EURO	US DOLLARS	PHILIPPINE PESO	31 December 2009 TOTAL	31 December 2008 TOTAL
<b>ASSETS</b>					
Loans and Advances to Banks (Money market deposits)	168,736	134,249	-	302,985	287,089
Debt Securities	460,706	-	-	460,706	-
Amounts due from group undertakings	7,209	18,721	39,626	65,556	93,108
Other Assets	25,559	56	-	24,414	32,467
<b>Total Assets</b>	<b>662,209</b>	<b>153,026</b>	<b>39,626</b>	<b>854,861</b>	<b>412,664</b>
<b>LIABILITIES</b>					
Customers Accounts	67,221	131,148	-	198,369	378,435
Other Liabilities	15	74	-	89	7,210
<b>Total Liabilities</b>	<b>76,236</b>	<b>131,222</b>	<b>-</b>	<b>198,458</b>	<b>385,645</b>

Foreign exchange risk is largely due to exchange movements between the EURO and GBP particularly the investment in the EURO denominated Republic of the Philippines debt security.

**14. COMMITMENTS UNDER OPERATING LEASES**

At 31 December 2009 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & Buildings 2009 £	2008 £
Operating leases which expire: After more than 5 years	108,245	108,245

**15. 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.

As at 31 December 2009 there was one loan remaining to a Director of £32,681 (2008 £nil).

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**16. SHARE CAPITAL**

	Year ended 31 Dec09 £	Year ended 31 Dec08 £
20,000,000 Ordinary shares of £1 each	<u>20,000,000</u>	<u>20,000,000</u>

**Allotted and called up:**  
Ordinary shares of £1 each

£	£
<u>20,000,000</u>	<u>20,000,000</u>

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

	Year ended 31Dec09 £	Year ended 31Dec08 £
Retained profit brought forward	419,935	181,962
Share Capital brought forward	<u>20,000,000</u>	<u>20,000,000</u>
Opening Shareholders' Funds	20,419,935	20,181,962
Profit for the financial year	63,879	237,973
New ordinary share capital subscribed	0	0
Net addition to Shareholders' Funds	<u>63,879</u>	<u>237,973</u>
Closing Shareholders' Funds	20,483,814	20,419,935

**18. 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.

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The following page does not form part of the statutory financial statements which are the subject of the independent auditor's report on pages 8 to 9.

	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
Fees and commissions receivable	316,411	339,960
Bank interest and other income	786,425	1,172,794
Gains from foreign exchange transactions	29,314	28,632
Misc. Income	9,755	-
Interest expense	(10,459)	(38,507)
<b>OPERATING INCOME</b>	<b>1,121,691</b>	<b>1,502,879</b>
<b>OVERHEADS</b>		
Directors salaries	(37,900)	(37,497)
Wages and salaries	(561,436)	(501,884)
Employers national insurance contributions	(62,714)	(62,281)
Rent	(114,732)	(115,695)
Power, Lights and Water	(3,106)	(7,974)
Repairs and Maintenance	(7,497)	(12,412)
Insurance	(10,762)	(8,725)
Janitorial/Cleaning Services	(12,169)	(6,838)
Travel and subsistence	(6,238)	(15,417)
Telephone	(13,299)	(20,448)
Computer software and expenses	(677)	(1,243)
Taxes, licenses and fees	(35,265)	(21,569)
Office stationery	(22,481)	(29,998)
Staff benefits	0	(6,965)
Staff training and meeting costs	(3,146)	(795)
Sundry expenses	(6,825)	(87,234)
Advertising	(5,332)	(3,358)
Entertaining	(2,307)	(11,853)
Legal and professional fees	(74,595)	(69,473)
Amortisation of leasehold improvements	(35,814)	(22,449)
Depreciation of fixtures and fittings and furniture	(33,101)	(23,228)
Depreciation of computer equipment	(1,785)	(1,143)
Bank charges	(56,957)	(60,165)
Security services	(6,174)	(2,792)
Postage	(17,457)	(4,367)
	<b>(1,131,769)</b>	<b>(1,172,335)</b>
<b>PROFIT / (LOSS) ON ORDINARY ACTIVITIES</b>	<b><u>(10,078)</u></b>	<b><u>369,051</u></b>