

ENTERPRISE BANK, INC.




2008
annual
report


32 years
of keeping
business
personal


 **Enterprise Bank Inc.**
"A Rural Bank" (A Rural Bank)

WESTERN UNION
MONEY TRANSFER

 **We Accept:**
SSS Monthly Contribution Payments
SSS Salary/ Calamity/ Emergency Loan Payments
Philhealth Monthly Contribution Payments

 Social Security System

 Philippine Health Insurance Corporation

Do you want to have
a Checking Account that
earns interest?
**Apply now for EBI'S
Premium Checking Account!**
PLEASE INQUIRE INSIDE 

 **RESERVED**
FOR EBI CLIENTS ONLY

ENTERPRISE BANK, INC.

The Entrepreneur's Bank

Vision

**To be a strong regional bank
within greater Mindanao
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 and 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.

Promote 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 shareholder's value is enhanced through prudent investment undertaking 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.

THIS YEAR'S ANNUAL REPORT THEME

Taking EBI banking Service to new heights

In sync with its corporate mission to provide quality financial services to its clients EBI ceaselessly strives to keep up with customers' demand for better banking service.

Beyond the customary provision of credit and deposit, it is EBI's objective to ensure that every bank transaction is carried out with personalized customer care, and indubitable sincerity.

For an EBI staff, he makes it his business to know what banking service the client needs and aims to guarantee that his visits to the branch inscribe excellent banking experience worth sharing to others.

Such noble objectives drove EBI to make wide investments in human resource development to develop superior skills in customer relations and service delivery.

For EBI, living out with its fundamental philosophy for 32 years, indeed, translated into steady growth of clientele and remarkable cooperation with other stakeholders.

We are glad to report that our way of doing business with you, our clients, puts Enterprise Bank, Inc. to where it is now. A stable financial institution.

32 years of keeping business personal



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GROWING STRONGER THROUGH THE YEARS...





“

With the five year growth imperatives, EBI sets to put real partners first: the entrepreneurs and partner institutions that advocate the MSME development.

”



The President's Report

Delivering satisfactory results interesting to stakeholders was management's commitment in 2008.

A series of bold moves by top management to reconfigure the organization had contributed largely to the satisfactory results. The intention was to initiate the process of reshaping the organization to improve its ability to respond effectively to business opportunities and be able to deftly deploy the right resources in the right amount according to what the clients expect in terms of product utility and service experience.

We firmly believe that business opportunities are what the customers and non-customers define them to be, and that a lift in company value eventually pans out when we organize for the customer. This is what drives us at EBI.

At the macro level, the national government's strong thrust toward a strong MSME sector in the countryside, coupled with refreshingly liberal policies of the Bangko Sentral ng Pilipinas, are most likely certain to influence the rules of retail banking and how the game is going to be played out in the near future. If current business trends, here and abroad, are omens of things to come, then we should see the MSME sector coming to the fore as the primary driver of economic growth in the Philippine countryside.

EBI understands the growing role of RBs in countryside economics and looks at it as an opportunity that is starting to swell in its favor. Suddenly, it has become almost of a duty for us to push the boundaries of traditional rural banking farther and to be more entrepreneurial in our pursuits if we want to ride the crest well before the others do. Thus, sound judgment dictates that we dig in and firmly position ourselves in the MSME market while EBI still enjoys the edge in organizational experience and competency. Never in the history of EBI has its vision/mission been more relevant than now. Again, this is what drives us at EBI.

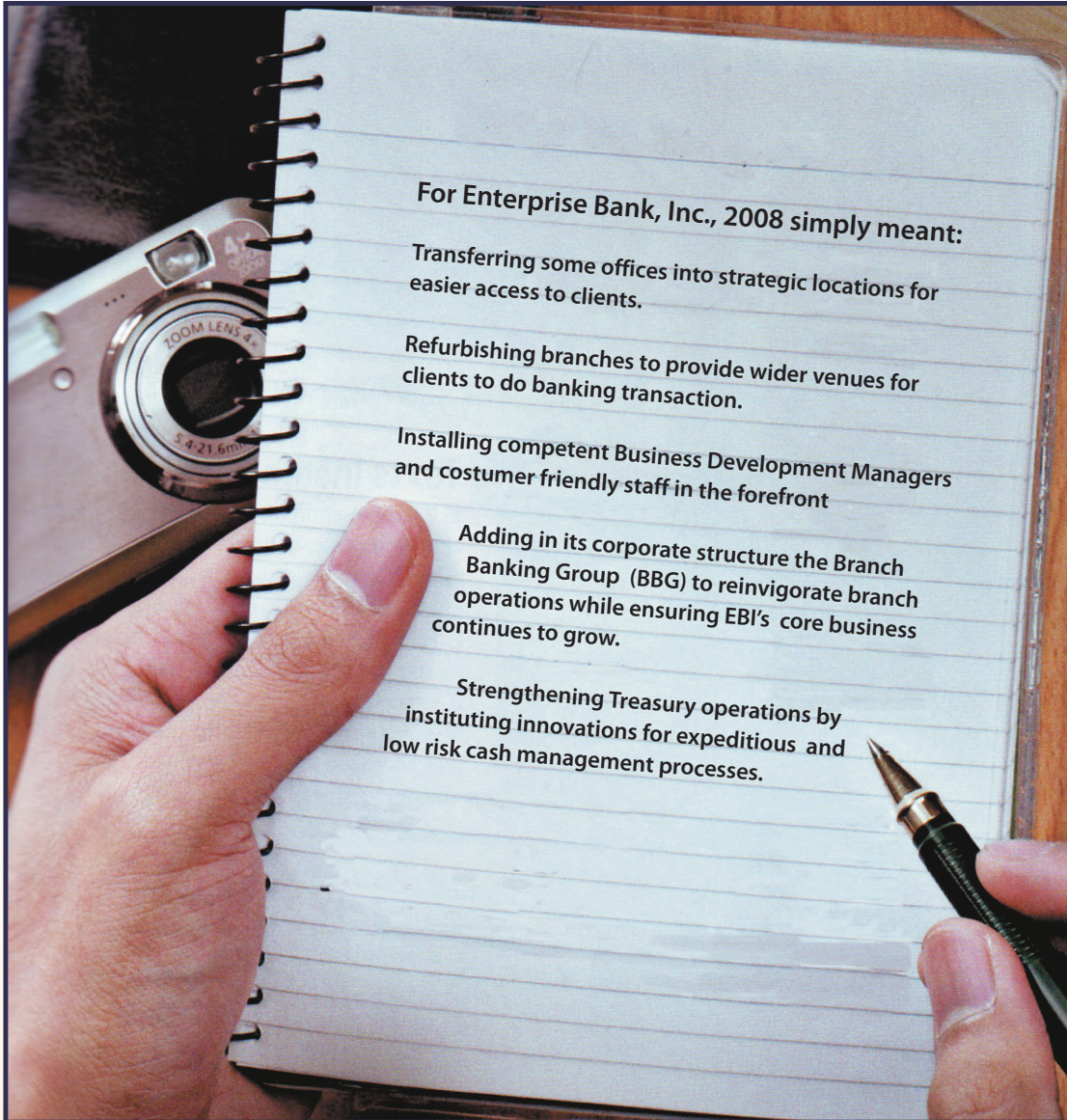
We hail our Entrepreneurs, being our most important partners, and we are happy to note that we served more of them during the year. With the most recent receipt of five new branch licenses, EBI expects a multitude of prospects to arrive at EBI's doors in 2009.

