

EXPORT AND INDUSTRY BANK, INC.

(Company's Full Name)

ExportBank Plaza, Gil Puyat Ave., Cor. Chino Roces, Makati City

(Company's Address)

878-0531 / 878-0539

(Telephone Number)

December 31

(Fiscal year ending)
(month & day)

Any Day in April

(Annual Meeting)

SEC FORM 17-Q

(Form Type)

Amendment Designation (If applicable)

September 30, 2008

(Period Ended Date)

(Secondary License Type & File Number)

LCU

(Cashier)

DTU

93830

(SEC Number)

Central Receiving Unit

File Number

Document I.D.

12. Indicate by checkmark whether the registrant :

- (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the Revised Securities Act (RSA) and RSA Rule (a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports).

YES [X]

NO []

- (b) has been subject to such filing requirements for the past 90 days.

YES [X]

NO []

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

See attached.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

See attached.

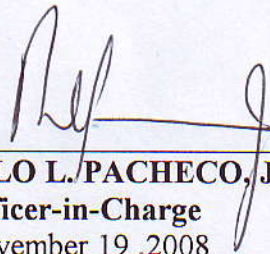
PART II - OTHER INFORMATION

SIGNATURES

Pursuant to the requirements of the Securities Regulations Code, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.



TERESITA Q. DE OCAMPO
Principal Accounting Officer
November 19, 2008



NILO L. PACHECO, JR.
Officer-in-Charge
November 19, 2008

EXPORT AND INDUSTRY BANK, INC. AND SUBSIDIARIES
STATEMENT OF CONDITION
SEPTEMBER 30, 2008
(With Comparative Figures for December 31, 2007)
(Amounts in Thousands of Philippine Pesos)

	<u>September 30, 2008</u>	<u>Dec. 31, 2007</u>
	(Unaudited)	(Unaudited)
<u>RESOURCES</u>		
CASH AND OTHER CASH ITEMS	P 245,749	P 267,018
DUE FROM BANGKO SENTRAL NG PILIPINAS	2,812,012	2,796,386
DUE FROM OTHER BANKS	241,554	465,306
INVESTMENT SECURITIES		
Financial Assets at Fair Value Through Profit or Loss	299,284	596,184
Available-for-sale Securities - net	7,516,481	8,089,946
LOANS AND OTHER RECEIVABLES - Net	9,453,799	14,639,563
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	437,267	381,169
NON-CURRENT ASSETS HELD FOR SALE - Net	711,089	668,484
INVESTMENT PROPERTIES - Net	140,348	132,926
OTHER RESOURCES - Net	<u>10,439,202</u>	<u>10,209,580</u>
TOTAL RESOURCES	<u>P 32,296,784</u>	<u>P 38,246,562</u>
<u>LIABILITIES AND CAPITAL FUNDS</u>		
DEPOSIT LIABILITIES		
Demand	P 1,498,959	P 784,270
Savings	11,203,646	12,965,828
Time	<u>3,954,704</u>	<u>3,572,879</u>
	16,657,310	17,322,977
BILLS AND ACCEPTANCES PAYABLE	5,187,206	9,446,618
UNEARNED INCOME AND OTHER DEFERRED CREDITS	3,778,686	4,029,717
ACCRUED TAXES, INTEREST AND OTHER EXPENSES	871,222	956,825
OTHER LIABILITIES	<u>1,318,880</u>	<u>873,244</u>
Total Liabilities	<u>27,813,303</u>	<u>32,629,381</u>
CAPITAL FUNDS		
Balance at end of period		
Capital stock		
Common Stock	4,734,453	4,734,453
Surplus Reserve	13,717	13,716
Surplus (deficit)	(120,847)	252,124
Fair Value Gain (Loss) on Available-for-sale Securities	(129,427)	631,304
Treasury Stock	(14,415)	(14,415)
Minority Interest	-	-
Total Capital Funds	<u>4,483,480</u>	<u>5,617,182</u>
TOTAL LIABILITIES AND CAPITAL FUNDS	<u>P 32,296,784</u>	<u>P 38,246,562</u>

EXPORT AND INDUSTRY BANK, INC. AND SUBSIDIARIES

STATEMENT OF INCOME

FOR THE PERIOD ENDED SEPTEMBER 30, 2008

(With Comparative Figures for the quarter ending September 30, 2007)

(Amounts in Thousands of Philippine Pesos Except Per Share Data)

	Period Ended September 30	
	2008	2007
	(Unaudited)	(Unaudited)
INTEREST INCOME ON		
Loans	P 133,559	P 413,336
Trading and investment securities	991,584	475,859
Others	96,738	107,240
	<u>1,221,880</u>	<u>996,435</u>
INTEREST EXPENSE ON		
Deposit liabilities	562,810	654,443
Bills payable and other borrowings	567,316	238,175
	<u>1,130,126</u>	<u>892,618</u>
NET INTEREST INCOME (EXPENSE)	91,754	103,816
IMPAIRMENT GAINS (LOSSES)	481	(13,273)
NET INTEREST INCOME (EXPENSE) AFTER IMPAIRMENT LOSSES	<u>92,235</u>	<u>90,544</u>
OTHER INCOME		
Trading and securities gain - net	16,945	7,414
Service charges, fees and commissions	82,244	129,589
Miscellaneous	263,242	295,472
	<u>362,431</u>	<u>432,476</u>
OTHER EXPENSES		
Taxes and licenses	206,055	236,692
Management and professional fees	19,354	57,320
Employee benefits	217,999	168,489
Occupancy and equipment-related cost	257,292	218,048
Litigation/assets acquired	5,460	7,504
Communications	25,357	25,045
Foreign exchange loss - net		4,228
Insurance	34,164	43,288
Information technology	14,706	22,651
Stationery and supplies	8,808	4,430
Miscellaneous	37,444	60,846
	<u>826,640</u>	<u>848,540</u>
INCOME (LOSS) BEFORE TAX	(371,973)	(325,521)
Prov./Benefit for/from Income Tax	(994)	5
INCOME/(LOSS) BEFORE MINORITY INTEREST	(<u>372,968</u>)	(<u>325,525</u>)
EXTRA ORDINARY CREDIT (CHARGES)	-	-
NET INCOME (LOSS)	(<u>P 372,968</u>)	(<u>P 325,525</u>)
NET INCOME (LOSS) ATTRIBUTABLE TO:		
Shareholders of Parent Company	(P 372,968)	(P 318,043)
Minority interest	-	(7,482)
	(<u>P 372,968</u>)	(<u>P 325,525</u>)
INCOME (LOSS) PER SHARE	(<u>P 0.020</u>)	(<u>P 0.017</u>)

EXPORT AND INDUSTRY BANK, INC. AND SUBSIDIARIES
STATEMENT OF INCOME
FOR THE QUARTER ENDED SEPTEMBER 30, 2008
(With Comparative Figures for September 30, 2007)
(Amounts in Thousand Philippine Pesos Except Per Share Data)

	Quarter Ended September 30	
	2008 (Unaudited)	2007 (Unaudited)
INTEREST INCOME ON		
Loans	P 38,598	P 240,294
Trading and investment securities	254,195	75,987
Others	41,967	36,382
	<u>334,759</u>	<u>352,663</u>
INTEREST EXPENSE ON		
Deposit liabilities	199,814	204,486
Bills payable and other borrowings	113,348	110,399
	<u>313,162</u>	<u>314,885</u>
NET INTEREST INCOME (EXPENSE)	21,597	37,778
IMPAIRMENT GAINS (LOSSES)	330	1,951
NET INTEREST INCOME (EXPENSE) AFTER IMPAIRMENT LOSSES	<u>21,927</u>	<u>39,729</u>
OTHER INCOME		
Trading and securities gain - net	7,663	41,764
Service charges, fees and commissions	25,844	25,956
Miscellaneous	42,092	45,310
	<u>75,600</u>	<u>113,030</u>
OTHER EXPENSES		
Taxes and licenses	67,317	69,596
Management and professional fees	5,880	17,443
Employee benefits	78,481	59,900
Occupancy and equipment-related cost	93,749	76,155
Litigation/assets acquired	(678)	5,856
Communications	8,088	8,428
Foreign exchange loss - net	-	2,119
Insurance	9,869	13,719
Information technology	5,734	7,228
Stationery and supplies	2,278	966
Miscellaneous	16,438	24,262
	<u>287,156</u>	<u>285,672</u>
INCOME (LOSS) BEFORE TAX	(189,630)	(132,913)
TAX EXPENSE	(<u>955</u>)	<u>7</u>
NET INCOME (LOSS)	(<u>P 190,584</u>)	(<u>P 132,906</u>)
NET INCOME (LOSS) ATTRIBUTABLE TO:		
Shareholders of Parent Company	(P 190,584)	(P 130,766)
Minority interest	-	(2,140)
	(<u>P 190,584</u>)	(<u>P 132,906</u>)
INCOME (LOSS) PER SHARE	(<u>P 0.010</u>)	(<u>P 0.007</u>)

EXPORT BANK, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOW
(Amounts in Thousands of Philippine Pesos)
FOR THE PERIOD ENDED SEPTEMBER 30, 2008

	2008	2007
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss) after income tax	(372,968)	(325,525)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	92,974	126,528
Equity/Dividends in net losses of a subsidiary		
Operating income/(loss) before working capital changes:		
Decrease (increase) in financial assets at fair value through profit or loss	296,900	1,023,991
Decrease (increase) in loans and receivable	5,185,764	(10,295,359)
Decrease (increase) in other resources	(782,594)	(988,969)
Increase (decrease) in deposit liabilities	(665,667)	1,778,977
Increase (decrease) in accrued taxes, interest and other expenses	(85,603)	(1,195,729)
Increase (decrease) in deferred credits and other liabilities	445,636	2,172,563
Net Cash From (Used in) Operating Activities	4,114,441	(7,703,523)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of bank premises, furniture, fixtures and equipment		163,110
Disposal of bank premises, furniture, fixtures and equipment	(149,072)	-
Decrease (increase) in investment properties	(7,422)	(135,653)
Decrease (increase) in non-current assets held for sale	(42,605)	205,288
Decrease (increase) in financial assets held for trading	573,465	117,164
Net Cash From (Used in) Investing Activities	374,367	349,909
CASH FLOWS FROM FINANCING ACTIVITIES		
Net availments (payments) of bills and acceptances payable	(4,259,412)	7,727,761
Net Cash From (Used in) Financing Activities	(4,259,412)	7,727,761
NET INCREASE (DECREASE) IN CASH AND CASH EQU	229,396	374,147
CASH AND CASH EQUIVALENTS END OF DECEMBER 30		
Cash and other cash items	267,018	180,506
Due from Bangko Sentral ng Pilipinas	2,796,386	2,303,438
Due from other banks	465,306	1,096,248
Interbank loans receivable	-	-
	3,528,710	3,580,192
CASH AND CASH EQUIVALENTS AS OF SEPTEMBER 30		
Cash and other cash items	245,749	189,116
Due from Bangko Sentral ng Pilipinas	2,812,012	3,453,299
Due from other banks	241,554	311,924
	3,299,315	3,954,339

EXPORT AND INDUSTRY BANK, INC. AND SUBSIDIARIES

STATEMENT OF CHANGES IN CAPITAL FUNDS

(With Comparative Figures for the period ending September 30, 2007)

(Amounts in Thousands of Philippine Pesos)

	September 30	
	2008	2007
	(Unaudited)	(Unaudited)
Capital Stock:		
Common A Shares - P1.00 par		
Authorized - 6,000,000,000 shares		
Issued and subscribed - 2,753,248,756 shares		
Common A Shares - P0.25 par		
Authorized - 2,753,248,756 shares		
Issued and subscribed - 2,753,248,756 shares	P 688,313	P 688,313
Common B Shares - P0.25 par		
Authorized - 21,246,721,244 shares		
Issued: 16,184,561,404 shares	4,046,140	4,046,140
Paid-up Capital	P 4,734,453	P 4,734,453
Surplus Reserve	13,717	13,717
Surplus (Deficit)	252,121	(6,511)
Net Income (Loss)	(372,968)	(318,043)
Net Unrealized Gain on Available-for-Sale Securities	(129,427)	306,657
Treasury Stock	(14,415)	(14,415)
	P 4,483,481	P 4,715,858
Minority Interest		82,441
Total Capital	P 4,483,481	P 4,798,298

EXPORT AND INDUSTRY BANK, INC.**AGING OF ACCOUNT RECEIVABLE**

As of September 30, 2008

(In Thousand Pesos)

	31-60	61-90	91-180	180-360	Over 1 Year	Total
Atm	23,577					23,577
Branches	268					268
Others	54,028	42,125	40,168	60,690	263,753	460,765
	77,873	42,125	40,168	60,691	263,753	484,609

Item 1. Financial Statements Required Under SRC Rule 68.1

1. Statement showing changes in equity cumulatively for the current financial year to date, with a statement for the comparable year-to-date period of the immediately preceding financial year assuming fiscal year ending 12-31:

	(in thousands)	
	September 30, 2008 (Unaudited)	September 30, 2007 (Unaudited)
Capital Stock:		
Common A Shares— ₱ 1.00 par Authorized - 6,000,000,000 shares Issued and subscribed - 2,753,248,756 shares		
Common A Shares – ₱ 0.25 par Authorized - 2,753,248,756 shares Issued and subscribed - 2,753,248,756 shares	₱ 688,313	₱ 688,313
Common B Shares— ₱ 0.25 par Authorized - 21,246,721,244 shares Issued : 16,184,561,404 shares	4,046,140	4,046,140
Paid-up Capital	4,734,453	4,734,453
Surplus Reserve	13,717	13,717
Surplus (Deficit)	252,121	(6,511)
Net Income (Loss)	(372,968)	(318,043)
Net Unrealized Gain (Loss) on ASS	(129,427)	306,657
Treasury Stock	(14,415)	(14,415)
Minority Interest	-	82,441
Total Capital Accounts	₱ 4,483,481	₱ 4,798,298

2. Basic and Diluted Earnings per Share (see attached Income Statement).
3. These financial statements are prepared under the historical cost convention except that certain investment securities are carried at fair value.
4. Notes to Financial Statements:
 - a. The accompanying financial statements were prepared in compliance with Philippine Financial Reporting Standards. The financial statements have been prepared using the historical cost basis and are presented in Philippine pesos.

The financial statements of the Group have been prepared in accordance with PFRSs. These are adopted by the Financial Reporting Standards Council (FRSC), formerly

the Accounting Standards Council, from the pronouncements issued by the International Accounting Standards Board (IASB).

- b. There is nothing to comment about the seasonality or cyclicity of interim operations.
- c. There is nothing to report about the nature and amount of item affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidents.
- d. There is nothing to report on changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years.
- e. No dividends were paid during the interim period report.
- f. We have nothing to report on segment revenue.
- g. There are no material events subsequent to the end of the interim period.
- h. The effect of changes in the composition of the issuer during the interim period including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructuring and discontinuing operations were already discussed in the financial highlights in the management discussion and result of operations.
- i. Changes in the contingent liabilities or contingent assets since the last annual balance sheet date:

(In thousands of Pesos)

	September 30, 2008	December 31, 2007	Increase/(Decrease)
Trust Dept. Accts.	₱ 1,665,465	₱ 2,501,665	₱ (836,200)
Unused Letter of Credits	454,451	338,404	116,047
Outstanding Guarantees Issued	26,086	10,395	15,691
Outward Bills for Collection	38,051	40,451	2,400
Inward Bills for Collection	30,567	7,253	23,314
Others	608,998	368,599	240,399

- k. There are no material contingencies and any other events or transactions that are material to understand the current interim period.

Item 2. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

2007- The Exportbank Group's total assets grew by 10.8% from ₱34.5 Billion in 2006 to ₱38.2 Billion in 2007. Loans and other receivables grew by 81.4% from ₱8.16 Billion in 2006 to ₱14.8 Billion in 2007 attributable largely to the RRP's with the BSP that were funded by customer placements booked as bills payable and shift of some long term government securities to overnight RRP. The latter resulted in the decline in the investment and trading securities portfolio from ₱9.4 Billion to ₱8.7 Billion in 2007. Bank premises and investment properties went down by as much as ₱2.5 Billion, bulk of which is due to the sale of the remaining non-core assets of Exportbank. On the other hand, some ₱463 Million worth of equity investments and properties have been reclassified to non-current asset held for sale, pending finalization of sale terms with interested buyers. Total liabilities went up by 12.5% from ₱29.0 Billion in 2006 to ₱32.6 Billion in 2007 due largely to the increase in deposit liabilities by ₱2.2 Billion (from ₱15.1 Billion to ₱17.3 Billion). Borrowings is also up by 57.4% or ₱3.4 Billion resulting from the customer placements used to fund some RRP's with the BSP. Accrued taxes and expenses went down by ₱1.3 Billion partially due to the settlement of tax liabilities of then Urban Bank, Inc. which was assumed by Exportbank upon its merger in 2002 and the payment of its other expenses and taxes. Other liabilities went down by ₱0.158 billion due to the offsetting of collections made in behalf of the some special purpose vehicle companies against receivables from said companies on the sale of NPAs in 2006.

In terms of profitability, Exportbank posted a net income of ₱77.70 Million compared to ₱140.50 Million in 2006. Net interest income reversed from a negative ₱635.0 Million to a positive ₱100.5 Million in 2007 as a result of receipt of the income support from the PDIC in October 2006 and the substantial drop in interest rates given to deposits (despite the ₱2.20 Billion increase in deposits that was invested in earning assets, interest expense remained flat). Impairment losses in 2007 was only ₱53.80 Million compared to ₱513.0 Million in the previous year resulting from the discounts incurred by Exportbank on the sale of its NPAs to SPV companies in 2006. In 2007, Exportbank recognized minimal trading gains as there were very limited trading opportunities. Exportbank recognized gains on the sale of remaining non-core assets amounting to ₱836.40 Million. The ₱2.90 Billion miscellaneous income in 2006 partially resulted from the recognition of an income receivable from Common A shareholders resulting from losses on the sale of Exportbank's remaining NPAs amounting to ₱1.0850 Billion and the 1st quarter 2006 operating losses amounting to ₱621.0 Million as per the Amended Articles of Incorporation which states that said losses are chargeable to said shareholders. Aside from these, there are also other non-recurring income recognized in 2006 such as fees generated from the service agreement entered into by Exportbank with the said SPVs on the sale of its NPAs amounting to ₱127.0 Million, the realization of the capitalized interests on sold NPLs amounting to ₱135.0 Million as well as the recognition of the share of Exportbank in the distribution of the Non-Performing Assets Pool based on the Memorandum of Agreement with shareholders of then Urban Bank, Inc. and Urbancorp Investments, Inc. in 2001. Overhead expenses remained flat in 2007 compared to 2006 despite overall increase in business generation efforts and increase in net interest income.

Comparable Discussion of Interim Period as of September 30, 2008

The Group's earning capacity has improved year on year because of the new business focus and overall increase in business generating consciousness. Interest income rose by 22.6% year on year to ₱1.2 Billion while net interest income is now ₱0.1 Billion Trading gains is up by 128% to ₱17 Million despite the ongoing volatility in the global market. Recurring deposit related fees went up by 18% to ₱82 Million with the new business focus of generating low cost deposits. Head office operating expenses excluding manpower cost has gone down by 6%. The Bank has embarked on creating a new image via relocating its 17 branches into more visible areas and renovating them to become more efficient and customer friendly. Along with this was the hiring of key personnel and staff to properly man the branches. This together with the sale of some of its non-core assets in the last quarter of 2007 and the streamlining of its operations and organization resulted to the decline in overall operating expenses by 2.6% year on year from ₱849 Million to ₱827 Million.

Total assets stood at ₱32.3 Billion, while total liabilities and equity amounted to ₱27.8 Billion and ₱4.5 Billion, respectively, as of 30 September 2008. The Group's total resources went down by 27% compared to previous year's level of ₱44.3 Billion due partly to the decline in reverse repurchase agreements (RRPs) with the BSP that were directly matched with certain borrowings. This together with the prepayment of ₱300 Million of borrowings resulted to the decline in overall liabilities by ₱12.0 Billion. Trading and available for sale securities likewise contracted by ₱0.488 Billion in 2008 due to the mark to market losses incurred as a result of the global financial turmoil which pushed the market prices down. Such unrealized mark to market losses were charged directly to capital which consequently went down by 6.6% to ₱4.5 Billion level in 2008.

Discussion and Analysis of Material Events

a. Material changes in balance sheet items and income statement are as follows:

1. Trading and available for sale securities went down by 10.0% from ₱8.7 Billion level to ₱7.8 Billion as a result of the decline in market prices on the said securities as of September 2008.
2. Loans and other receivables went down by ₱5.2 Billion attributable largely to the decline in reverse repurchase agreements (RRPs) with the BSP that were directly matched with certain borrowings
3. