



a n e n t r e p r e n e u r ' s b a n k

Enterprise Bank, Inc.

Annual Report 2007

VISION

To be a strong regional bank that leads in the delivery of high quality financial products and services that promote, support and encourage entrepreneurship in the countryside.

MISSION

Provide innovative financial products and services to small and medium sized enterprises, micro-entrepreneurs, especially women, and to members of low-income groups to ensure that credit is utilized appropriately to improve their economic well-being.

Promote savings consciousness as a means of attaining self-sufficiency and self-reliance.

Strive to offer the highest quality service and customer value by investing in human resource development.

Provide a work environment that will stimulate the employees to be innovative and enable them to realize their professional objectives.

Make certain that each employee will be given the opportunity for professional advancement as merited and have the right of economic security and stability.

Guarantee that the shareholder's value is enhanced through prudent investment undertakings and efficient operations; and,

Abide by the laws and regulations of the Philippines to which it is subject and adhere to international standards within core operations.

contents

2007 annual report

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This year's annual report theme

Small Medium Enterprise (SME) lending is the latest addition to the loan products that **Enterprise Bank, Inc.** has prepared to address the growing need of the entrepreneurs all over Mindanao.

This product is designed to provide micro, small and medium enterprises with easy to avail financing schemes. Though EBI just recently commenced its full blast SME lending operations, it already has a growing number of clients satisfied with the kind of service the bank extends. As tribute to these clients' loyalty, several pages of this annual report are dedicated to feature their anthology of success.

2007 ENTERPRISE

Thirty-one years after it was established on May 10, 1976 in Lianga, Surigao del Sur, Enterprise Bank, Inc. has evolved into a reputable trailblazer and proficient financial institution in providing livelihood and microfinance services especially to the enterprising poor sector and marginalized communities in Mindanao.

Enterprise Bank, Inc. (EBI) has established itself to become a compelling financial provider that has made a difference and improved the lives of thousands of households in Mindanao. Remarkably growing and constantly expanding its operations and services to maintain flexibility and to keep at pace with the demands of a dynamic business market, it launched another program aimed to expedite its eventual shift from being a rural bank to become an “entrepreneur’s” bank in the offering: EBI’s **SME Lending Program**.

In generic sense, Small and Medium Enterprises (SMEs) in the Philippines play very important roles as sources of growth, employment, income, trade, innovation, entrepreneurship and opportunity for the people. It is a catalyst in expanding diversification of entrepreneurial market increasing investment base and savings rate. Recognizing its significance, the Philippine Government ratified into law the Magna Carta of Small and Medium Enterprises (Republic Act 6977) on January 24, 1991 which outlines the general policies for the development of SMEs encouraging the participation of private financial institutions.

EBI also shares and pursues the same objectives.

With redefined vision and mission, the bank’s efficient workforce has already completed the blueprints on how to better promote, support, strengthen, and encourage the growth and development of small and medium enterprises in all productive sectors of the economy particularly rural / agri-based ventures.

The **EBI SME Lending Program** or Small Business Loans (SBL) is the latest addition to the list of Loans Programs presently being offered by EBI in addition to Microfinance and Individual (Consumers) Loans. Judging from the performance outcomes reflected in the loan portfolio management report for 2007, it is prudent to say that the bank has again, exceeded its disbursement and collection targets for said loan programs.

The SME Lending Program serves traders and entrepreneurs engaged in commercial and eco-friendly agri-business activities. EBI allows a minimum loan amount of P50,000.00 and a maximum of P5,000,000.00 with an average loan term of 18 months. The bank also ensures that expeditious and hassle-free loan disbursements are fully extended to the clients.

BANK, INC.

31 years of keeping business personal

Operation expansion is aimed to increase commercial and agri-loans in urbanized municipalities of San Francisco, Mati, Sto. Tomas, Kapalong, and especially in the province of Agusan del Sur where potential market for palm oil industry is apparent. Though just barely started, the SME Lending Program had a significant turnout of enterprising clients in six major cities namely Davao, Digos, Tagum, General Santos, Cagayan de Oro and Surigao. Proof of that are the success stories of some of clients who chose EBI as partner in making their business flourish is being featured in this years annual report.

Likewise, the microfinance services and products had been intensified and diversified. The bank introduced the KMTK-Kahayag (solar panels) and with the KMFJ (Kamayo Mindanao Foundation, Inc.) at the helm, opened the Health Plus outlets for generic drug distribution.

Kahayag is a community service program aimed to provide power supply to far-flung areas without electricity. EBI and the Department of Energy are now finalizing the program implementation with the first batch of the solar panels set to be installed in the first quarter of 2008.

On the other hand, HealthPlus outlets had been set up in various communities as centers for distribution of generic drugs. This program is one of EBI's responses to provide alternative solutions to the dire need of the poor communities for affordable medicines.

The success of this company is anchored on the efficiency of its system and the proficiency of its people, hence continuous capability building trainings are being conducted regularly. It is noteworthy to mention that the corporate style of management has finally yielded positive results that come in varied advantageous forms that are beneficial for the share holders, clients and to the bank itself.

The bank's vision to become a leader in microfinancial services has long been attained. Its more than three decades of stable existence prove it. With programs handled by competent and dedicated personnel and growth strategies gaining advantageous momentum, Enterprise Bank, Inc. is on the right track. Without a doubt that in five years time, it will be able to attain its vision into becoming the **"Entrepreneur's Bank"**.

“ The bank has again made a significant headway in achieving its organizational goals based on the medium term business plan that was crafted in 2006 to advance the vision of the future of Enterprise Bank, Inc. as the Entrepreneur’s Bank.”



The articulated vision is slowly coming into shape judging from the performance outcomes in 2007.

The bank was in expansion starting 2007 and resources grew close to 40 percent with risk assets mounting to 52.86 percent primarily as a result of launching Micro Agri Loans. SME loans slowly picked up after a year of introduction. This organic growth strategy proved to be effective in the face of EBI’s limitation to expand geographically due to capitalization requirements.

About 50 percent of the bank’s financing during the year came from microfinance deposit which rose significantly by 52.77 percent. High cost deposit also posted a sizable increase more particular in urban branches. Other sources include substantial long term debts from OIKO Credit and Oxfam Novib, both development oriented Dutch organizations. These funds intensified the bank’s liquidity level and sustained the growth during the year.

Capital, on the side marked its first hurdle to a nine-digit figure at P100.81million which qualified the bank to increase its branch network to fifteen in 2008. New areas being eyed were the southern zones of Mindanao and the city of Cebu in the Visayas region. In June 2007, the Board of Directors approved stock dividends which increased subscribed and paid in capital to P46.5 million.

Net income would have grown by 6 percent if not for the mandatory deferment of service fees in compliance to a new Philippine Accounting Standard requiring service fees to be amortized over the loan term. A substantial level of Unearned Service Fees was lodged as part of Deferred Credits in the financial statements. Consequently, this compliance led to a drop of 31.29 percent in final income before tax, and affected the bank’s financial ratios.

Return On Equity (ROE) declined to 12.01 percent. EBI, however, expects the ratios to be better when the effects of compliance reach equilibrium in 2008.

Over-all quality of the loan portfolio has improved in 2007. Portfolio at risk ratio remarked at 4.12 percent for microfinance while past due rate for the Individual Loans (IL) remained below 5 percent.

The performance outcomes for 2007 speak of growth and expansion. This placed us in the top rung of the ladder for leadership in the industry. The bank is poised to attain market dominance in the next few years. We are cognizant of the reality that this will depend on how extensive our service reach would be and how we will position our products and services in the ever-changing moods of the market.

In 2008, we will pursue the same directions. The challenge will be to configure the organization for the next leap. Thus, we will be looking at the following:

- (a) organizational competencies and capabilities
- (b) the effective utilization of resources
- (c) management processes; management functions of marketing, operations and human resource
- (d) risk management including the Internal Audit functions
- (e) finance and
- (f) top management and leadership

These are among the major moves and initiatives that have been identified for 2008. Nothing less than competent operational processes, rationalized and integrated management functions and a fully developed human resource will ensure EBI's success in the years to come.



RONALD E. ALVIZO
CEO / President

Enterprise Bank, Inc.
MILESTONE
Numbers
2007

P 109.20 MILLION

SME loan total portfolio from P 82.8 million in 2006 of which 64% are Commercial and 36% Agri- Business.

The accumulated total disbursement of P130 million was served to answer the need for easy-to-avail loan products.

P 205 MILLION

Microfinance loan portfolio for 2007 compared to P130 million in 2006. Disbursement also surged to P695 million from P523 million in 2006.

The number of clients grew to 39,796 from 28, 933 in 2006

179

SME loan accounts generated in 2007 with average loan size of P500,000.00

44

Trainings conducted in 2007 that focused on market growth, cost efficiency, productivity, loan portfolio quality and product development

and GROWTH expansion

... are two words that mark EBI's operation in 2007. The bank has geared itself up for expansion of its geographical outreach as well as increasing product lines in all its major loan services.



EBI has established ten branches and sixteen service outlets in Mindanao

To back up these expansions, EBI has also prepared its systems and intensified the proficiency training of its competent human resources. These and other milestones comprised the operational highlights for 2007.

1 Geographic expansion:

On May 8, 2007, EBI opened its 10th branch in Cagayan de Oro City gaining strong foothold on the north-western part of Mindanao as financial service provider. The move was welcomed by the growing populace of traders and small medium entrepreneurs engaged in agri-business enterprises.

On December 8 of the same year, Butuan Branch transferred to a new and strategic office location that is reflective of the corporate image of the bank.

As part of the calculated expansion in Northern Mindanao, the Microfinance Department protracted its programs to Gingoog City. This

cheaper
medicines

cheaper
medicines

cheaper
medicines

cheaper
medicines

prudent move proved advantageous contributing to favorable portfolio as it offered diversified financial services which were readily accessible to the growing enterprising clients in its neighboring rural communities.

