

COMPANY REGISTRATION NUMBER 5888535

**BANK OF THE PHILIPPINE ISLANDS  
(EUROPE) PLC  
FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2010**

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**BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31<sup>st</sup> DECEMBER 2010**

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**BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC  
FINANCIAL STATEMENTS  
YEAR ENDED 31<sup>st</sup> DECEMBER 2010**

**The board of directors**

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

**Registered office**

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

**Independent Auditor**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors

**Company secretary**

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

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**BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31<sup>st</sup> DECEMBER 2010**

**THE DIRECTORS' REPORT**

The directors present their report and the audited financial statements of the company for the year ended 31st December 2010.

**RESULTS AND DIVIDENDS**

The loss for the year 2010, after taxation, amounted to £319,570 (2009, £63,879 profit). 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.

In 2009, the Financial Services Authority, has authorised the bank to provide cross border services to countries in continental Western Europe. The opening of the branch in Rome, Italy is still in process.

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

**REVIEW OF THE BUSINESS**

The bank has reported a loss before tax for the year amounting to £330,092 (2009 £10,087).

Interest receivable and similar income for the year amounted to £ 497,328 (2009 £776,670) mainly from interbank deposits. Fees and commissions income during the year was £364,822 (2009 £316,411) and was from remittance services. Gains from foreign exchange transactions for the year amounted to £6,956 (2009: £39,069).

Operating expenses for the year amounted to £1,173,468 (2009 £1,131,778). The bank's current ratio (total assets divided by current liabilities) is 8.9 (2009: 13.9). The bank has a debt to equity ratio (total debt divided by total shareholders' equity) of 0.13 (2009: 0.08). The bank's return on equity (profit/(loss) after tax divided by the total shareholders' equity) for the year was (1.6%) (2009 0.3%).

**FINANCIAL INSTRUMENTS**

The company's material financial instruments comprise loans and advances to banks and customers and customer accounts.

The main risks arising from the bank's financial instruments are interest rate risk, liquidity risk, credit risk and foreign currency risk. The Bank has a formal structure for managing risk, including established risk limits set by the Board with guidance from the parent company, reporting lines and a system of control 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.

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**THE DIRECTORS' REPORT** (continued)

**YEAR ENDED 31<sup>st</sup> DECEMBER 2010**

***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. The liquidity risk limits set by the Financial Services Authority are complied with by senior management. At no time within the year, was there a breach of these limits.

***Credit risk***

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

***Foreign currency risk***

The Bank has not traded in foreign exchange markets 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. 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.

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

**DIRECTORS**

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

Mr Edgardo O Madrilejo	Appointed on 27th July 2006
Mr Alexander Balan Tan III	Appointed on 27th July 2006
Ms Teresita Bautista Tan	Appointed on 27th July 2006
Mr Aurelio Reyes Montinola III	Appointed on 27th July 2006
Mr Nigel Mervyn Sutherland Rich C.B.E.	Appointed on 25th May 2007
Mr Simon Michell	Appointed on 25th May 2007
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.

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**YEAR ENDED 31<sup>st</sup> DECEMBER 2010**

**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 2010 was not more than 30.

**INTERNAL CONTROLS**

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

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under the 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 or loss of the company for that period. In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom 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 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.

**BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC**  
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**YEAR ENDED 31<sup>st</sup> DECEMBER 2010**

**THE DIRECTORS' REPORT** (continued)

**YEAR ENDED 31<sup>st</sup> DECEMBER 2010**

Registered office:

4<sup>th</sup> Floor

28/29 Threadneedle Street

London EC2R8AY

Approved by the directors on March 30, 2011

On behalf of the board



Mr E O Madrilejo

**Managing Director & CEO**

Date April 15, 2011

**BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC  
FINANCIAL STATEMENTS  
YEAR ENDED 31<sup>st</sup> DECEMBER 2010**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE BANK OF THE  
PHILIPPINE ISLANDS (EUROPE) PLC YEAR ENDED 31 DECEMBER 2010**

We have audited the financial statements of Bank of the Philippine Islands (Europe) Plc for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These 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 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 this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**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 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with the 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.