Finally, the bank effortlessly withstood the last wave of challenge faced by the rural banking industry. It was able to preserve the trust of the public, kept its external relations intact and more importantly, retained the staff's enthusiasm to deliver better service.

It only proves that to this day, EBI stands and is perceived to be a steadfast institution with strong reputation of professionalism and absolute transparency.

Atty. Ronald E. Alvizo
EBI President and CEO

REVIEW of OPERATIONS



In the next round, EBI is set to pursue its goal of being relevant in the field of countryside development, to dig in and firmly plant itself in the MSME market and profit from this position.

In its letter dated November 2008, the BSP granted EBI's prayer for five (5) new branch licenses to operate in the cities of General Santos, Panabo, and Valencia in Mindanao. This also includes Carcar and Mandaue in the Visayas Region. The launching of these new branches is slated on January of 2009.

1 New Branches

The Bangko Sentral ng Pilipinas has granted EBI the authority to operate branches in five (5) locations in last quarter of 2008. This has brought the total number of branches to sixteen (16), around which 15 services outlets (otherwise known as Other Banking Offices) are scattered. The branches including its OBOs are intended to be vehicles for growth functioning primarily as client access and communications points aside from asserting EBI's presence as a leading MSME-oriented rural bank.

Identified market zones to penetrate are medium sized cities where commercial establishments, retails and manufacturing shops flourish and employment opportunities are more evident. EBI is especially crossing shores particularly in Central Visayas primarily to extend its reach to more MSME clients.

2 Conversion into a Thrift Bank

Having carved a respectable niche in the rural banking as a stable microfinance institution, the Board contemplated in applying for upward conversion to support its long range goals.

Essentially, more than strengthening the capital base, EBI welcomes the increased alliance with international partners to support its advocacy to champion the MSME market. The bank will work along this line to assure its stakeholders the realization of its objectives in the medium term.

3 Professionalizing EBI

The mounting challenge to efficiently maintain quality service prompted EBI not only to upgrade the looks of its offices but also to polish branch personnel's skills in service delivery. Branch Banking Group (BBG) was formed in 2008 to focus on improving branch operations and grow the deposit base.



BBG had to subject the Branch leaders to rigid leadership, management and other capacity building trainings to upgrade the competencies of managers in fulfilling their respective job functions critical in sustaining overall growth and effective performance.

Following the methodical growth strategy, Business Development Managers (BDMs) recently underwent the Management Development Program (MDP) and the EBI E-LEARNING programs designed to fortify their proficiency in aspects of branch banking operations, marketing, opportunity-seeking and human resource management.

4 HR Development Programs

“Learning is tied to performance and career growth. HR takes care of tying e-learning to work activities.”

This is the underlying objective of the Human Resource Management Department in its drive to form the EBI workforce by crafting relevant capacity training programs to equip EBI managers with capabilities to respond and to manage the organizational challenges and changes that loom as upshots of the conversion plan.

“MDP, as a learning tool, aims to generate critical knowledge and develop an array of strategies to navigate EBI towards the attainment of its goal,”

**Atty. Ronald E. Alvizo,
EBI President and CEO**

Series of 29 internally conducted technical trainings were instituted specifically on product knowledge enhancement, policy reviews and credit discipline programs, Supervisory development Program (SDP) and Management Development Program (MDP).

To some extent, officers and staff were sent to external trainings involving treasury management, Basic Rural Banking, Internal Audit, Taxation, strategic management, SME lending, credit risk rating, and enrichments in Human Resource Management and Product Development.

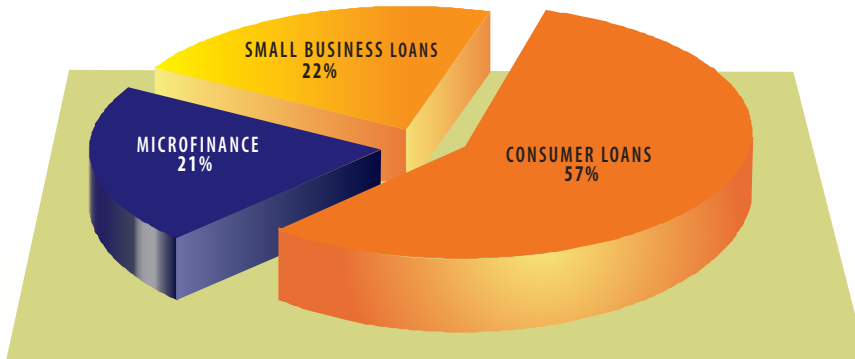
A five day Management Development Program Training Series designed to upgrade and strengthen the management competencies for its twenty three (23) newly- identified Business Development Managers (BDMs) was conducted from June 3-7, 2008.

We commit to keep excellent service.



5 Credit Operations

EBI finished the year with Php 1.585 billion disbursements, up by 11.69% from previous year. Portfolio mix supports growth in MSME now almost closing the gap against consumer loans. It is the bank's goal to further shift portfolio distribution to 50-50 by end of 2010.



Microfinance portfolio growth got stunted towards the middle part of 2008 when the bank's agriculture micro finance product was deliberately repositioned to correct what was perceived to be distortions that came off from unsound credit methodology. This resulted in a steep decline in the total microfinance loan portfolio. Client outreach took a different but positive turn, though. At the end of 2008, there were about 10% more active clients than in the previous year. This goes without saying that the bank's microfinance program has still a lot of kick left in it and a rebound is expected to happen in the days ahead.

SME loans (Small Business Loans) became the better contributor to the bank's total MSME loan portfolio growth compared to its microfinance cousin as loans to the agribusiness sector kicked up in volume.

More than 90% of SME loans were made to enterprises involved in agribusiness such as food production, contract farming or growing, wholesale and distribution, processing, marketing, retail sales. Within this, loans to growers of exportable bananas constitutes about a fifth of the total loans extended to the agribusiness sector in Mindanao.

Consumer loans posted decent loan portfolio growth as expected. There were a good number of product innovations that were introduced to keep its much-vaunted edge in the consumer loans market going in the Caraga Region. This positioning is influenced, to a large extent by the opportunities, presented by a consumer-led economy from which entrepreneurship feeds from.

6 Fee-Based Business

*With **EBI EASY PADALA CASH CARD**, we are assured that our hard-earned money reaches our loved ones without delay, wherever they may be.*



Year 2008 was the season of Cash Management Services. Partnering with Banco de Oro, the fantastic approach to implement cash cards yielded tremendous results evidenced by close to 50,000 **EBI EASY PADALA CASH CARDS** distributed bank wide, and enforcing about 90% of loan releases via this medium. In a total of 72,754 uploaded transactions since November 2007, EBI made profit on card sales and loading fees.

Satisfied with the initial success of the said cooperation, EBI embarked into other fee based activities among others, OFW Remittances, Point of Sale (POS) for cashless loan collections and Automated Teller Machines.

7 Treasury and Investments

At the onset of 2007, Treasury was formally created to streamline operations putting more emphasis on risk management.

During the first quarter, institutionalized programs included PDC warehousing, fund transfer mechanisms, daily liquidity position reporting, maximized investment calls, were done to increase efficiencies and for improving cash management in and within branches.



But the most phenomenal was the introduction of Cash Cards. With Banco de Oro as conduit, EBI debit cards enabled cashless loan disbursements to our Microfinance clients. It gave both clients and bank personnel the benefit of automation.

Clients saved time from waiting in long queues at the bank counters and enjoy convenient shopping spree and paying their bills hassle free. Likewise, EBI gained advantage of the automation thru easy

administration of transactions and reduced risks associated with handling cash.

Cash Services Unit, in tandem with the branches made possible the successful execution of this financial strategy. Amazingly, in a span of one year, there were close to 50,000 cards distributed to clients.

Came 2008, Finance department covered a wider area of responsibilities. Successful programs included:

Daily Liquidity Reporting. Bank-wide cash position was consolidated before mid-day of the following banking day. Senior Management get to know real time information for timely decision making.

Full scale cash cards operations serving seven (7) branches and fifteen service outlets through the indelible support of Banco de Oro (BDO) and Chinatrust.

Increased funding sources. New partner that joined was Bank of the Philippine Island (BPI) and new loans obtained from foreign institutions Triodos Doen, and Oxfam Novib from The Netherlands.

In a span of one year 50,000 EBI EASY PADALA CASH CARDS were distributed to clients bank wide and enforcing about 90% of loan releases via this medium.

Maximized Treasury earnings. Income from treasury beat last year's targets by 86 percent more. Setting stricter cash in vault limits (CIV) has declined the rate of stagnancy of liquid resources at the branches. Area Treasury Supervisor (ATS) were tasked to handle monitoring of liquid assets, funds trafficking and clearing facility management.

Installed other cash service facilities such as Point of Sale (POS) terminals, which aids the collection of consumer loans accounts secured by pledged ATM card and made available **two BDO ATM Machines** at the premises of Davao and Tagum branches.

Increased tie up with BDO in OFW Remittance Services.

8 FINANCIAL HIGHLIGHTS

FOR THE YEAR (in millions)	2008	2007	2006	2005
Interest Income	183.04	139.00	120.20	98.90
Other Income	94.49	65.50	54.10	51.60
Operating Expenses	253.05	187.50	149.50	132.50
Net Income before Taxes	24.48	17.04	24.80	18.00

AT THE YEAR END (In million Pesos)	2008	2007	2006	2005
Total Resources*	933.99	791.595	566.12	444.63
Loan Portfolio (gross)	701.83	613.15	401.71	342.68
Loan Portfolio (net)	684.39	595.76	387.19	324.46
Total Deposits	265.37	275.716	180.41	152.00
Capital Funds	114.78	101.81	88.28	71.61

Earnings per Common Share	2008	2007	2006	2005
In peso	40	45	67	51
Number of Shares Outstanding/ Subscribed	426,193	255,809	241,246	241,093

Financial Ratios	2008	2007	2006	2005
Return on Average Assets	1.90%	1.68%	4.32%	3.75%
Return on Average Equity	15.16%	12.01%	7.30%	24.49%
Non-performing Loans Ratio	3.04%	2.43%	3.43%	5.79%

* net of UID and USC

Outlook for 2009

Looking forward in 2009, EBI's major projects will include increasing organizational competencies, improving management processes, strengthening risk management, and polishing management skills from middle to top level, the final objective of which is to fully integrate management functions within departments and between departments.

In HR, the focus is to intensify capacitating the Business Development Managers (BDMs) and the support units in terms of marketing, account management and customer servicing to warrant seamless and swift delivery of products and services.

Finance will continue to fine tune its processes and minimize on borrowing costs by reducing on the lead time in securing funds and investing in loans. Branch Banking Group aims to make a rebound in terms of deposits and get better for branches to better operate and house transactions in flexible and more secure environment.

Likewise, the bank is presently undertaking realignment, holding series of inhouse trainings to pursue human resource enrichment within the organization while increasing visibility of Senior Credit Officers assures more efficient supervision at the branch level helping BDMs enforce better account management and collection efficiency.


By 2010, the bank is moving towards Thrift Banking as it sees bigger expansion opportunities to reach and assist more Small Medium Enterprise costumers.

All these efforts make certain EBI's continued success in the coming years.

Because we take pleasure in serving our costumers.



Management Development Program (MDP)



2008 was a year of many transitions for Enterprise Bank, Inc. Deviating from the traditional banking culture, EBI systematically metamorphosed into a more professionalized financial institution specifically in its overall operations.

It was also a year when the bank geared for strategic geographical expansion with five (5) branches to be established in different developing urban centers in Visayas and Mindanao.

Challenged to propel the Bank to the next level, HR department prepared functional blueprints for human resource development trainings which made the bank executives and managers also equally motivated to learn.

EBI-Human Resource Management Department

The Human Resource Development (HRD) Unit of EBI being the company's repository of learning process constantly perform straining analysis through research on the content of the program.

With the Management 101 concept of the Asian Institute of Management (AIM) as reference, HRD drafted the Management Development Program customized for EBI needs. MDP as a learning tool, was specially designed at generating critical knowledge among EBI Managers.

To complete the program, HRD also organized an in-house pool of competent speakers whose topics were focused on the KSA (knowledge, skill and attitude) transfer.

True enough, the training noticeably produced positive results especially about management strategies that helped navigate EBI towards what it has become today.

Management Development Program

The realization of the first ever Management Development Program or MDP last May 5, 2008, was one great achievement of the Human Resource Department. As an in-house in developing management skill program, it aimed to equip the newly installed Business Development Managers (BDM) with skills on establishing human resource capability building.

The newly installed BDMs were systematically trained at certain competencies to enabled them to improve the effectiveness and efficiency of their respective work stations. At the same time, they will be able to respond flexibly to new branch banking operational demands.

With the conversion from rural bank into a thrift bank, that the tasks ahead would never be easy. The Bank's timely investments in human resource development prepare the institution to embrace the growing challenges ahead.

OUR PARTNERS

sharing the same vision



Oxfam Novib is the Dutch affiliate of the international Oxfam organization. It is an association dedicated to establishing a fair world with no poverty in it. The organization is based in The Hague. EBI became its recipient of a working capital loan in October 2006.

The Development Bank of the Philippines, a government financial institution granted EBI credit line specifically for housing projects for microfinance borrowers in January 2006

Development Bank of the Philippines



Small Business Corporation (SBC) a financial institution offering a wide range of financial services, specifically for small and medium enterprises accredited EBI in 2006 as conduit for MSME financing.

Triodos Doen, based in The Netherlands, invests in micro finance institutions in the form of loans and equity investments. EBI received its first loan for microfinance expansion in 2007.



PCFC is a government corporation created as an alternative banking, financing and credit system that will provide affordable credit specifically microfinance, to the marginalized sector of the country. EBI became an accredited partner in 1997.

Bank of the Philippine Islands, under its Microfinance Unit granted EBI working capital line for its portfolio expansion in 2008.



Planters Development Bank, a privately-owned and managed bank, made EBI as one of its wholesale lending conduit for financing microfinance clients in 2007.

UCPB-CIIF Foundation is the corporate social responsibility arm of the United Coconut Planters Bank-CIIF Group of Companies. EBI had its first accreditation in July of 1996 as partner in financing coconut farmers in Mindanao.



National Livelihood Development Corporation is a government corporation mandated to provide a fund delivery system and an organizational machinery for socialized livelihood credit. In 2005, EBI was granted larger credit line for on-lending to small, marginal farmers who are agrarian reform beneficiaries.

The Land Bank of the Philippines, a government financial institution that has assisted EBI in financing farmers, SMEs and government employees since 1995.



Oikocredit is one of the world's largest sources of private funding to the microfinance sector. It provided EBI a term loan in November 2007.

Outstanding Awards Performance in Microfinance	April 18, 2002
Building of Other MFIs: Mindanao	September 14, 2003
SIPAG Awards National Livelihood Development Corporation	September 25, 2006
Distinguished Partner Award given by DBC	July 23, 2008
SIPAG Award National Livelihood Development Corporation	September 26, 2008

EBI was cited for:

Successfully extending microfinance services to 15,507 marginalized clients in Surigao del Sur, Agusan del Sur, Davao del Norte and portions of Agusan del Norte, Misamis Oriental, Compostela Valley, Bukidnon and Davao del Norte.	September 13, 2003 given by PCFC
Participating in the Savings Mobilization Program of QUEDANCOR in the province of Agusan del Sur, which provided immense social and economic impact to the 15,000 farmers and rural poor beneficiaries of QUEDANCOR in the Province.	April 14, 2006 given by QUENDANCOR

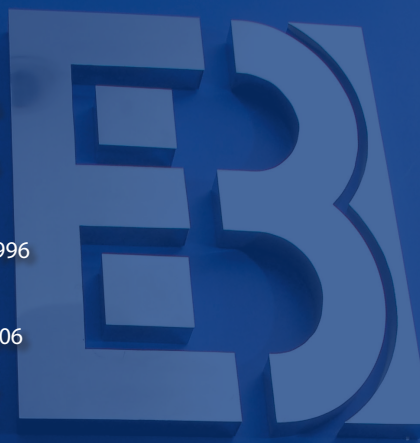
AFFILIATION/ACCREDITATION

DATE OF ACCREDITATION



CARAGA Rural Banker's Federation
 SSS Collecting and Paying Agent
 Philhealth Collecting Agent
 National Livelihood Support Fund
 Small Business Corporation
 Development Bank of the Philippines
 Land Bank of the Philippines
 Department of Agriculture – BAI
 UCPB-CIIF Finance Corp.
 Rural Banker's Association of the Philippines Peoples
 Credit and Finance Corporation
 OXFAM N(o)vib
 BSP E-Rediscounting
 Stichting Triodos- Doen
 Planters Development Bank
 Banco de Oro Cash Card servicing
 Oikocredit
 Bank of the Phil. Islands

January 7, 2005
 April 2005
 April 2005
 November 2005
 January 13, 2006
 January 2006
 February 1, 1996
 March 1996
 July 1996
 September 14, 1996
 April 30, 1997
 October 2006
 December 13, 2006
 June 2007
 September 2007
 October 2007
 November 2007
 June 2008



THE BOARD OF DIRECTORS



Mr. Ignacito U. Alvizo



Atty. Ronald E. Alvizo



Mr. Maximino A. Salang, Jr.



Dr. Carla Divina S. Virtudazo



Atty. Randy E. Alvizo

ENTERPRISE BANK, INC.

Name of the Institution	Enterprise Bank, Inc. (A Rural Bank)	Davao Executive Office	Bajada Plaza Building, J.P. Laurel Avenue, Davao City
Head Office Address	Liang, Surigao del Sur	Contact Numbers	(082) 225-8892 (082) 300-4042
Contact numbers	(085) 839 – 2050, 839 – 2112 (085) 343 – 8624, 343 – 8017 local no. 101 (085) 343 – 9377 fax	Start of Operation	May 10, 1076
Website	www.ebi.ph	Banking units	1 Head Office 15 Branches 15 Service Outlets

SENIOR MANAGEMENT



Joel D. Lagura
Vice President

Dorefel A. Barit
Asst. Vice-President

Jennifer D. Suelto
Senior Vice-President

Annalisa T. Tuble
Asst. Vice-President

Roberto F. Salazar
Asst. Vice-President

Nelson P. Casiano
Senior Manager

from left to right

the entrepreneur's bank

CORE GROUP

President/CEO

Finance Head

Microfinance Head - Region 1

Microfinance Head - Region 2

Branch Banking Group Head

Internal Audit and Compliance Head

Human Resource Management and Development Head

Atty. Ronald E. Alvizo

Jennifer D. Suelto

Annalisa T. Tuble

Joel D. Lagura

Roberto F. Salazar

Dorefel A. Barit

Nelson P. Casiano

products & services

SMALL AND MEDIUM ENTERPRISE (SME) Loan



Provides financing to micro and small scale industries
Clients must be 21-60 years old and are residents of the place of business for at least 3 years

LOAN CONDITIONS

Loan amount P50,000 to P5M
Loan term 6months to 1 year
interest 1.5-2% per month

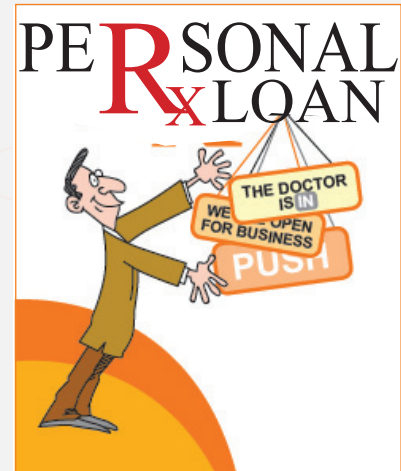
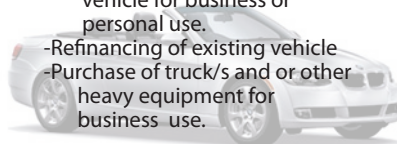
COLLATERAL

real estate property
any type of vehicle not more than 5 years



Secured by Chattel Mortgage Available for the following purpose:

- Purchase of brand new vehicle for business or personal use
- Purchase of second hand/used vehicle for business or personal use.
- Refinancing of existing vehicle
- Purchase of truck/s and or other heavy equipment for business use.



PROFESSIONALS/EMPLOYED

- must be in a private or public practice for more than one year with minimum
- monthly income of P25,000.00
- between 21-59 yrs old

SELF-EMPLOYED INDIVIDUALS

- with existing business operating for more than 3 years
- between 24-59 yrs old

They must be residents in areas serviced by EBI branches.

MICROFINANCE PRODUCTS

The Kalisod Mo Tabangan Ko (KMTK) Loan 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 mostly belonging to the entrepreneurial poor segment of the society.

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

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 in the sense that it directly promotes the socio-economic well-being of the family.

Minimum Loan Amount P5,000.00
Maximum Loan Amount P25,000.00
Loan Term Max. of 12 mos.

Micro Group Fishing

Target clients are marginalized fisherfolks, seaweed farmers, seafarers and other individuals engaged in fishery projects.

Maximum Loan Amount P50,000.00
Loan Term P3-6 mos

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 mos.

products & services

DEPOSIT PRODUCTS



Regular Savings Account

1% interest rate p.a.
passbook based accounts
min. deposit of P200.00

Premium Checking Account

Earn 1% interest p.a.
low maintaining balance
P3,000.00 for individuals
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
minimum deposit of P50,000.00 tax free

SALARY LOANS

Salary loans are for regular employees of established public and private institutions duly accredited with Enterprise Bank, Inc.

They must be residents in areas serviced by EBI branches.

because we value our clients, we provide more services...



WE ALSO DO...

SSS Premium Collection

Philhealth Premium Collection

Cash Pick up Remittances

Cash Card Loading

Payroll Servicing

EASY PADALA EBI CASH CARD



Here's an EASY and CHEAPER way of sending money to all members of your family.

Quick, affordable, easy and safe way to send money to your loved ones anywhere in the Philippines

No maintaining balance

Withdraw at over 10,000 Expressnet, Megalink, and Bancnet ATMs nationwide

Lower loading rates :
P1,000.00 to P10,000.00
P 250.00 for fixed rate for more than P10,000.00

Ideal for sending allowances, tuition payments and other money transfer needs

Debit card purchase goods with cashless transactions at all SM stores nationwide.

Salamat sa EASY PADALA CASH CARD, Wala kaming problema sa aming matrikula.



Report of Independent Auditors

The Board of Directors
Enterprise Bank, Inc.
(A Rural Bank)

We have audited the accompanying financial statements of Enterprise Bank, Inc. (A Rural Bank), which comprise the balance sheets as at December 31, 2008 and 2007, 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 materials respects, the financial position of Enterprise Bank, Inc. (A Rural Bank) as of December 31, 2008 and 2007, and of its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

RUSTICO B. CABILIN
Partner
CPA Cert. No. 77426
SEC Accreditation No. 0308-A
PTR No. 1802931 A
February 23, 2009
Cagayan de Oro City

BALANCE SHEETS

December 2007 and 2008

December 31 2008 2007

RESOURCES

Cash and Other Cash Items (Note3)	P190,230,792	P154,093,908
Financial Assets		
Held-to-Maturity Investments (Note 4)	21,315,687	11,668,564
Loans and Discounts (Note 5)	643,964,886	557,022,651
Bank Premises, Furniture, Fixtures and Equipment (Note 6)	56,852,313	49,961,495
Real and Other Properties Acquired (Note 7)	8,234,051	9,023,767
Other Resources (Note 8)	13,390,732	9,816,253
	<u>P933,988,461</u>	<u>P791,586,638</u>

LIABILITIES AND CAPITAL FUNDS

Deposit Liabilities:		
Savings	P148,335,291	P232,747,301
Demand	16,832,624	9,294,134
Time	100,198,319	33,674,516
	<u>265,366,234</u>	<u>275,715,951</u>
Bills Payable (Note 10)	504,322,367	368,773,129
Accounts Payable and Accrued Expenses (Note 11)	49,521,607	45,292,938
	<u>819,210,208</u>	<u>689,782,018</u>
Capital Funds	114,778,253	101,804,620
	<u>P933,988,461</u>	<u>P791,586,638</u>

INCOME STATEMENTS

December 2007 and 2008

See Notes to Financial Statements

Years Ended December 31	2008	2007
INTEREST INCOME		
On loans and discounts	P180,000,275	P136,935,009
On bank deposits and investment in securities	3,045,617	2,061,477
	183,045,892	138,996,486
LESS INTEREST EXPENSE	55,315,791	42,022,156
INCOME BEFORE SERVICE FEES AND OTHER CHARGES	127,730,101	96,974,330
SERVICE FEES AND OTHER CHARGES	94,491,764	65,505,873
INCOME BEFORE OTHER EXPENSES	222,221,865	162,480,203
OTHER EXPENSES (Note 13)	197,741,252	145,443,073
INCOME BEFORE TAX	24,480,613	17,037,130
PROVISION FOR INCOME TAX (Note 17)	8,061,881	5,620,275
NET INCOME	P16,418,732	P11,416,855
Earnings per Common Share (Note 19)	P40	P45

See Notes to Financial Statements

STATEMENTS OF CHANGES IN CAPITAL FUNDS

December 2007 and 2008

December 31	2008	2007
CAPITAL STOCK – P100 par value (Note 12)		
Common Shares		
Authorized – 598,647 shares		
Issued and outstanding – 426,193 shares in 2008 and 417,844 shares in 2007	42,619,300	P41,784,400
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
Private – redeemable non-voting and convertible		
Authorized – 150,000 shares		
Issued and outstanding – 15,000 shares in 2008	1,500,000	
	48,835,000	46,500,100
SURPLUS RESERVES	10,290,973	7,634,973
SURPLUS AND UNDIVIDED PROFITS		
Balance at beginning of year	47,669,547	52,674,834
Net income	16,418,733	11,416,855
Direct charges to surplus and undivided profits (Note 14)	(8,436,000)	(16,422,142)
Balance at end of year	55,652,280	47,669,547
	P114,778,253	P101,804,620

See Notes to Financial Statements

CASHFLOW STATEMENTS

December 2007 and 2008

Years Ended December 31 2008 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Net income	P16,418,733	P11,416,855
Add back an item not requiring cash:		
Depreciation and amortization	13,093,410	10,563,191
Provision for impairment losses	-	-
Changes in operating resources and liabilities:		
Increase (Decrease) in real and other properties acquired	789,716	(1,242,316)
Increase in other resources	(5,652,771)	(4,036,218)
Increase in accounts payable and accrued expenses	4,228,670	16,131,562
<u>Net Cash Provided From Operating Activities</u>	<u>28,877,758</u>	<u>32,833,074</u>

CASH FLOWS FROM FINANCING ACTIVITIES

(Decrease) Increase in deposit liabilities	(10,349,718)	95,308,588
Decrease in bills payable	135,549,238	132,307,441
Increase in surplus reserves	2,656,000	867,000
Additional Issuance of common stock	834,900	17,659,800
Additional Issuance of preferred stock	1,500,000	-
<u>Direct charges to surplus and undivided profits (Note 14)</u>	<u>(8,436,000)</u>	<u>(16,422,142)</u>
<u>Net Cash Provided From Financing Activities</u>	<u>121,754,420</u>	<u>229,720,687</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Increase in loans and discounts	(86,942,235)	(201,644,681)
Decrease in held-to-maturity investments	(9,647,123)	5,459,396
<u>Additions to bank premises, furniture, fixture and equipment – net</u>	<u>(17,905,936)</u>	<u>(16,416,802)</u>
<u>Net Cash Used In Investing Activities</u>	<u>(114,495,294)</u>	<u>(212,602,087)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 36,136,884	 49,951,674
<u>OPENING CASH AND OTHER CASH ITEMS</u>	<u>154,093,908</u>	<u>104,142,234</u>
<u>CLOSING CASH AND OTHER CASH ITEMS</u>	<u>P190,230,792</u>	<u>P154,093,908</u>

- 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, Aras-asan, Barobo, Hinatuan, Bislig (all in Surigao del Sur); San Francisco, Agusan del Sur, Butuan City, Tagum City, Davao 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 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 receivables 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 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 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 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

NOTES TO FINANCIAL STATEMENTS

net write-offs and reversals. The level of allowance is based on higher management evaluation of potential losses and after consideration of prevailing and anticipated economic conditions and evaluation of potential losses based on existing guidelines of the 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 non-performing 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 removed 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 on 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 the 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 result of 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:

December 31	2008	2007
Due from other banks	P151,062,036	P128,771,727
Cash and other cash items	34,331,841	21,439,039
Due from Bangko Sentral ng Pilipinas	4,836,915	3,883,142
	P190,230,792	P154,093,908

NOTES TO FINANCIAL STATEMENTS

Note 4 Held-to-Maturity Investments

This consists of the following:

December	2008	2007
Philippine National Bank	P20,148,461	P10,138,134
Land Bank of the Philippines	1,167,226	1,530,430
	P21,315,687	P11,668,564

Land Bank of the Philippines. This represents 10-year 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 various number of days terms certificate of time deposit, which will earn interest rates ranging from 4% to 6% per annum.

Note 5 Loans and Discounts

This account consists of the following:

December 31	2008	2007
Current loans	P680,458,927	P595,638,082
Past due accounts	18,357,690	14,899,431
Items in litigation	3,012,640	2,612,958
Total loans and discounts	701,829,257	613,150,471
Less allowance for impairment losses	17,434,323	17,390,957
Unearned interest income and discounts	40,430,048	38,736,863
Net	P643,964,886	P557,022,651

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

December 31	2008	%	2007	%
Secured Loans:				
Real Estate	P106,710,634	15	P89,443,682	14
DOSRI	7,101,558	1	865,401	1
	113,812,192	16	90,309,083	15
Unsecured loans	588,017,065	84	522,841,388	85
	P701,829,257	100	613,150,471	100

Nonperforming loans as defined under BSP Circular 202, amounted to P21,370,331 in 2008 and P17,512,390 in 2007. 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, 2008 and 2007, information on the concentration of credit as to industry follows:

December 31	2008	%	2007	%
Wholesale and retail trade	P612,065,798	86	P458,146,629	74
Agricultural	89,415,250	12	115,642,484	19
Transportation, storage and communication	91,340	1	73,211	1
Others	256,869	1	39,288,147	6
	P701,829,257	100	613,150,471	100

NOTES TO FINANCIAL STATEMENTS

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:

	2007 Beg. Balance	2007 Additions	2007 Disposals	2008 Beg. Balance	2008 Additions	2008 Disposals	2008 End Balance
Cost							
Land	P 7,329,538	-	(1,545,000)	P 5,784,536	P 10,686,000		P16,470,538
Building	18,516,790	4,277,269		22,794,059	890,638	(4,399,784)	19,284,913
Furniture, fixtures equipment	20,414,337	5,447,917		25,862,254	3,917,886		29,780,140
Transportation and equipment	19,970,610	6,793,715		26,764,325	914,324		27,678,649
Leasehold improvements	5,575,031	1,442,902		7,017,932	1,497,088	4,399,784	12,914,804
	<u>71,808,306</u>	<u>7,961,803</u>	<u>(1,545,000)</u>	<u>86,223,106</u>	<u>7,905,938</u>		<u>105,129,044</u>
Accumulated Depreciation							
Building	(2,814,852)	(1,173,347)			(1,088,605)		(4,875,804)
Furniture, fixtures and equipment	(13,022,843)	(3,862,243)		(16,885,086)	(4,997,201)		(21,882,287)
Transportation equipment	(9,947,470)	(4,090,669)		(14,038,139)	(2,673,599)		(16,711,736)
Leasehold improvements	(2,113,258)	(1,436,931)		(3,650,189)	(2,255,713)		(5,805,902)
	<u>(27,698,423)</u>	<u>(10,563,190)</u>		<u>(38,261,613)</u>	<u>(11,015,118)</u>		<u>(49,276,731)</u>
Net Book Value	<u>P44,107,883</u>	<u>P7,398,612</u>	<u>(P1,545,000)</u>	<u>P49,951,495</u>	<u>(P6,690,818)</u>		<u>P56,852,313</u>

Note 7

Real and Other Properties Acquired

This consists of the following:

December 31	2008	2007
Real estate	P9,684,499	P10,247,918
Sales contract receivable	398,638	638,638
Chattel	42,898	-
Others	27,857	27,857
Total	10,153,892	10,914,413
Less allowance for impairment losses	1,919,841	1,890,646
Net	P8,234,051	P9,023,767

Note 8

Other Resources

This consists of the following:

December 31	2008	2007
Deferred charges	P4,928,505	P517,285
Accounts receivable	3,025,998	2,295,238
Stationery and office supplies	2,548,391	1,524,788
Prepaid expenses	1,838,631	822,856
Inter-office float items	-	3,768,483
Miscellaneous assets	1,058,032	937,691
	<u>13,399,557</u>	<u>9,866,341</u>
Less allowance for impairment losses	8,825	50,088
	<u>P13,390,732</u>	<u>P9,816,253</u>

NOTES TO FINANCIAL STATEMENTS

Note 9 Allowance for Impairment Losses

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

December 31	2008	Beg. Balance	Additions Reversal	End Balance
Loans and discounts	P17,390,957	P13,105,217	13,061,851	P17,434,323
Real and other properties acquired	1,890,646	93,288	64,093	1,919,841
Other resources	50,088	174,352	215,615	8,825
	P19,331,691	P13,372,857	P13,341,559	P19,362,989

Note 10 Bills Payable

This consists of the following:

December 31	2008	2007
Peoples Credit and Finance Corporation	P115,286,112	P107,932,451
Small Business Guarantee and Finance Corporation	64,779,072	51,201,255
Bank of the Philippine Island	60,000,000	-
Land Bank of the Philippines	57,900,716	22,528,899
Triodos Stoechting	50,000,000	25,000,000
Oxfam Novib	49,283,407	48,928,414
Planters Development Bank	36,615,356	10,375,000
National Livelihood Support Fund	35,206,698	37,613,660
Oiko Credit	16,000,000	20,000,000
Development Bank of the Philippines	7,315,400	17,921,650
Bangko Sentral ng Pilipinas	6,935,606	8,896,800
United Coconut Planters Bank	5,000,000	18,375,000
	P504,322,367	P368,773,129

Peoples Credit and Finance Corporation. This represents the balance of the bills payable arising from rediscounting of loans. These loans bear interest rates ranges from 10% to 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 6% 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 Stichting. This represents clean loan with an interest rates ranges form 10% to 11% per annum and is payable within three (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 are 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.

Bank of the Philippine Islands. This account represents the balance of the bills payable arising from rediscounting of loans. These loans bear interest rates ranges from 6% to 10% annually and are payable within one (1) year.

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

Note 11
Accounts Payable and Accrued Expenses

This consists of the following:

December 31	2008	2007
Accounts payable	P22,917,049	P15,840,991
Accrued and other expenses	26,604,558	29,451,947
	P49,521,607	P45,292,938

Note 12
Capital Funds

This consists of the following:

December 31	2008	2007
Capital Stock – P100 par value Common Shares Authorized – 598,647 shares Issued and outstanding – 426,193 shares in 2008 and 417,844 shares in 2007 417,844 shares in 2007 (Carried Forward)	P42,619,300	P41,784,400
(Brought Forward) Preferred Shares – non-voting and convertible Government – non-voting and convertible Authorized – 51,353 shares Issued and outstanding – 47,157 shares Private – redeemable non-voting and convertible Authorized – 150,000 shares Issued and outstanding – 15,000 shares in 2008	4,715,700	4,715,700
Surplus reserves	1,500,000	-
	10,290,973	7,634,973
Surplus and undivided profits	55,652,280	47,669,547
	P114,778,253	P101,804,620

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 March 12, 2008, 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 January 31, 2008. The dividends declaration was approved by the Central Bank of the Philippines on June 14, 2008.

As at December 31, 2008, the Bank has a total of 42 stockholders with 38 stockholders owning 100 or more shares each of the Bank's capital stock.

NOTES TO FINANCIAL STATEMENTS

Note 13 Details of Other Expenses

Years Ended December 31	2008	2007
Compensation/fringe benefits	P82,370,050	P60,627,509
Taxes and licenses	14,625,016	12,846,449
Accounts receivable written off	13,372,857	5,458,752
Depreciation and amortization	13,093,410	10,563,191
Traveling expenses	12,670,660	7,683,976
Fuel, oil and lubricants	8,532,401	6,856,891
Repairs and maintenance	5,428,690	7,831,787
Security, messengerial and janitorial services	5,864,893	5,787,595
Stationery and supplies used	5,482,755	4,487,740
Rental	5,086,746	2,036,798
Power, light and water	2,781,785	2,993,663
Litigation of assets acquired	2,610,528	3,921,166
<i>(Carried Forward)</i>		
<i>(Brought Forward)</i>		
Donations and charitable contribution	2,221,493	1,010,152
Postage, telephone & telegram	2,165,059	3,786,655
Insurance	1,898,566	2,452,117
Representation and entertainment	1,284,674	841,125
Documentary stamp	1,099,562	1,026,006
Advertising and publicity	805,000	614,000
Management and other professional fees	523,322	1,305,765
Membership and dues	106,198	598,511
Periodicals and magazines	20,145	77,755
Miscellaneous	15,697,442	2,635,470
	P197,741,252	P145,443,073

Note 14 Direct Charges to Surplus and Undivided Profits

These represent adjustments pertaining to declaration of dividends and reclassification of fund to reserve fund.

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 (DOSR) 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 quasi-deposits and book value of their respective investments in the Bank.

During the year 2008, the Bank has loan transactions with DOSRI amounting to P7,101,558, secured loans, which is equivalent to 1% of the total loan portfolio. As of December 31, 2008, 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

NOTES TO FINANCIAL STATEMENTS

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 of 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 2008 and 2007 had been computed based on the current rate of 35%. The reconciliation of provision for income tax computed as follows.

Years Ended December 31	2008	2007
Net income before tax per income statement	P24,480,613	P17,037,130
Add (deduct) reconciling items:		
Interest income on bank deposits already subject to final tax	(3,045,617)	(2,061,477)
Non-allowable interest expense	1,598,949	1,082,275
Taxable income	23,033,945	16,057,928
Tax rate	35%	35%
Tax due	P8,061,881	P5,620,275

Note 18 Final Ratios

In compliance with BSP Circular No. 212 series of 1999, and pursuant to Monetary Board Resolution No. 1381, financial ratios of the bank of the years 2008-2007 have been computed as additional disclosure requirements in the notes to the audited financial statements, as follows:

December 31	2008	2007
Return on Average Equity	15%	12%
Return on Average Assets	2%	2%
Net Interest Margin	29%	29%
Capital-to-Risk-Assets	17%	16%
Risk-Based Capital Adequacy	14%	12%

Note 19 Earnings Per Common Share

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

Years Ended December 31	2008	2007
Net income	P16,418,732	P11,416,855
Earnings allotted for preferred shares	-	-
Earnings allotted for common shares	P16,418,732	P11,416,855
Outstanding common shares at beginning of period	417,844	241,093
Effect of issuance of common shares during the period	2,142	14,716
Weighted Average Number of Common Shares	419,986	255,809
Earnings per Common Shares	P40	P45

NOTES TO FINANCIAL STATEMENTS

Note 20 **Risk Management Objectives and Policies**

The Rural Bank is exposed to a variety of financial risks in performing its activities. Its risk management is coordinated by its Board of Directors. Its strategy focuses principally on securing short to medium term cash flows by minimizing exposures to financial markets. The Rural Bank does not actively engage in the trading of financial assets nor doesn't it write options. It has no significant exposure to foreign currency risks as most transactions are denominated in Philippine peso, its functional currency. It likewise has little exposure to interest rate risk as its deposits have fixed interest rates. Its exposure to credit risk is limited to the carrying amount of its trade and other receivables but the amount of recorded receivable is not material at the end of the year.

Note 21 **Capital Management Objectives, Policies and Procedures**

The Rural Bank maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect its investors. The Rural Bank's Board of Directors reviews regularly its capital structure and considers the cost of capital and the risks associated with each class of capital. Management regularly monitors the capital requirements of the Rural Bank, taking account of future balance sheet growth, profitability, and any anticipated regulatory changes, in order to ensure that the Rural Bank is at all times able to meet the forecast future minimum capital requirement.

Note 22 **Commitments and Contingencies**

In the normal course of its operations, the Rural Bank makes various commitments and incurs certain contingent liabilities which are not reflected in the accompanying financial statements. Management anticipates no material losses, if any, that may arise from these commitments and contingencies.

Note 23 **Events After Balance Sheet Date**

There were no events after balance sheet date that would require disclosures or adjustments on the financial statements of the Rural Bank.

Note 24 **Approval of Financial Statements**

The Rural Bank's financial statements as of and for the year ended December 31, 2008, were authorized for issue by its Board of Directors on February 16, 2009, during their meeting.

MILESTONES of ENTERPRISE BANK, INC.

May 10, 1976	Started Banking Operations in Lianga, Surigao Del Sur.
June 1994	New Management took over under Ignacito U. Alvizo. Major changes in operation occurred from mid 1994 to 1995.
January 24, 1995	Rehabilitation plan approved by BSP bills payable converted to LBP preferred shares.
February 1996	1st accreditation received from LBP for a P500, 000 credit line. Current line is P 50 Million, accredited by BAI (P3 Million) and UCPB-CIIF (P3 Million in March and July same year).
September 1996	Became a member of Rural Bankers Association of the Philippines.
1997	Accredited by PCFC with a credit line of P1 Million. Current line is P148Million. 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 City.
2004	Launched new micro agri loan product. Another UCPB-CIIF Credit line of P 20 Million was approved for micro finance.
2004	Atty. Ronald E. Alvizo became EBI President.
April 2005	Accredited by the Social Security System (SSS) and Philhealth as collecting agent.
May 2005	Two micro finance-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 of P 20 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 P 20 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



October 2006	Started its first international tie up (with Oxfam Novib)
December 2006	BSP E-Rediscounting Pioneer
2007	Atty. Ronald Alvizo became Chairman of the bank.
May 2007	Opened Cagayan de Oro Branch.
October 2007	Launched Cash Cards as media for cashless loan disbursements.
June 2008	Installed the first Automated Teller Machines in Tagum and Davao.
November 2008	Launched Cash Pick up Remittance.
December 2008	Launched Payroll Servicing.



GREENING THE EARTH

May 10, 2008. This year's anniversary was celebrated differently. Deviating from the usual "salo-salo" traditionally done during the anniversary, the **EBI family** conducted tree planting activities in different locations simultaneously. This is the **bank's contribution** in its advocacy to help protect and preserve the environment.



kmfi kamayo mindanao foundation inc.

KMFI marked 2008 as the commencement of its metamorphosis in its role as Enterprise Bank's arm in carrying out its corporate social responsibility (CSR) to the community.

It was during this year when discussion formally transpired among KMFI and EBI key officers in assessing its (KMFI's) role to the bank vis-à-vis strengthening institutional coordination.

The activity paved the way for KMFI to relinquish its major microfinance operations to EBI being a financial institution. This made all KMFI microfinance programs basically anchored on the bank's social development programs in line with its Millennium Development Goals (MDG).

Moreover, the move veered KMFI into a new direction subsequently becoming more focused in some of its salient community based programs.

The Health Plus Program is KMFI's advocacy on health and sanitation which concept combines both social and business models. The social component is providing rural and urban poor access to affordable and quality medicines, while the business component is providing income to the operators from the proceeds of the medicines. KMFI Health Plus is incorporated with EBI's microfinance operations since most of the recipient outlet operators are clients of the bank.



GREENING THE EARTH



the practice of corporate social responsibility is entwined in the corporate objectives of the enterprise bank.inc



The Center for Malnourished Children is presently serving thirty children. Come January 2009, its whole operations will be turned over to the Dominican sisters of Pompei. With the turn over, KMFI will be able to focus its effort in generating more funds for the center.

During this year, various environment activities were done in collaboration with Barangay Local Government Units (LGUs). The foundation launched its environmental protection and conservation projects through its coastal resource management in Liatemco, Lianga, Surigao del Sur. Moreover, as part of its community awareness campaign to promote a healthy environment, EBI and KMFI and donated construction materials for the construction of community restrooms.

Also during this year, KMFI awarded eleven educational scholarships grants to nine high school and three college deserving students.

To pro actively address poverty, capacity development program for the bank's microfinance clients is set to be implemented in 2009 through the Social Transformation Programme (STP). The programme is a product of one year research and consultation among stakeholders.

Indeed, year 2008 heralded the first stage of KMFI's transformation towards becoming the premier corporate social responsibility arm, a foundation committed to putting a human face to development.

BOARD OF TRUSTEES

Ignacito U. Alvizo,
Atty. Ronald E. Alvizo
Dr. Editha C. Mosquera
Mary Bernadette O.Mojica
Evelyn A. Balason
Bishop Nereo Odchimar
Atty. Daisy A. Ronquillo

- **Chairman**

- **Honorary**
 - **Honorary**

Officers

Ignacito U. Alvizo
 Atty. Ronald E. Alvizo
 Emma A. Requilme
 Atty. Romelia O. Patawaran
 Vivien Grace G. Martin, MPA
 Doree Fay P. Costes
 Matthew T. Tumapon
 Cristy S. Samarah

- Chairman
 - President
 - Treasurer/Chief Financial Officer
 - Corporate Secretary
 - Executive Director
 - HRMD Manager
 - Finance Manager
 - Accounting Supervisor

Executive Office:

Unit 205-C, 2nd Flr., Bajada Plaza Building, J.P Laurel Ave., Bajada, Davao City
 8000 Philippines Tel. No.(+6382) 300-4469/225-8892 loc.120
 kmfi_executiveoffice@yahoo.com

Principal Office:

National Highway, Poblacion Lianga, Surigao del Sur, 8307, Philippines
 Tel. No. (+6385) 839-2035/839-2050 loc. 118/104
 kmfi_headoffice@yahoo.com.ph

BRANCHES AND SERVICE OUTLET DIRECTORY

Lianga (Head Office)

Surigao del Sur
(085)839-2050/ 839-2112

Davao Branch

G/F Bajada Plaza Bldg.,
JP Laurel Ave., Bajada,
Davao City
(082) 2258892/ 2286986/
3053978

■ Digos
Lao Bldg., Rizal Ave.,
Digos City
(082) 5532812

■ Kidapawan
KHAS Bldg., Datu Ingal St.,
Kidapawan City
09227789833

Tagum Branch

G/F Pereyras Bldg.,
Maguipo West, Tagum City
(084) 4004378/2184991

■ Nabunturan
Osita Bagaipo Bldg., Sta. Teresita St.,
Nabunturan, Compostela Valley
(084) 3760172

■ Mati
MJI Bldg., Rizal Ext., Pob. Mati,
Davao Oriental
(087) 8112054/ 09224604439

Panabo Branch

Unit 1 Centino Realty Bldg.,
Quezon St., Brgy. Sto. Niño,
Panabo City
(084) 8223420/ 09223040346

■ Sto. Tomas
Taylor Bldg., Feeder Road 3,
Sto. Tomas, Davao Del Norte
(084) 8291331

General Santos Branch

G/F CAP Bldg., Pendatun Ave.,
Cor. Anonas St.,
General Santos City
(083) 3018986 / 09238149184

Valencia Branch

G/F Redberry Court., G. Laviña Ave.
Guinoyoran Rd., Poblacion, Valencia
City Bukidnon
(088) 8282086 / 09233580122

Mandaue Branch

D-3 Cotaikong Bldg.,
North Road Basak,
Mandaue City
(032) 421-1120/421-1121

Carcar Branch

Door 6, Dr. Rizal St.
Lower Cambutan
Poblacion, Carcar City
(032) 4878337/

Cagayan de Oro Branch

G/F Centro Mariano Bldg.,
Osmeña St., Cogon
Cagayan de Oro City
(08822) 723-869

■ Iligan
D-2 Philamlife Bldg., Mariano
Badilles St., Iligan City
(063) 2210183

Butuan Branch

G/F RC Intino Bldg.,
JC Aquino Ave., Butuan City
(085) 3414138/ 3414173

■ Surigao City
00515 Burgos St.,
Surigao City
(086) 8264219

■ Cabadbaran
Melmar Bldg., Curato St.,
Cabadbaran, Agusan del Norte
09223049377

■ Gingoog
D-3 Panandigan Apartment,
CV Lugod St., Gingoog City
09227799248

San Francisco Branch

Quezon St., San Francisco,
Agusan del Sur
(085) 3439377/ 343-8624/ 2423870

■ Bayugan
Yakal St.P-3, National Highway,
Bayugan, Agusan del Sur
(085) 8304420

■ Trento
Blk. Tienda, P-7 Poblacion
Trento, Agusan del Sur
(085) 2552417

Barobo Branch

Poblacion, Barobo,
Surigao del Sur
(085)839-3833 loc. 2142

■ Tagbina
P-4 Poblacion Tagbina,
Surigao del Sur

Hinatuan Branch

Magallanes St., cor Bandola St.,
Poblacion, Hinatuan,
Surigao del Sur
09185781015

Bislig Branch

Espiritu St., Mangagoy,
Bislig City
(086) 8532263

■ Cateel
Castro Ave., Cateel,
Davao Oriental

Aras-asan Branch

Aras-asan,
Cagwait, Surigao del Sur
0910-6832913/0919-6738564

■ Marihatag
Poblacion, Marihatag,
Surigao del Sur

Tandag Branch

Osmena St. Nat'l. Highway
Tandag, Surigao del Sur
(086) 2115010/ 2113474

■ Madrid
Guillen St., Poblacion, Madrid,
Surigao del Sur
(086) 2134034



■ service outlets



ENTERPRISE BANK, INC. (formerly known as the New Rural Bank of Lianga) was founded on May 10, 1976 in Lianga, Surigao del Sur by Mr. Ignacito U. Alvizo and other local investors as a community based Rural Bank serving the needs of the locality. The bank embarked on the establishment of branches in 1994 when the BSP deregulated the banking industry. Ten branches were established in several parts of Caraga Region, Davao Provinces & Misamis Oriental.

In 1997, EBI was accredited by the People's Credit and Finance Corp.(PCFC) as one of its program partners in Mindanao. EBI then launched its microfinance program "Kalisud Mo, Tabangan Ko" or KMTK, a credit program which adopts the basic Grameen Bank model of solidarity lending. KMTK became the flagship loan product of EBI and was instrumental in improving the bank's financial performance.

the entrepreneur's bank
www.ebi.ph