In Southern Mindanao, a service outlet was also opened in General Santos City in September 28. This was intended to respond to the growing need for commercial loans of the Small Business Loans clients of the city and the neighboring provinces of Sarangani and South Cotabato.

Preparations are presently being made so that the General Santos service outlet will soon be able to offer comprehensive microfinance loans. When finalized, the outlet will eventually be converted into a branch.

All these strategic expansions are designed to aggressively bring closer to its clients and customers the financial services of the Enterprise Bank, Inc.

The Health Plus outlets make generic medicine available to the community. This program is being implemented in coordination with EBI's sister organization, the Kamayo Mindanao Foundation, Incorporated (KMF).

The target market of the program is KMTK - Livelihood clients, or clients who are running sari-sari stores.

Aside from providing the community with cheaper medicines, the sales from generic drugs will also help boost the income of the clients.



“The KMTK - Kahayag aims to provide electricity using solar energy to clients in areas which do not have electrical connections yet.”

KMTK - KAHAYAG is Micro finance Department's new and product innovation.

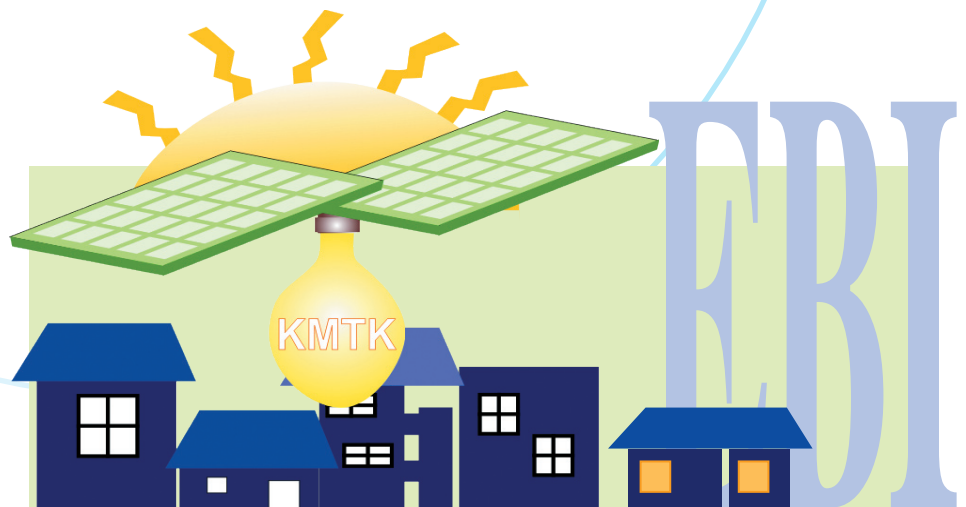
Kahayag is a local term for "brightness". The KMTK - Kahayag intends to provide electricity using solar energy to clients in areas which do

not have electrical connections yet. EBI and its program partner, the Department of Energy are now in the final phase of preparations for the program implementation. The first batch of solar panels is expected to be installed in the first week of January 2008.

2 New Microfinance Products

EBI's Microfinance Department takes charge of charting and propagating community based livelihood products aimed to help clients augment their daily income for a stable economic well-being.

Living up the the EBI's core mission, this department also conducts community trainings congruent to its programs to encourage clients to appreciate the advantages of saving money as means of attaining self-sufficiency and self-reliance. Its target market comprises enterprising women especially in poor communities.



operational highlights

FINANCIAL HIGHLIGHTS

FOR THE YEAR (in millions)	2007	2006	2005
Interest Income	139	120.2	98.9
Other Income	65.5	54.1	51.6
Operating Expenses	187.5	149.5	132.5
Net Income before Taxes	17.04	24.8	18
AT THE YEAR END (In million Pesos)			
Total Resources*	791.59	566.12	444.63
Loan Portfolio (gross)	613.15	401.71	342.68
Loan Portfolio (net)	595.76	387.19	324.46
Total Deposits	275.716	180.41	152
Capital Funds	101.81	88.28	71.61
Earnings per Common Share			
In peso	45	67	51
Number of Shares Outstanding/ Subscribed	255,809	241,093	241,093
Financial Ratios			
Return on Average Assets	1.68%	4.32%	3.75%
Return on Average Equity	12.01%	27.30%	24.49%
Non-performing Loans Ratio	2.43%	3.43%	5.79%

* net of UID and USC

3 Finance Report



The use of **Cash Cards** for a more convenient and faster loan disbursement was introduced to Microfinance clients in EBI major branches in Mindanao.

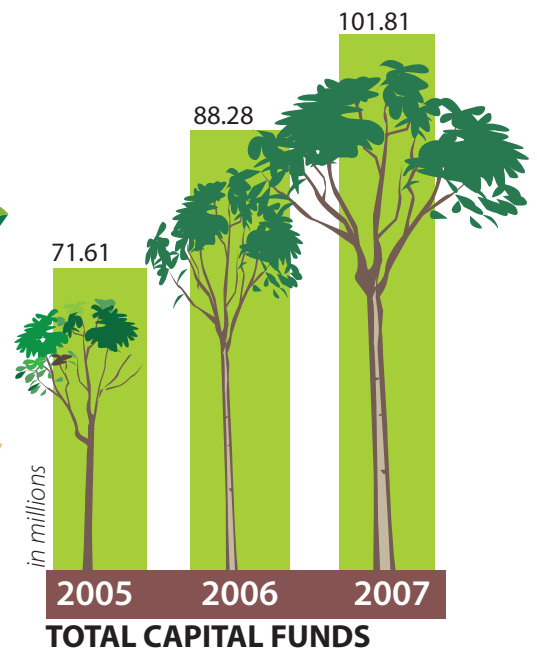
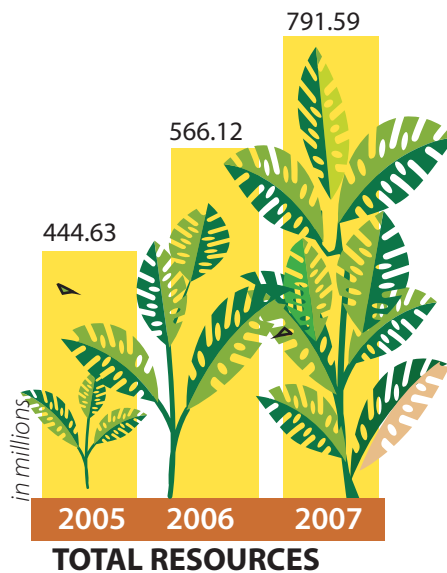
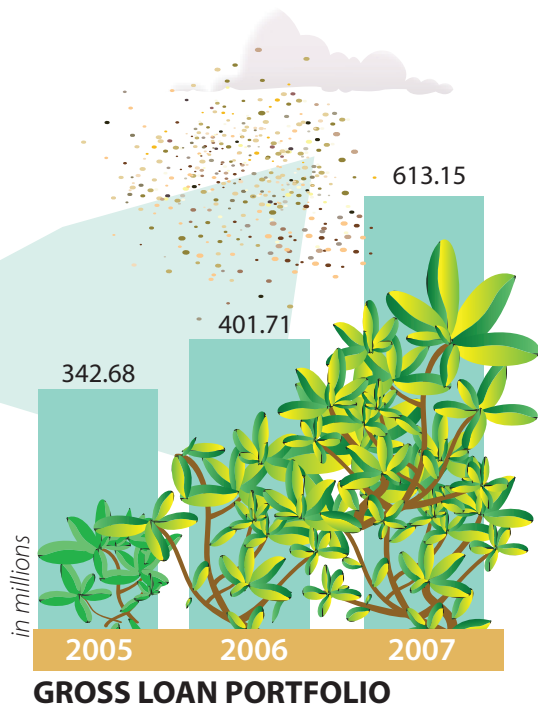
The cash cards give the clients practical option to withdraw their money from the ATM centers nearest to them at their convenience.



4 Human Resources

Presently, Enterprise Bank, Inc. has three hundred fifty-two (352) employees in all its ten branches in Mindanao. As it continuously grows and expands, the need to reinforce the competency of its high-performing workforce, strengthen management skills and critical thinking among its executives, and nurture the corporate management culture the bank has established, are being given profound emphasis to sustain the bank's long term stability.

To satisfy these demands, forty four (44) trainings were conducted for year 2007 which focused on the five major capacity building components such as market growth, cost efficiency, productivity, quality loan portfolio,



research and product development.

Relevant trainings and symposia were also provided so that employees can fully understand the company's defined objectives and to ensure that quality service are fully extended to the clients.

Two major positions in the Human Resource Department were filled. The Assistant Vice-President for Human Resource Management Department and Manager for Human Resource Development were created purposely to underline objectively the total human resource output of the personnel based on the company's defined goals.

It is also noteworthy to mention that the inclusion of Research and Development component being integrated to HRMD proved to be productive. Such move has resulted in the creation of some major and ingenious products for Microfinance Department.

The E-Load and KMTK Kahayag products which emanated from the persistent and diligent research studies of

the HRMD division in coordination with the Microfinance Department were finalized on the 3rd quarter of 2007. Full implementation of the said projects will ensue soon.

These innovative outputs conspicuously attest the EBI's commitment and ingenuity to serve its clients coming from all segments of society. Likewise HRMD manifested efforts to go the extra mile in rendering both human and technical support.





SME Lending or Small Business Loan

SME reached a total portfolio of PhP109.20 million from P82.8 million in December 2007 of which 64 percent was Commercial and 6 percent Agri- Business. The accumulated total disbursement of P130 million was served to answer the need for easy to avail loan products. Presently, most of EBI's clients are entrepreneurs who are engaged in legitimate and environment-friendly business activities.

Short term and long term loans with shorter processing periods were readily available for use either as additional working capital, expansion of business and/or asset acquisition. Based on records, historical disbursements monthly steadily improved between P10 million to P16 million with an average loan term pegged at 18 months. Of the total portfolio, 89 percent is secured with either REM or chattel while 11 percent is unsecured.



The 179 accounts generated in 2007 have constantly been increasing up to the last months of the year with an average loan size of P500,000.00. The bank had been very selective in its clients, targeting primarily high net worth individuals and experienced entrepreneurs. Types of businesses catered by the loan programs included 5 percent manufacturing, 47 percent trading, 11 percent service, 36 percent agri-business activities while the other 1 percent comprised of other types of businesses.

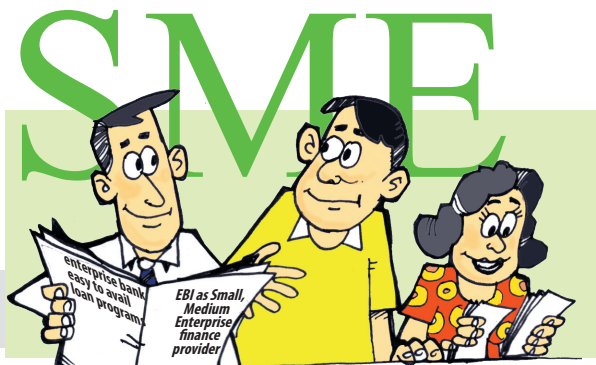
Cash Flow based lending proved to be effective in determining the applicants' eligibility to avail SME Loans. There had been no major revisions on the policies being implemented dictating an allowable loan amount at minimum of P50,000.00 and maximum of P5,000,000.00. Tiered pricing was set based on loan amounts and security ranging from 1.5 percent to 2.5 percent monthly with a service fee of 1.5 percent to 3 percent. Loan terms were at six months to five years.

As supplement to cash flow analysis, Borrower's Risk Rating was further improved to easily facilitate in evaluating and screening the borrowers and their businesses with focus on the predetermined risks factors.

This had been an essential tool used by an independent unit of the Bank, the Credit Review, which was created to closely monitor the performance of the product with emphasis on determining the level of risk being assumed by the Bank. The unit was also tasked to conduct initial screening of all loan applications prior to Credit Committee evaluation and approval process.

SME currently covers six cities in Mindanao, namely: Davao City, being the central hub, Digos City, Tagum City and Genral Santos City in Southern Mindanao while Cagayan de Oro City and Butuan City in Northern Mindanao. Operation has also reached the urbanized municipalities of Mati, Sto. Tomas and Kapalong in Davao provinces and San Francisco in Agusan area. Meanwhile in Surigao del Sur, enterprising client generation also started flourishing this year.

Davao City contributes 45 percent of the total gross loan portfolio. Digos City has 13 percent while Tagum and Cagayan de Oro cities shared 11 percent each. General Santos City on the other hand, has a total contribution of 2 percent. To monitor its flow and growth, thirteen regular Account Officers service the borrowers who are presently



GROWING WITH MARKET TRENDS - HOW TO GO INTO BUSINESS WITH LESS CAPITAL - SECRET RECIPES OF BREAD BUSINESS - BEING YOUR OWN BOSS - MANAGING INFORMATION TECHNOLOGY WITH EASE - BEING IN TOUCH WITH YOUR CUSTOMERS - DARING TO BE DIFFERENT - SALES SUCCESS - CHOOSING THE RIGHT BUSINESS PARTNER



spread throughout the two regions in Southeastern Mindanao.

Meanwhile, Portfolio at Risk remains to be below 3 percent. Occasional missed payments are experienced by about a couple of accounts which were noted to be caused by slow receivables turnover.

However, shortfalls of this type are temporary in nature and are easily arrested and checked.

Current Developments and Programs

As 2007 closes with very promising output, the outlook is optimistic for SME in 2008.

On top of the existing product offers, EBI sees new opportunities in the following:

1. Further expansion in Asparagus and Papaya industries in Mindanao.
2. Penetrating the Palm Oil industry in Agusan Areas where negotiations with Filipinas Palm Oil Plantations, Inc. have already been made.

The revised projections on different areas are as follows:

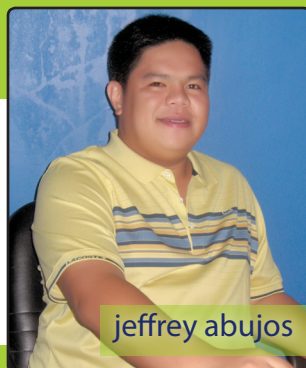
- | | |
|------------------------|------------|
| 1. Davao City | - PhP82.5M |
| 2. Digos City | - PhP20M |
| 3. Tagum City | - PhP20M |
| 4. General Santos City | - PhP30M |
| 5. Cagayan de Oro City | - PhP30M |
| 6. Butuan City | - PhP7.5M |
| 7. San Francisco | - PhP7.5M |

Finally, the bank anticipates a ballpark figure for 2008 of P197.5M or 138 percent growth from December 2007.

These entrepreneurs deserve the special pages of this annual report for they epitomize the right characters of real winners.

Ebi clients' success stories

They dared. They did not stop learning all the tricks and trades of their businesses. They never allowed fear to overcome their desire to succeed. They worked harder and they prayed hardest. They chose the right partner to help them succeed in their business. The ENTERPRISE BANK



Being born in a well-to-do family did not make Jeffrey Abujos a typical complacent and dependent rich brat. Instead, his early exposure to the world of business made him love work and develop acumen for business.

At twenty eight, Jeffrey took the helm of their family's business after his mother died. Young as he was, it was not a tough task for him to perform since being the eldest in the family, he was trained early by his parents to appreciate hard work, develop patience and persistence on how to run their business.

A good husband, doting father, obedient son and shrewd businessman, Jeff learned to juggle his time to efficiently perform all his responsibilities in managing their various businesses while giving quality time to his family as well. However, at times when Jeffrey was busy with his schooling, his father Eliseo took over in personally managing their business.

His family presently owns a chain of famous DO-DINE restaurants and Mandarin franchise that could easily be found along the highway of Panabo City. They also own a couple of gasoline stations. Just recently, they established the JTA Appliance store offering the locals of Panabo alternative cheaper unit rates comparable with what are being offered by other appliance stores in the neighboring cities of Tagum and Davao.

reputable consolidator

Aside from the restaurants, gasoline stations, and appliance store he manages, this young entrepreneur is also into buying and selling bananas. For three years Jeffrey acts as consolidator for UNIFRUITTI, a known exporter of cavendish bananas.

a promising entrepreneur



Jeffrey's family is an old timer in banana trade. They started this business way back in 1979 buying lacatan and disposed them in Manila where the demand was plenty.

Presently, Jeffrey's company is consolidating about a thousand hectares servicing forty seven small and medium scale banana growers in Davao del Norte.

The increasing load demand for banana export and the pressing need for inevitable expansion made Jef availed a loan from the **Enterprise Bank, Inc.** a financial institution that supports and advocates Small Medium Enterprise Lending to entrepreneurs. The good credit standing of the Abujos family made EBI grant the loan without delay.

According to Eliseo, Abujos, Jeffrey's father, they always ensure that they provide properly packed quality bananas to their suppliers .

Bad standing with suppliers could mean no orders. "If there are no orders, it means no business. Then if there's no business, it means no income." Eliseo explained.

Likewise, they also provide fertilizers and subsidize the financing of labor expenses to growers to ensure steady supplies of quality bananas.

When asked what he could advise to other entrepreneurs interested to engage in banana export, Mr. Eliseo simply said, "*kayod lang gyud*".

With these tip coming from the "big man" of Abujos business conglomerates, it's not surprising to know why Jeffrey has carved a reputable niche in the world of banana export.

Like father, like son indeed!

" We always maintain good standing with the suppliers and good relationship with the growers ."

ELISEO ABUJOS



Opportunities are usually disguised as hard work,
so most people don't recognize them.

Attributed to Ann Landers (1918-2002) *U.S Journalist*



the family's saga with cassava

“Being able
to reach out
and help
the small
farmers
gives me
different
satisfaction,
something
that money
can never
give me .”



ophelia
ylanan

Success did not come easy for this family. “Looking back to what we had been through, until now I still believe that it’s God who helped us overcome all the trials we experienced in running our business,” Ophelia Ylanan narrated. Ophelia is one of the successful entrepreneur clients of Enterprise Bank, Inc who hails from Cagayan de Oro City.

Ophelia was working as chemists in an established company when her father asked her to help out with their family business. Their family was then engaged in wide-scale rice trading. And true enough, the returns in revenue from their business were many times fold bigger than the salary she got as chemist. She became fascinated with the business and from then on, she never stopped learning all its tricks and trade.

After their marriage, she and her husband started out their own rice trading business.

After years of rice farming, they shifted to cassava farming when they transferred from Molave, Zamboanga del Sur to Cagayan de Oro in 2003 because of the abundant supply of the crop and leaser capitalization that it required.

No bed of roses

“Being in this business was never a bed of roses for us.” Ferdinand, Ophelia’s husband also shared. “We were both “hands-on” businessmen. We often visited our farm to personally supervise its production and to see if everything was alright.” he added.

According to Ophelia, there were times when they had collectible accounts amounting to P100, 000 but their payables were P500,000. However, those difficult times proved to be the best test of this family’s faith in God. “We never felt scared or discouraged by such downfalls. We worked harder and prayed hardest.” Ophelia recounted. And during those times when opportunities indeed came in.

Their biggest break was when San Miguel Food, Incorporated tapped their company, Oro Supreme Trading,

as BMEG’s supplier of dried cassava used for making feeds. Their company was the lone assembler in Caraga Region and BMEG posted orders of 500 kilos of cassava a year.



Helping create employment

As an assembler, Ophelia was able to help her neighbors who were mostly small cassava farmers. She provided a sure market to small cassava farmers by buying their produce. During planting and harvesting season, she also hired them as paid helpers.

She also leased abandoned or idle lands. This was what her family recently did to a group of natives who were awarded by the government with lots on the ancestral domain in Trento, Agusan del Sur.

“The native have no financial capabilities to develop their idle lands so, I rented their lands, have them planted it with cassava and paid them for their labor. This cycle provides them with sure source of livelihood income to feed their families.” the entrepreneur from Cagayan de Oro concluded.



Everything is always impossible before it works. That is what entrepreneurs are all about - doing what other people have told them impossible.

Hunt Greene - U.S venture capitalist *Fortune*

a breadmaker's winning story



pedro
barrios

Pedro Barrios is a very simple man with simple taste. This is reflected on the kind of antique items he collects. However, there is one thing he loves even more. Bread.



After ten years working in a posh Makati office as a banker, he finally realized he never belong in the corporate world. He found the work behind the desk boring. He yearned for something different. Pedro Barrios wanted to establish his own business and become his own boss.

Armed with sheer determination and a certificate of training for a one-month course in Basic Commercial Baking Science he attended at the Asian Baking Institute of the Philippine Women's University, he went home to Mindanao certain to change his destiny.

With his pooled savings and the P200,000.00 he borrowed

since we are into bakery business and we get imported flour directly from our suppliers in Australia while we buy oil in Malaysia, all at cheaper rates," Pedro explained. Hence, Manolette can afford to serve the public freshly baked delicious, cheaper but quality "Manolette's" everyday.

Bakery Innovation

He also introduced productive innovations to his bakery operations by producing his customized compact ovens with double burners. The ovens were designed to save space and to minimize idle oven time use since simultaneous baking of



from his father as starting capital, he put up his pioneering bakery outlet in the Municipality of Compostela, Davao del Norte in 1994. Having only few workers to help him, he functioned as a baker, cashier, purchaser, utility worker, and the manager of his bakery, all in one.

Weathering the storm

During his first three months, he was not getting any profit from his bakery. But he did not quit. Instead, he became more driven and sought the help of a friend to aid him check and iron out the flaws of his business plan.

His bakery's name "Manollete" was taken from his niece's name. "I don't believe in any special reason for a bakery or brand name, neither do I believe that there should be special ingredients embellished on our breads so people keep on buying them," Pedro stated.

"The secret of Manolette's success lies on how we deal with our costumers... by being sincere and honest in giving them their money's worth in every piece of bread they buy. That... is our special ingredient of success," Pedro stressed.

His business acumen made him surmount the recent upsurge in flour prices. While others folded up their bakery business because of the skyrocketing flour price, he shifted strategies to cease being dependent on some unscrupulous local flour distributor. He began diversifying his business.

He engaged in the distribution of imported flour and cooking oil. "This move proves to be advantageous to us

two products requiring different temperature ranges was possible in the two thermal zones generated by his uniquely designed oven burners. "Maintenance of our ovens became easier and we were able to minimize expensive production costs," Pedro added.

Tips on how to survive in bread business

- Be honest** and sincere in dealing with the customers.
- Stay focused** with your business and avoid unnecessary expenses.
- Motivate** and treat employees fairly.
- Never stop** learning and improving new things.
- Work hard**, be one of the employees.
- Deal with problems** methodically, consider collective ideas.

Choosing the right business partner

"Manolette" became a common name in most locales. The need for further branch expansion was pressing.

Being a calculative entrepreneur, he chose the right partner to help him dominate the bread business in Mindanao and Visayas. He applied for loans as additional capital from the **Enterprise Bank, Inc.**

"I am very satisfied with the kind of service the EBI has extended to me," Pedro enthused. "In just two weeks, my loan was approved and was even delivered personally by the Loans Officer," he recalled.

With his loaned additional capital, he was able to open an average of six branches per month.

Pedro Barrios dared to take the road less traveled. He steadfastly faced head on the challenges of the congested baking industry. His persistence and winning bread ingredients of success made him a recipient of the President Ramon Magsaysay Outstanding Filipino Award in 2005.

His determination to survive and to learn more the trade of the bread industry paid off. Presently, he owns a string of 130 branches employing a total of 1,300 workers in Visayas and Mindanao.

Kamayo Mindanao Foundation, Inc. (kmfi)



Years ago, Surigao Province was lush with thick forest that loggers, both legal and illegal, flocked to the area sporadically cutting the decades old trees which they used to manufacture papers and lumbers. The reckless disregard for forest preservation rendered the communities prone to flashfloods and other natural maladies.

When a large legit logging company once operating in Lianga, Surigao del Sur closed down in the middle of 1990s, malnutrition had become an endemic problem among the families of the logging company workers rendered unemployed. Unemployment, aggravated by the domino effects of calamities that hit the province as consequence of forest denudation, evidently resulted to extreme poverty.

Moved by the dismal condition experienced by his fellow "Surigaonon" Mr. Ignacito U. Alvizo, founder of **Enterprise Bank, Inc.** established the Kamayo Mindanao Foundation, Inc. (KMFI) as a nutrition project in the early part of 1997. As the Chairman of the Bank, he chose the malnourished children in Surigao del Sur as recipients of the EBI's support though KMFI.

Being a company with profound corporate social responsibility, EBI allocated special funds from its revenues to fully finance nutrition program for the food supplies and food supplements of some nutritionally deficient children. Some children in Lianga adopted by the KMFI manifested physical deformities with late and defective mental development abilities needing special attention.

In December 8, 2003, the children were transferred to a feeding center in Lianga. That was then when Dominican Sisters of the Holy Rosary of Pompie took charge in supervising the feeding program intended for indigent children from ages 1-5 years old.

Preschool and the nutrition center are still presently being managed by KMFI and the Dominican Sisters.

However, there was still the urgent need to help the impoverished households attain self-sufficiency and self-reliance. EBI eventually formally organized the KMFI into an extension program focused in conducting diverse activities on its five major programs namely: social services, environment protection advocacy, research and training, microfinance

development services, income generating activities.

KMFI conducted microfinance technical trainings to ensure that the financial support of the bank extends in the form of credit will be put in better use. Massive practical livelihood trainings were provided. Saving consciousness was heightened as the bank poised itself within reach of its poor clients.

KMFI has then become an effective tool in supporting EBI extend its financial assistance program to hard to reach areas. A training center was built in Lianga, Suriago del Sur where frequent livelihood trainings for mothers, farmers and fishermen were held.

Environment protector

As environment protection advocates and conservation, EBI and KMFI recently established a Marine Conservation Program having the Marine Resource Center in Wakat, Barobo, Surigao del Sur as the hub of its operation. The said initiative was in collaboration with Barobo and Lianga Local Government Units.

KMFI and the provincial LGUs conducted series of seminars and marine awareness activities to educate the community on the importance of preserving and protecting marine life and the necessity of enforcing the fishery laws. KMFI specifically outlined programs to provide the fishermen technical knowledge and financial services on microfishing.

Just recently, KMFI was at the helm of the installation of Health Plus outlets.

KMFI BOARD OF TRUSTEES

Chairman:	Mr. Ignacito U. Alvizo
President:	Atty. Ronald E. Alvizo
Secretary:	Atty. Romelia O. Patawaran
Treasurer:	Ms. Emma A. Requilme
Trustees:	Ms. Dorofel A. Barit Ms. Josephine M. Balaan
Members:	Msgr. Nerio Odchimar Ms. Maria Bernadette O. Mojica Dr. Editha C. Mosquera Ms. Evelyn A. Balason
Ex-Officio:	Atty. Daisy Ronquillo



Imbued with belief that the values formation during the tender years prepares the child to become responsible and productive members of the community, the bank also maintains and finances a preschool for these indigent children.

The Health Plus project has been ongoing since the last quarter of 2006. To date, there are twenty-two pharma drug centers that offers affordable medicines to the public.



Our Vision

Communities will thrive and prosper in an environment where the land is productive, microenterprise flourish and families are economically self-sufficient.

Our Mission

Poor enterprising microentrepreneurs are given opportunities to enhance their skills and acquire good credit discipline through micro enterprise development programs.

Family members especially women and children are provided access to socio-economic programs that will focus on nutrition, health and income-generating activities.

Microenterprise are strengthened through microenterprise development programs related to technical training and appropriate forms of finance. Communities are involved in the preservation and protection of the environment.

Malnourished and abandoned children are given shelter and proper nutrition so that they will become useful members of the community.



email: kmfidavao@yahoo.com

website: www.kmfi.com.ph

find us...

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P-4 Medevco Compound
Don Beda Alvizo Building
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or 839-2050

DAVAO CITY
Unit 202-B, 3rd Floor
GGO Summit Bldg.,
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Davao City
Tel. Nos.: (082) 225-8892
or 228-6986

**SINDANGAN,
ZAMBOANGA DEL NORTE**
Ramon Magsaysay
Villegas Bldg., Poblacion
Sindangan, Zamboanga
del Norte
Te. No.: (065) 224-2771

OZAMIS CITY
2nd Floor, Ramiro Bldg.,
Rizal Avenue corner Juan
Luna Street,
Ozamis City
Tel. No.: (088) 521-4628

CEBU CITY
Door 10, N&N Bldg.,
A.C. Cortez Avenue
Mandaue City, Cebu
Tel. No.:
(032) 345-0374

BOARD OF DIRECTORS



Mr. Ignacito U. Alvizo



Atty. Ronald E. Alvizo



Ms. Emma A. Requilme



Atty. Randy Alvizo



Dr. Carla Divina S. Virtudazo



Mr. Maximino A. Salang, Jr.

Mr. Ignacito U. Alvizo

Ms. Emma A. Requilme

Atty. Ronald E. Alvizo

Dr. Carla Divina S. Virtudazo

Atty. Randy E. Alvizo

Mr. Maximino A. Salang, Jr.



Jennifer D. Suelto



Joel D. Lagura



Emma A. Requilme



Angelito C. Curimo



Rogelio C. Moreno



Josephine M. Bala-an



John Jambo C. Regencia



Dorefel A. Barit



Cecilia T. Briones



Dennis A. Moreno



Atty. Romelia O. Patawaran

EXECUTIVES

Ms. Jennifer D. Suelto
Senior Vice-President

Ms. Emma A. Requilme
Mr. Joel D. Lagura
Ms. Josephine M. Bala-an
Ms. Dorefel A. Barit
Atty. Romelia O. Patawaran
Mr. John Jambo C. Regencia
Mr. Angelito C. Curimo
Ms. Cecilia T. Briones
Mr. Rogelio C. Moreno
Mr. Dennis A. Moreno

Vice President - Cash Management
Vice President - Microfinance
Asst. Vice President - Accounting
Asst. Vice President - Compliance
Asst. Vice President - Collection Legal and Asset Management
Asst. Vice President - Small Business Loans
Asst. Vice President - Management Information System
Asst. Vice President - Human Resources Management and Development
Asst. Vice President - Southern Mindanao
Asst. Vice President - Surigao del Sur

products and services

MICROFINANCE PRODUCTS

The Kalisod Mo Tabangan Ko (KMTK) Load Product is Enterprise Bank's flagship product which paved way for EBI to become an institution in the field of microfinance in Mindanao.

The KMTK is a credit program which adopts the basic Grameen Bank model of solidarity lending to clients belonging to the entrepreneurial poor segment of the society.

There are several loan products under EBI's Microfinance Program.

KMTK Livelihood

The loan aims to provide poor enterprising women with additional working capital for various livelihood projects. The clients also enjoy value added services such as built-in community-based health insurance and mutual benefit schemes.

Minimum Loan Amount	: P6,000.00
Maximum Loan Amount	: P50,000.00
Loan Term	: 3-4 months
Collateral support	: Co-makers/solidarity liability



Micro Housing

The goals of the program support the idea that a client's investment in home improvement (i.e. fixing a leaky roof) is equally important and relevant to development in the sense that it directly promotes the socio-economic well-being of the family. It does not only improve the chances of a more steady profit stream it also boosts the household's earning capabilities which will ultimately result in client's capacity to repay loans obtained for working capital.

Minimum Loan Amount	: P5,000.00
Maximum Loan Amount	: P25,000.00
Loan Term	: Maximum of term 12 month
Collateral support	: Co-makers/solidarity liability

Priority Projects:

- Building and repairing of toilets
- Construction or de-clogging of septic tanks
- House repair and improvement or building of additional rooms
- Walling, ceiling, roofing, flooring, replacement of foundations, drainage, fencing gate construction
- Connection of basic services like water and electricity.

Who are eligible to avail?

- A bonafide KMTK Class A client for 1 year with continuous availment and savings of not less than P3,000
- No past due account upon application
- Attendance rate is at least 80%
- Resident of a 1st class municipality
- Borrower owns the property being upgraded
- If house is rented, must have valid lease contract during the entire period of the loan



Micro Agri:

The loan is for purchase of farm inputs and for financing of farm labor expenses of small agricultural lot owners.

Maximum Loan Amount : P50,000.00
 Loan Term : 5-10 months
 Collateral support : Co-makers/solidarity liability

Small Business Loans:

Target clients for small business lending are individuals engaged in micro and small scale industries for at least two years. This loan product offers working capital through a lending scheme that allow loans to clients based on their current cash flow.

Maximum Loan Amount : 5 million
 Loan Term : 6 months to 2 years

Other Loans:

Consumer loans are for regular employees of established public and private institutions duly accredited with Enterprise Bank, Inc. Personal loans are for professionals or employed individuals who are in public or private practice for more than 1 year. They must be residents of Davao City, General Santos City, Cagayan de Oro City, Butuan, Digos, Kidapawan, Cebu, Panabo or Tagum City.

Minimum Loan Amount : P100,000.00
 Maximum Loan Amount : P250,000.00

Deposit Products

Premium Checking Account – earns 1% interest p.a. with a low maintaining balance of P3,000 for individuals and P10,000 for corporate/ institutional accounts.

Regular Time Deposit – earns as much interest with a minimum deposit of P5,000.00.

Golden Time Deposit – double your money in eight (8) years for a minimum of P50,000.00 tax free.

Micro Group Fishing

Target clients are marginalized fisherfolks, seaweed farmers, seafarers and other individuals engaged in fishery projects. The loan is for financing or purchase of marine engines, fishing vessels, fishnets and other fishing supplies, including provisions or rations for use while at sea.

The program follows the credit and savings delivery mechanism of the Micro Group loan product but is more flexible in terms of loan terms and repayment scheme.

Maximum Loan Amount : P50,000.00
 Loan Term : P3-6 months
 Collateral support: : Co-makers/solidarity liability



products & services

SMALL BUSINESS ENTERPRISE (SME Loan)

Because we believe that advocating entrepreneurship also helps build a stronger nation.



we provide instant funds for any business needs.

ENTERPRISE BANK, INC.

EBI ENTERPRISE BANK, INC.

INTRODUCING DEPOSIT PRODUCTS

Regular Savings Account

Earn 1% interest rate p.a offers passbook based accounts for better monitoring of all transactions. All it takes is a minimum amount of P200.00

Premium Checking Account

Earn 1% interest p.a with low maintaining balance of P3,000.00 for individuals and P10,000.00 for corporate accounts

Regular Time Deposit

Minimum deposit of P5,000.00

Golden Time Deposit

Double your money in eight (8) years for a minimum deposit of P50,000.00 **tax free**



BEEP!! BEEP!! BEEP!!

EBI introduces the easy to pay **CAR/TRUCK FINANCING**



Secured by Chattel Mortgage
Repayment through issuance of post-dated checks
Available in 12, 18, 24, 30, 36, 48 months terms
Available for the following purpose:

Purchase of brand new vehicle for business or personal use

Minimum down payment
-20% of unit value

Purchase of second hand/used vehicle for business or personal use and refinancing of existing vehicle

Age of Unit	Maximum Loan Value
= 1 year or less -	(70% of Appraised Value)
= 1 to 3 years -	(60% of Appraised Value)
= 3 years up -	(50% of Appraised Value)

Purchase of truck/s and or other heavy equipment for business use

Maximum Loan Value
-50% of Appraised Value
Maximum Loan Term
-24 months
Maximum age of unit
-more than 4 years

Your passion makes it possible. EBI makes it happen.

BORROWER ELIGIBILITY CRITERIA

PROFESSIONAL

- must be in private or public practice for more than a year
- minimum monthly income of P25,000.00
- between 21-59 years of age
- must be a resident of Davao, General Santos, Cagayan de Oro, Butuan, Digos, Kidapawan, Panabo or Tagum

SELF EMPLOYED

- with existing business operating for more than 3 years
- between 21-59 years of age
- must be a resident of Davao, General Santos, Cagayan de Oro, Butuan, Digos, Kidapawan, Panabo or Tagum

PERSONAL ~~X~~ LOAN



DON'T JUST LIVE YOUR LIFE. ENJOY IT.

our advocacies...



The faces of micro enterprising women who are recipients of microfinance loans.



The successful entrepreneurs who made the right decision in choosing Enterprise Bank, Inc. as business partner.



The inauguration of the garment factory which was well-attended by the Dominican Sisters and local officials in Lianga, Surigao del Sur.

The new office of Butuan Branch reflects the corporate image of the Enterprise Bank, Inc.



Children's laughters reverberate as they frolic on the beach.



Enterprise Bank, Inc. is a steadfast advocate of environment protection and preservation.

Language was not powerful enough to describe the infant phenomenon.
Charles Dickens (1812-1870)
British novelist



"The success of this company is anchored on the efficiency of our system and proficiency of its people, Continuous trainings in the field of market growth productivity, quality portfolio, research and product development are being conducted regularly."



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Accreditations
NEA Accreditation No. 016
IC Accreditation No. 016-F
BSP No. D13-01-26 (1-168)

BOA / PRC Reg. No. 0250
SEC Accreditation No. 0076-F

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Enterprise Bank, Inc.
(A Rural Bank)
Liangá, Surigáo del Sur

We have audited the accompanying financial statements of Enterprise Bank, Inc. (A Rural Bank), which comprise the balance sheets as of December 31, 2007 and 2006, and the income statements, statements of changes in capital funds and cash flow statements for the years then ended, and notes to financial statements comprising of a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Enterprise Bank, Inc. (A Rural Bank) as of December 31, 2007 and 2006, and of its financial performance and its cash flows for the years then ended in accordance with the Philippine Financial Reporting Standards.

RUSTICO B. CABILIN

Partner
CPA Cert. No. 77426
SEC Accreditation No. 0308-A

TIN 102-082-445
PTR No. 1677497 A
February 11, 2008
Cagayan de Oro City

April 4, 2008
Cagayan de Oro City

Balance Sheets

December 31	2007	2006
Resources		
Cash and Other Cash Items (Note 3)	P154,093,908	P104,142,234
Financial Assets		
Held-to-Maturity Investments (Note 4)	11,668,564	17,127,960
Loans and Discounts (Note 5)	557,022,651	355,377,970
Bank Premises, Furniture, Fixtures and Equipment (Note 6)	49,961,495	44,107,883
Real and Other Properties Acquired (Note 7)	9,023,767	7,781,451
Other Resources (Note 8)	9,816,253	5,780,036
	P791,586,638	P534,317,534
LIABILITIES AND CAPITAL FUNDS		
Deposit Liabilities:		
Savings	P232,747,301	P148,760,990
Demand	9,294,134	8,068,885
Time	33,674,516	23,577,488
	275,715,951	180,407,363
Bills Payable (Note 10)	368,773,129	236,465,688
Accounts Payable and Accrued Expenses (Note 11)	45,292,938	29,161,376
	689,782,018	446,034,427
Capital Funds (Note 12)	101,804,620	88,283,107
	P791,586,638	P534,317,534

See Notes to Financial Statements

Income Statements

Years Ended December 31	2007	2006
INTEREST INCOME		
On loans and discounts	P136,935,009	P118,576,927
On bank deposits and investment in securities	2,061,477	1,340,402
	138,996,486	119,917,329
LESS INTEREST EXPENSE	42,022,156	27,815,805
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES	96,974,330	92,101,524
PROVISION FOR IMPAIRMENT LOSSES	-	240,000
INCOME BEFORE SERVICE FEES AND OTHER CHARGES	96,974,330	91,861,524
SERVICE FEES AND OTHER CHARGES	65,505,873	54,131,315
INCOME BEFORE OTHER EXPENSES	162,480,203	145,992,839
OTHER EXPENSES (Note 13)	145,443,073	121,233,500
INCOME BEFORE TAX	17,037,130	24,759,339
PROVISION FOR INCOME TAX (NOTE 17)	5,620,275	8,503,470
NET INCOME	P11,416,855	P16,255,869
EARNINGS PER COMMON SHARE (NOTE 19)	P45	P67

See Notes to Financial Statements

Statements of Changes in Capital Funds

December 31	2007	2006
CAPITAL STOCK – P100 par value (Note 12)		
Common Shares		
Authorized – 598,647 shares		
Issued and outstanding – 417,877 shares in 2007 and 241,246 shares in 2006	P41,784,400	P24,124,600
Preferred Shares – non-voting and convertible		
Government – non-voting and convertible		
Authorized – 51,353 shares		
Issued and outstanding – 47,157 shares	4,715,700	4,715,700
	46,500,100	28,840,300
SURPLUS RESERVES	7,634,973	6,767,973
SURPLUS AND UNDIVIDED PROFITS		
Balance at beginning of year	52,674,834	36,030,115
Net income	11,416,855	16,255,869
Direct chargers to surplus and undivided profits (Note 14)	(16,422,142)	388,850
Balance at end of year	47,669,547	52,674,834
	P101,804,620	P88,283,107

See Notes to Financial Statements

Cash Flow Statements

Years Ended December 31	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	P11,416,855	P16,255,869
Add back an item not requiring cash:		
Depreciation and amortization	10,563,191	8,274,102
Provision for impairment losses	-	240,000
Changes in operating resources and liabilities:		
Increase in real and other properties acquired	(1,242,316)	(2,543,691)
Increase in other resources	(4,036,218)	(1,316,688)
Increase in accounts payable and accrued expenses	16,131,562	7,168,048
Net Cash Provided From Operating Activities	32,833,074	28,077,640
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in deposit liabilities	95,308,588	25,408,762
Decrease in bills payable	132,307,441	71,654,387
Increase in Surplus Reserves	867,000	-
Additional Issuance of Capital Stock	17,659,800	30,700
Direct charges to Surplus and undivided profits (Note 14)	(16,422,142)	388,850
Net Cash Provided From Financing Activities	229,720,687	97,482,699
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in Loans and Discounts	(201,644,681)	(62,368,841)
Decrease in held-to-maturity investments	5,459,396	5,744,851
Additions to bank premises, furniture, fixture and equipment - net	(16,416,802)	(19,117,372)
Net Cash Used in Investing Activities	(212,602,087)	(75,741,362)
NET INCREASE IN CASH AND CASH EQUIVALENTS	49,951,674	49,818,977
OPENING CASH AND OTHER CASH ITEMS	104,142,234	54,323,257
CLOSING CASH AND OTHER CASH ITEMS	P154,093,908	P104,142,234

See Notes to Financial Statements

Notes to Financial Statements

Enterprise Bank, Inc.
(A Rural Bank)

Note 1

Organization

The Enterprise Bank, Inc. was organized on May 10, 1976. The Rural Bank's principal office is located at Lianga, Surigao del Sur and maintains branch offices at Tandag, Madrid, Aras-asan, Barobo, Hinatuan, Bislig (all in Surigao del Sur); San Francisco and Bayugan, Agusan del Sur, Butuan City, Tagum City and Cagayan de Oro City.

Note 2

Summary of Significant Accounting Policies

Basis of Preparation. The accompanying financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSS) under the historical cost conventions. The principal accounting policies adopted in the preparation of these financial statements are discussed below.

Use of Estimates, Assumptions and Judgments. The preparation of the financial statements made use of estimates, assumptions and judgments by management based on management's best knowledge of current and historical facts as at balance sheet dates. These estimates and judgments affect the reported amounts of assets and liabilities and contingent liabilities as at balance sheet date, as well as affecting the reported income and expenses for the year.

Financial Assets. Financial assets include cash and other financial instruments. Financial assets are classified into categories: financial assets at fair value to profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments are required. The designation of financial assets is re-evaluated at every reporting date at which date a choice of classification or accounting treatment is available, subject to compliance with specific provisions of applicable accounting standards.

The following are the applicable financial assets of the Bank:

- **Cash and Cash Equivalents.** Cash and cash equivalents are carried in the books at cost. For purposes of the cash flow statements, cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.
- **Loans and Receivables.** Loans and other receivables are stated at the outstanding principal balance, reduced by unamortized loan discounts, other deferred income and capitalized interest and allowance for impairment losses. Unamortized loan discounts are amortized to income over the terms of the loans and other receivables using the effective interest method. The BSP observes certain criteria and guidelines based largely on the classification of loans and receivable in establishing specific loan loss reserves. Receivables are classified as non-accruing in accordance with BSP regulations, or when, in the opinion of management, collection of interest or principal is doubtful. Interest income on these loans is recognized only to the extent of cash collections received. Receivables are not reclassified as accruing until the interest and principal payments are brought current or loans are restructured in accordance with existing BSP regulations, and future payments appear assured.
- **Held-to-Maturity Investments.** These are also non-derivative financial assets with fixed or determinable payments and fixed date of maturity. These are mostly investments in treasury bills with fixed maturity from more than three (3) months to one (1) year or more, and which management has the express intentions of holding to maturity or until these are sold to raise operating capital. These investments are measured at amortized cost using the effective interest method. If there is objective evidence that the investment has been impaired, it is measured at present value of estimated cash flows. Any changes to the carrying amount of the investment are recognized in profit or loss.

Allowance for Impairment Losses. Allowance for impairment losses is maintained at a level considered adequate to provide potential losses on receivable from borrowers. The allowance is increased by provisions charged to expense and reduced by net write-offs and reversals. The level of allowance is based on higher management evaluation of potential losses after consideration of prevailing and anticipated economic conditions and evaluation of potential losses based on the existing guidelines of BSP. The BSP requires banks to observe certain criteria and guidelines based largely on the classification of loans in establishing allowance for loan losses. Additionally, a blanket reserve is required for non-classified loans. Under BSP guidelines, this blanket reserve should, at the minimum, be equivalent to 2% of non-classified loans. Furthermore, existing guidelines of the BSP establish new policies on the classification of nonperforming loans, prerequisites to the restructuring of loans, and maximum collateral valuation limits for the purpose of calculating the allowance for impairment losses.

Bank Premises, Furniture and Equipment. Bank premises, furniture and equipment are carried at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows: (a) buildings, twenty-five (25) years, (b) furniture, fixtures and equipment, one (1) to ten (10) years, (c) transportation equipment, five (5) years, (d) leasehold improvement, over the estimated useful lives of the improvements or the term of the lease, whichever is shorter, and (d) land is not depreciated. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removing from the accounts and any resulting gain or loss is credited or charged to income. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits arising from the renovations will flow to the organization.

Real and Other Properties Acquired. Assets acquired in settlement of loans are initially recorded at the total outstanding exposure of the loan at the time of acquisition or bid price, whichever is lower. Non-refundable capital gains tax and documentary stamp tax incurred in connection with foreclosure are capitalized as part of the carrying values of the assets, which should not exceed appraised values. Security maintenance and other holding costs are charged to operations as incurred. Allowance for probable losses is set up for any anticipated losses based on appraisal reports, current negotiations and programs to dispose these properties.

Revenue and Cost Recognition. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. On discounted loans, interest income is recognized based on the accrual method of accounting, except in the case of loans classified as non-accruing in accordance with existing BSP regulations. Interest income of non-accruing loans and past-due receivables is recognized only to the extent of cash collections received. Service fees are recognized over the term of loans. Other non-finance charges on loans and penalties on delinquent accounts are recognized upon actual collection. Other sources of income are recognized on the cash method. Cost and expenses are recognized in the income statement upon utilization of the service or at the date they are incurred.

Provisions and Contingent Liabilities. Provisions, if any, are recognized when the Bank has legal or constructive obligations as a result of a past event: it is probable that an outflow of resources will be required to settle the obligation and estimate can be made of the amount obligation. During the year, the Bank has no contingencies and commitments arising from any off-balance sheet items.

Earnings per Common Share. Earnings per common share are determined by dividing net income by the weighted average number of shares outstanding during the year.

Retirement Cost. The Bank provided for the estimated retirement benefits required to be paid under R.A. No. 7641 to all qualifying employees based on actuarial computations. Pension costs are determined using the projected unit credit method. This method reflects services rendered by employees to the date of valuation and incorporate assumptions concerning employees' projected salaries.

Note 3

Cash and Other Cash Items

This consists of the following:

<i>December 31</i>	2007	2006
Due from other banks	P128,771,727	P86,045,344
Cash and other cash items	21,439,039	16,713,559
Due from Bangko Sentral ng Pilipinas	3,883,142	1,383,331
	P154,093,908	P104,142,234

Note 4

Held-to-Maturity Investments

This consists of the following:

<i>December 31</i>	2007	2006
Philippine National Bank	P10,138,134	P15,138,134
Land Bank of the Philippines	1,530,430	1,989,826
	P11,668,564	P17,127,960

Land Bank of the Philippines. This represents 10-years bonds to cover the retirement of preferred shares. The bonds are payable in equal annual installments and earn interest based on the prevailing 91-day treasury bill rate.

Philippine National Bank. This represents an eighty-six (86) day certificate of time deposit, which will earn interest rate at 4% per annum. This investment is roll-over regularly.

Note 5

Loans and Discounts

This account consists of the following:

<i>December 31</i>	2007	2006
Current loans	P595,638,082	P387,949,448
Past due accounts	14,899,431	11,389,928
Items in litigation	2,612,958	2,369,200
Total loans and discounts	613,150,471	401,708,576
Less allowance for impairment losses	17,390,957	14,523,931
Unearned interest income and discounts	38,736,863	31,806,675
Net	P557,022,651	P355,377,970

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The following table shows the breakdown of loans as to secured and unsecured loans:

<i>December 31</i>	2007	%	2006	%
Secured Loans:				
Real Estate	P89,443,682	14	P62,419,289	15
DOSRI	865,401	1	308,907	1
	90,309,083	15	62,728,196	16
Unsecured Loans	522,841,388	85	338,980,380	84
	P613,150,471	100	P401,708,576	100

Nonperforming loans as defined under BSP Circular 202, amounted to P17,512,390 in 2007 and P14,523,931 in 2006. As a general rule, under BSP Circular 202, nonperforming loans refer to loans whose principal and/or interest is unpaid for thirty (30) days or more after due date or after they have been past due in accordance with existing rules and regulations.

As of December 31, 2007 and 2006, information on the concentration of credit as to industry follows:

<i>December 31</i>	2007	%	2006	%
Wholesale and retail trade	P458,146,629	74	P300,403,540	75
Agricultural	115,642,484	19	68,125,180	17
Transportation, storage and communication	73,211	1	-	-
Others	39,288,147	6	33,179,856	8
	P613,150,471	100	P401,708,576	100

The BSP considers that concentration of credit exists when total loan exposure to a particular industry or economic sector exceeds 30% of total loan portfolio.

Note 6

Bank Premises, Furniture, Fixtures and Equipment

Bank premises, furniture, fixtures and equipment, which are stated at cost, consist of the following:

<i>As of December 31, 2007</i>	<i>Beg. Balance</i>	<i>Additions</i>	<i>Disposal/ Reclassification</i>	<i>End Balance</i>
Cost				
Land	P7,329,538	-	(1,545,000)	P5,784,538
Building	18,516,790	P4,277,269	-	22,794,059
Furniture, fixtures and equipment	20,414,337	5,447,917	-	25,862,254
Transportation equipment	19,970,610	6,793,715	-	26,764,325
Leasehold improvements	5,575,031	1,442,901	-	7,017,932
	71,806,306	17,961,802	(1,545,000)	88,223,108
Accumulated Depreciation				
Building	(2,614,852)	(1,173,347)	-	(3,788,199)
Furniture, fixtures and equipment	(13,022,843)	(3,862,243)	-	(16,885,086)
Transportation equipment	(9,947,470)	(4,090,669)	-	(14,038,139)
Leasehold improvements	(2,113,258)	(1,436,931)	-	(3,550,189)
	(27,698,423)	(10,563,190)	-	(38,261,613)

Net Book Value				
Land	7,329,538	-	(1,545,000)	5,784,538
Building	15,901,938	3,103,922	-	19,005,860
Furniture, fixtures and equipment	7,391,494	1,585,674	-	8,977,168
Transportation equipment	10,023,140	2,703,046	-	12,726,186
Leasehold improvements	3,461,773	5,970	-	3,467,743
	P44,107,883	7,398,612	(1,545,000)	P49,961,495

Note 7

Real and Other Properties Acquired

This consists of the following:

<i>December 31</i>	2007	2006
Real estate	P10,247,918	P8,572,704
Sales contract receivable	638,638	878,638
Chattel	-	82,898
Others	27,857	27,857
Total	10,914,413	9,562,097
Less allowance for impairment losses	1,890,646	1,780,646
Net	P9,023,767	P7,781,451

Note 8

Other Resources

This consists of the following:

<i>December 31</i>	2007	2006
Inter-office float items	P3,768,483	P310,274
Accounts receivable	2,295,238	3,678,018
Stationery and office supplies	1,524,788	711,363
Prepaid expenses	822,856	871,205
Deferred charges	517,285	579,058
Miscellaneous assets	937,691	17,624
	9,866,341	6,167,542
Less allowance for impairment losses	50,088	387,506
	P9,816,253	P5,780,036

Note 9

Allowance for Impairment Losses

The changes in the allowance for impairment losses during the year are as follows:

<i>December 31, 2007</i>	<i>Beg. Balance</i>	<i>Additions</i>	<i>Reversal</i>	End Balance
Loans and discounts	P14,523,931	P5,458,752	P2,591,726	P17,390,957
Real and other properties acquired	1,780,646	110,000	-	1,890,646
Other resources	387,506	131,981	469,399	50,088
	P16,692,083	P5,700,733	P3,061,125	P19,331,691

Note 10

Bills Payable

This consists of the following:

<i>December 31</i>	2007	2006
Peoples Credit and Finance Corporation	P107,932,451	P136,895,324
Small Business Guarantee and Finance Corporation	51,201,255	16,744,997
Oxfam Novib	48,928,414	18,413,406
National Livelihood Support Fund	37,613,660	16,753,736
Triodos Stoechting	25,000,000	-
Land Bank of the Philippines	22,528,899	24,510,275

Oiko Credit	20,000,000	-
United Coconut Planters Bank	18,375,000	14,125,000
Development Bank of the Philippines	17,921,650	8,933,750
Planters Development Bank	10,375,000	-
Bangko Sentral ng Pilipinas	8,896,800	89,200
	P368,773,129	P236,465,688

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Peoples Credit and Finance Corporation. This represents the balance of the bills payable arising from rediscounting of loans. These loans bear interest rate at 12% annually and are payable within seven (7) years. The loan agreement also provides that any cash dividend declaration by the Rural Bank shall require prior approval from PCFC.

Small Business Guarantee and Finance Corporation. This represents clean loans with interest rates ranges from 7.90% to 10% annually and are payable within two (2) years.

Oxfam Novib. This represents clean loan with an interest rate of 9.5% per annum and is payable within three (3) years until October 18, 2009. **National Livelihood Support Fund (NLSF).** This represents clean loan with interest rates ranges from 4% to 9% annually and is payable within four (4) years until November 10, 2009.

Triodos Stoechting. This represents clean loan with an interest rate of 11% per annum and is payable within (3) years until July 1, 2010.

Land Bank of the Philippines. This account represents the balance of the bills payable arising from rediscounting of loans. These loans bear interest rates ranges from 7% to 12% annually and is payable within one (1) year.

Oiko Credit. This represents clean loan with an interest rate of 10% per annum and is payable within five (5) years until November 26, 2012.

UCPB-CIIF Finance and Development Corporation. This represents clean loans with interest rates ranges from 9.75% to 10.50% annually and are payable within two (2) years.

Development Bank of the Philippines. This account represents the balance of the bills payable arising from rediscounting of loans. These loans bear interest rate of 10% annually and are payable within one (1) year.

Planters Development Bank. This represents clean loan with an interest rate of 9.5% per annum and is payable within two (2) years.

Bangko Sentral ng Pilipinas. This account represents the balance of the bills payable arising from rediscounting of loans. These loans bear interest rate of 3.67% per annum and is payable within one (1) year.

Note 11

Accounts Payable and Accrued Expenses

This consists of the following:

December 31	2007	2006
Accounts payable	P15,840,991	P13,820,899
Accrued and other expenses	29,451,947	15,340,477
	P45,292,938	P29,161,376

Note 12

Capital Funds

This consists of the following:

December 31	2007	2006
Capital Stock – P100 per value		
Common Shares		
Authorized – 598,647 shares		
Issued and outstanding – 417,844 shares in 2007 and 241,246 shares in 2006	P41,784,400	P24,124,600
Preferred Shares – non-voting and convertible		
Government – non-voting and convertible		
Authorized – 51,353 shares		
Issued and outstanding – 47,157 shares	4,715,700	4,715,700
Surplus reserves	7,634,973	6,767,973
Surplus and undivided profits	47,669,547	52,674,834
	P101,804,620	P88,283,107

Under Section 22 of the General Banking Act, the combined capital accounts of each rural bank should not be less than an amount equal to ten percent (10%) of its risk assets. The unimpaired capital of the Bank for purposes of determining the capital-to-risk assets ratio is capital fund excluding (a) deferred tax asset, (b) accumulated equity in net earnings of investees where percentage of ownership is less than 50% but where the equity method of accounting has been applied, and (c) appraisal increment on property and equipment other than those allowed to be recognized in connection with a merger or acquisition. Risk assets consist of total assets after exclusion of cash on hand, due from BSP, loans covered by hold-out or assignment of deposits, loans or acceptance under letters of credit to the extent covered by margin deposits, and other non-risk items as determined by the Monetary Board.

On July 17, 2007, the stockholders approved the recommendation of the Board of Directors on the declaration of 11.97% on the common stock dividends to all common stockholders, 2% and 12% for the Development Bank of the Philippines and Land Bank of the Philippines as preferred stockholders, respectively on record as of June 30, 2007. The dividends declaration was approved by the Central Bank of the Philippines on November 22, 2007.

Note 13 **Details of Other Expenses**

<i>For the Years Ended December 31</i>	2007	2006
Compensation/fringe benefits	P60,627,509	P52,430,896
Representation and Entertainment	10,578,628	13,687,256
Depreciation and amortization	10,563,191	8,274,102
Fuel Oil and Lubricants	6,155,686	4,584,000
Security, messengerial and janitorial services	5,787,595	4,023,688
Travelling expenses	5,471,719	2,769,358
Accounts receivable written off	5,458,752	3,929,714
Repairs and maintenance	5,108,685	3,544,769
Donations and charitable contribution	3,503,693	4,067,091
Stationery and supplies used	3,437,489	2,690,117
Rental	3,335,017	1,720,759
Taxes and licenses	2,499,492	1,385,646
Power, light and water	2,452,088	1,626,775
Postage, telephone & telegram	2,184,904	1,910,930
Litigation of assets acquired	2,121,731	1,429,866
Management and other professional fees	1,683,574	4,997,967
Insurance	1,564,056	1,311,953
<i>Documentary stamp</i>	1,026,006	840,473
Advertising and publicity	614,000	731,703
Membership and dues	98,388	72,300
Periodicals and magazine	77,755	3,143
Miscellaneous	11,093,115	5,200,994
	P145,443,073	P121,233,500

Note 14 **Direct Charges to Surplus and Undivided Profits**

These represents adjustments pertaining to declaration of dividends and prior year expenses and income.

Note 15 **Related Party Transactions**

Under the General Banking Act and BSP regulations, the aggregate amount of loans to directors, officers, stockholders and related interest (DOSRI) should not exceed the total capital funds or 15% of the total loan portfolio of the Bank, whichever is lower. In addition, the amount of direct credit accommodation to DOSRI, of which 70% must be secured, should not exceed the amount of their respective regular and/or quasideposits and book value of their respective investments in the Bank.

During the year 2007, the Bank has loan transactions with DOSRI amounting to P865,401, secured loans, which is equivalent to 1% of the total loan portfolio. As of December 31, 2007, these loans are current. The bank has no unsecured DOSRI loans during the year.

Note 16**Retirement Plan**

The Bank has a contributory retirement plan covering all its permanent employees. The plan provides benefits for employees upon attaining age sixty (60); provided the employee has rendered five (5) years of continuing service to the Bank. The Bank's contributions to the retirement plan is an amount equivalent to the employee's fifteen (15) days pay plus one-twelfth (1/12) of 13th month pay and the cash equivalent of not more than five (5) days of service incentives leaves, or twenty-two and a half (22.5) days multiplied by the employee's length of service.

Note 17**Provision for Income Tax**

In accordance with Republic Act No. 9337, otherwise known as the Expanded Value-Added Tax Act of 2005, the Bank's provision for income tax for the years ended 2007 and 2006 had been computed based on the current rate of 35%. The reconciliation of provision for income tax computed as follows:

<i>Years Ended December 31</i>	2007	2006
Net income per income statement	P17,037,130	P24,759,341
Add (deduct) reconciling items:		
Interest income on Bank already subject to final tax	(2,061,477)	(1,340,402)
Non-allowable interest expense (40% in 2007 and 38% in 2006)	1,030,738	636,691
Provision for impairment assets	-	240,000
Taxable income	16,006,391	24,295,630
Tax rate	35%	35%
Tax due	P5,602,237	8,503,470

Note 18**Financial Ratios**

In compliance with BSP Circular No. 212 series of 1999, and pursuant to Monetary Board Resolution No. 1381, financial ratios of the bank for the years 2007 and 2006 have been computed as additional disclosure requirements in the notes to the audited financial statements, as follows:

<i>December 31</i>	2007	2006
Return on Average Equity	12.41%	20.33%
Return on Average Assets	1.78%	3.43%
Net Interest Margin	29.13%	35.76%
Capital-to-Risk Assets	16.08%	22.48%

Note 19**Earnings Per Common Share**

The earnings per common share is computed based on the provisions of PSA/IAS No. 33 as follows:

<i>Years ended December 31</i>	2007	2006
Net income	P11,434,893	P16,255,869
Earnings allotted for preferred shares	-	-
Earnings allotted for common shares	P11,434,893	P16,255,869
Outstanding common shares at the beginning of the period	241,093	240,939
Effect of issuance of common shares during the period	14,716	154
Weighted Average Number of Common Shares	255,809	241,093
Earnings per Common Shares	P45	P67

Note 20**Approval of Financial Statements**

The Rural Bank's financial statements as of and for the year ended December 31, 2007, were authorized for issue by its Board of Directors on April 4, 2008, during their meeting.

Branch Directory

Aras-asan

Aras-asan, Cagwait, Surigao del Sur
0910-683-2913 / 0919-673-8564

Barobo

Barobo, Surigao del Sur
(085) 839-3533 local 2142

Bislig

Espiritu St.
Mangagoy, Bislig City
(086) 853-2263

Butuan City

Ground Floor, R.C. Intino Building
J.C. Aquino Ave., Butuan City
(085) 815-4408 • 341-4173 or
341-4138

Cagayan de Oro City

Ground Floor, Centro Mariano Bldg.
Osmeña St., Cogon,
Cagayan de Oro City
(08822) 723-869

Davao City

Unit 1-3 GGO Summit Bldg.
J.P. Laurel Ave., Davao City
(082) 225-8892 • 228-6986 • 305-3978

Hinatuan

Hinatuan, Surigao del Sur
Magallanes St., corner Bandala St.
ebi_hinatuan@yahoo.com
0918-578-1015

San Francisco

Quezon St., San Francisco
Agusan del Sur
(085) 343-9377 or 343-8624
839-3334 (Philcom)

Tagum City

Peyreras Bldg.
Magugpo West,
Tagum City
(084) 218-4991
400-4378

Tandag

Osmeña St.,
National Highway,
Surigao del Sur
(086) 211-5010



Service Outlets

Bayugan

Yakal St., P-3 Brgy.,
Taglatawan,
Bayugan, Agusan del Sur
(085) 8304-420

Cateel

Castro Avenue
Cateel, Davao Oriental

Digos City

Lao Building, Zone 3,
Rizal Ave., Poblacion,
Digos City
(0922) 599-2531
(083) 553-2812

General Santos City

Second Floor (2B-12A)
RD Plaza, Lukban St.
General Santos City
(083) 301-8986

Iligan City

Philam Building,
Lluch St., Saray
Tibanga, Iligan City
(063) 221-0183

Kidapawan City

Datu Ingal St.,
Poblacion,
North Cotabato
Kidapawan City
(064) 288-5740

Madrid

Guillen St.
Brgy. Quirino Madrid,
Surigao del Sur
(086) 213-4034

Marihatag

Poblacion Marihatag,
Surigao del Sur
(0921) 322-4422

Mati

MJO Bldg.,
Rizal Extension, Mati City,
Davao Oriental
(087) 811-2054

Nabunturan

Osita Bagaipo Bldg.
Sta. Teresita St., Nabunturan
(084) 376-0172

Panabo City

Door 2-a, St. John Square
Sto. Niño, Nat'l Highway,
Panabo City
(084) 822-3420

Sto. Tomas

Taylor Bldg.
Feeder Road 3,
Sto. Tomas
(084) 829-1331

Surigao City

Mijares Tumulak Bldg.
San Nicolas St.,
Surigao City
(086) 826-4219

Tagbina

P-4 Poblacion Tagbina,
Surigao del Sur

Trento

P-7 Block Tienda,
Poblacion Trento
Agusan del Sur
(085) 225-2417

Valencia

Corner ML Quezon and
Palma St., Poblacion,
Valencia City
(088) 828-2086



IMPORTANT MILESTONES OF THE ENTERPRISE BANK, INC.
since it began its operations:

- May 10, 1976 - Started banking operations in Lianga, Surigao del Sur
- 1976-1997 - Operating as a single unit bank, Diatagon Savings Agency approved by BSP.
- June 1994 - New management took over under I.U. Alvizo. Major changes in operation occurred from mid 1994 to 1995.
- Jan. 24, 1995 - Rehabilitation plan approved by BSP. Bills payable converted to LBP preferred shares.
- Feb. 1996 - 1st accreditation received from LBP for a P500,000 credit line. Current line is P50 million, accredited by BAI (P3 million) and UCPB-CIIF (P3 million in March and July same year.)
- September 1996 - Became a member of RBAP
- 1997 - Accredited by PCFC with a credit line of P1 million. Current line is P148 million. Four branch offices were opened.
- 1998 - Micro loan product launched. Three more branch offices opened. Corporate name was changed from New Rural Bank of Lianga to Enterprise Bank, Inc.
- 2000 - First dividend declaration after 6 years of rehabilitation effort.
- 2001-2003 - Closed smaller branches and transferred to bigger market areas of Butuan and Tagum cities.
- 2004 - Launched new micro agri loan product. Another UCPB-CIIF Credit line of P20 million was approved for microfinance.
- 2004 - Atty. Ronald Alvizo became bank President.
- April 2005 - Accredited by the Social Security System (SSS) and Phil-Health as collecting agent.
- May 2005 - Two microfinance oriented branches were licensed by Bangko Sentral ng Pilipinas (BSP): Madrid and Bislig Cities.
- November 2005 - Accredited by National Livelihood Support Fund (NLSF) with a credit line of P20 million for on-lending to small, marginal farmers.
- December 2005 - Launched micro fishing loan product.
- First Quarter 2006 - Accredited by Small Business Corporation (SBC) with a credit line of P20 million; Oxfam/Novib approved a credit line of Euro 300 thousand for microfinance.
- June 2006 - Launched micro housing repair loan.
- July 2006 - Opened Davao City Branch.
- 2007 - Atty. Ronald Alvizo became Chairman of the bank; Restructured Composition of EBI Board of Directors. Received 3 year, P25 million funding offer from Triodos Bank.
- May 2007 - Opened Cagayan de Oro Branch.



g e a r i n g t o w a r d s b e c o m i n g