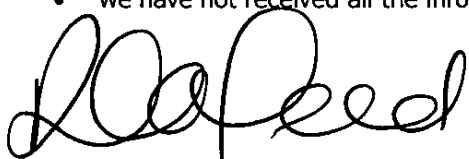
**BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC  
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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE BANK OF THE PHILIPPINE  
ISLAND (EUROPE) PLC YEAR ENDED 31st December 2010**

**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



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

Date

15 April 2011

**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**  
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**PROFIT AND LOSS ACCOUNT**

	Note	Year ended 31 Dec 10 £	Year ended 31 Dec 09 £
Interest receivable and similar income		497,328	776,670
Interest payable and similar charges		(14,185)	(10,459)
Net Interest Income		483,143	766,211
Fees and commissions income		364,822	316,411
Other operating income		6,956	39,069
OPERATING INCOME		854,921	1,121,691
Administrative expenses		(1,102,174)	(1,061,078)
Depreciation and amortisation		(71,294)	(70,700)
Impairment Charges		(11,545)	
(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(330,092)	(10,087)
Tax credit on (loss) on ordinary activities	5	10,523	73,966
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u>(319,569)</u>	<u>63,879</u>

All of the activities of the company are classed as continuing.

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

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**BALANCE SHEET**

	Note	31 Dec 10 £	31 Dec 09 £ Restated
<b>ASSETS</b>			
Cash		16,375	4,478
Loans and advances to banks	6	17,113,276	20,375,251
Loans and advances to customers		373,477	236,925
Investment in subsidiary	7	1	1
Debt securities	13	4,200,304	460,706
Tangible fixed assets	8	506,439	573,223
Other assets	9	322,583	331,416
Amounts due from group undertakings	10	197,423	110,596
<b>TOTAL ASSETS</b>		<b><u>22,729,878</u></b>	<b><u>22,092,596</u></b>
<b>LIABILITIES</b>			
Customer accounts		2,463,807	1,492,809
Amounts due to group undertakings	10	0	7,656
Other liabilities	11	87,536	94,027
		<u>2,551,343</u>	<u>1,594,492</u>
Called-up equity share capital	16	20,000,000	20,000,000
Profit and loss account		178,535	498,104
<b>SHAREHOLDERS' FUNDS</b>	17	20,178,535	20,498,104
<b>TOTAL LIABILITIES</b>		<b><u>22,729,878</u></b>	<b><u>22,092,596</u></b>

These financial statements were approved by the board of directors and authorised for issue on April 15, 2011 and are signed on their behalf by



Mr E O Madrilejo  
**Managing Director and CEO**

Date: April 15, 2011

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

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

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

## **NOTES TO THE FINANCIAL STATEMENTS**

### **YEAR ENDED 31<sup>st</sup> DECEMBER 2010**

#### **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

The prior period has been adjusted to reflect a revision to the deferred tax balance in 2008

##### **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 amortization of the premium to nominal value. The amount included in the balance sheet with respect to such securities purchased at a premium shall be reduced each financial year on a systematic basis so as to write the premium off over the period to the maturity date of the security and the amounts so written off shall be charged to the profit and loss account for the relevant financial years

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

## **NOTES TO THE FINANCIAL STATEMENTS**

### **YEAR ENDED 31<sup>st</sup> DECEMBER 2010**

#### **NOTES TO THE FINANCIAL STATEMENTS**

##### **ACCOUNTING POLICIES** (continued)

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

##### **Impairment of financial assets**

The Bank assesses at each balance sheet date whether there is objective evidence that financial assets are impaired. The factors that the Bank takes into account include significant financial difficulties of the debtor or the issuer, a breach of contract, or default in payments

Impairment allowances are calculated based on the difference between the carrying amount of the asset and its estimated recoverable amount

##### **Segmental reporting**

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

## **2. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

Profit on ordinary activities before taxation is stated after charging

	Year ended 31Dec10	Year ended 31Dec09
	£	£
Directors' emoluments	321,767	309,817
Amortisation of leasehold improvements	36,185	35,814
Depreciation of owned fixed assets	35,109	34,886
Auditors fees	20,000	19,500
Operating lease costs		
Other (Rent Expense)	115,564	114,732

The statutory audit fees payable to the Bank's auditors were £20,000 (2009: £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**  
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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 31Dec10	Year ended 31Dec09
Number of administrative staff	13	13
Number of management staff	2	2
Total	<u>15</u>	<u>15</u>

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

	Year ended 31Dec10 £	Year ended 31Dec09 £
Wages and salaries	565,357	561,436
Social security costs	63,352	60,337
	<u>628,709</u>	<u>621,773</u>

**4. DIRECTORS' EMOLUMENTS**

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

	Year ended 31 Dec 10 £	Year ended 31 Dec 09 £
Directors' remuneration	321,767	309,817

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

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

**5. TAXATION ON ORDINARY ACTIVITIES**

(a) Analysis of tax charge for the year:

	Year ended 31Dec10 £	Year ended 31Dec09 £
Current tax		
In respect of the year		
UK Corporation tax based on the results for the period at 27% (2009: 28%)	3,185	(64,435)
Deferred tax:		
Origination and reversal of timing differences	(13,708)	(9,531)
Tax (credit) / charge on (loss) / profit on ordinary activities	(10,523)	(73,966)

(b) Factors affecting tax charge for the year:

The tax credit for the period is lower (2009 higher) than the standard rate of corporation tax in the UK (28%) due to the differences explained below.

	Year ended 31 Dec10 £	Year ended 31 Dec09 £
(Loss) / Profit on ordinary activities before taxation	(330,092)	(10,087)
(Loss) / Profit on ordinary activities multiplied by standard rate of UK Corporation tax of 27% (2009: 28%)	0	(2,824)
Effects of		
Expenses not deductible for tax purposes	0	20,399
Capital allowances in excess of depreciation	0	(15,365)
(Over)/under provision	3,185	(66,645)
Current tax (Note 5(a))	3,185	(64,435)

**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**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**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 Furniture £	Computer Equipment £	Total £
<b>COST</b>					
At 1 January 2010	523,165	42,491	123,113	7,418	696,187
Addition			614	3,895	4,509
Cost of Disposal					
At 31 Dec 2010				242	242
<b>DEPRECIATION</b>					
At 1 January 2010	59,457	13,421	47,140	2,946	122,964
Charge for the period	36,185	8,498	24,735	1,875	71,294
Eliminated on Disposals				242	242
At 31 Dec 2010					
<b>NET BOOK VALUE</b>					
At 31 December 10	<u>427,523</u>	<u>20,572</u>	<u>51,853</u>	<u>6,491</u>	<u>506,439</u>
At 1 January 2010	<u>463,708</u>	<u>29,070</u>	<u>75,974</u>	<u>4,471</u>	<u>573,223</u>

**9. OTHER ASSETS**

	31Dec10 £	31Dec09 £
Amounts falling due within one year		
Accrued interest receivable	226,219	160,740
Corporation tax receivable	-	73,144
Prepayments and other assets	45,551	45,459
	<u>271,770</u>	<u>279,343</u>
Amounts falling due after more than one year		
Operating lease deposit	50,813	52,073
	<u>322,583</u>	<u>331,416</u>

**BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**10. AMOUNTS DUE FROM (TO) GROUP UNDERTAKINGS**

	31 Dec 10	31 Dec 09
	£	£
Receivable on demand – From parent company	197,423	110,596
(Payable) on demand – To parent company	-	(7,656)

**11. OTHER LIABILITIES**

	31Dec10	31Dec09
	£	£
		Restated
Other taxation and social security	20,754	17,696
Accrued interest payable	7,463	228
Accrued expenses and other creditors	56,272	59,469
Deferred tax liability (note 12)	2,710	16,418
Sub-total	87,199	93,811
Income tax withheld on customer accounts-Savings Accounts	305	152
Income tax withheld on customer accounts-Time Deposit Accounts	13	44
Income tax withheld on customer accounts -Current Accounts	19	20
	<u>87,536</u>	<u>94,027</u>

A balance of £32,913 is included in accrued expenses and other creditors at 31 December 2009 which has been reclassified from customer deposits. This balance represents the liability for cash held by BPI (Europe) at the Balance Sheet date which they are obligated to remit to the Philippines on behalf of customers.

**12. DEFERRED TAXATION**

The movement in the deferred taxation provision during the period was

	Year ended 31Dec10	Year ended 31Dec09
	£	£
Profit and loss account movement arising during the period	13,708	9,531

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

	Year ended 31Dec10	Year ended 31Dec09
	£	£
		Restated
At 1 January	16,418	25,949
Capital allowance in excess of depreciation	(13,708)	(9,531)
Effect of change in standard rate of Corporation Tax	-	-
At 31 December	2,710	16,418

The 2009 deferred tax liability brought forward was restated. This resulted in a decrease of £14,290 in the opening liability.

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

**13. FINANCIAL STATEMENTS**

**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 2010 approximates to the amounts at which these instruments are reflected in the balance sheet.

**LIQUIDITY RISK**

**Assets / Liabilities analysed by the earlier of interest re-pricing date or maturity date (all in £'000s)**  
**As at 31 December 2010**

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

**BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31<sup>st</sup> DECEMBER 2010**

**NOTES TO THE FINANCIAL STATEMENTS**

**As at 31 December 2009**

	<3months	3-6	6-12	1-5	>5	non	Total
		months	months	years	years	interest	
						bearing	
<b>Assets</b>							
Cash	4	-	-	-	-	-	4
Loans and advances To banks	3,650	4625	7,300	4,800	-	-	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>	3,945	4,704	7,557	4,852	461	574	22,093
<b>Liabilities</b>							
Customer accounts	1,332	161	-	-	-	-	1,493
Amounts due to Group undertakings	8	-	-	-	-	-	8
Other Liabilities	63	-	-	31	-	-	94
Shareholders' funds	-	-	-	-	-	20,498	20,498
<b>Total Liabilities</b>	1,403	161	-	31	-	20,498	22,093
<b>Liquidity gap</b>	2,542	4,543	7,557	4,821	461	(19,924)	
Cumulative Gap	2,542	7,085	14,642	19,463	19,924		

**Interest Rate Risk**

The company has no borrowings and it is not exposed to interest rate risk in relation to these. It has £2,463,807 of customer deposit accounts on which interest is paid.

The company earns interest primarily on £17,113,276 of loans and advances to banks, £4,200,304 of debt securities and £373,477 of loans and advances to customers.

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**NOTES TO THE FINANCIAL STATEMENTS**

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

	<b>EURO</b>	<b>US</b>	<b>PHILIPPINE</b>	<b>31-Dec</b>	<b>31-Dec</b>
		<b>DOLLARS</b>	<b>PESO</b>	<b>2010</b>	<b>2009</b>
				<b>Total</b>	<b>Total</b>
<b>ASSETS</b>					
Loans and Advances to					
Banks (Money Market deposits)					302,985
Debt Securities	443,053	149,282		592,335	460,706
Amounts due from					
group undertakings	14,815	15,236	125,497	155,548	65,556
Other Assets	21,411	4,830		26,241	24,414
<b>Total Assets</b>	<b>479,279</b>	<b>169,348</b>	<b>125,497</b>	<b>774,124</b>	<b>854,861</b>
<b>LIABILITIES</b>					
Customers Accounts	395,732	148,115		543,847	198,369
Other Liabilities	3	12		15	89
<b>Total Liabilities</b>	<b>395,735</b>	<b>148,127</b>		<b>543,862</b>	<b>198,458</b>

Foreign exchange risk is largely due to exchange movements between the EURO and GBP, and to a lesser extent between the USD and GBP. This is due to the company's investment in EURO and USD denominated Republic of the Philippines debt security and its EUR and USD customer deposit liabilities. Some exchange rate risk also arises from movements between the PHP and GBP due to the intercompany account held with the parent, BPI Manila, and to the short term timing differences between receiving remittance funds in GBP and processing them in PHP.

**14. COMMITMENTS UNDER OPERATING LEASES**

At 31 December 2010 the company had annual commitments under non-cancellable operating leases as set out below

	<b>Land &amp; Buildings</b>	
	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
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.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**16. CALLED UP SHARE CAPITAL**

	Year ended 31 Dec10 £	Year ended 31 Dec09 £
<b>Authorised Share Capital</b>		
20,000,000 Ordinary shares of £1 each	20,000,000	20,000,000
<b>Allotted and called up:</b>		
Ordinary shares of £1 each	20,000,000	20,000,000

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

	Year ended 31Dec10 £	Year ended 31Dec09 £
Retained profit brought forward	498,104	434,225
Share Capital brought forward	20,000,000	20,000,000
Opening Shareholders' fund	20,498,104	20,434,225
Profit / (Loss) for the financial year	(319,569)	63,879
New ordinary share capital subscribed	0	0
Net addition to shareholders' funds	(319,569)	63,879
Closing shareholders' funds	20,178,535	20,498,104

**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.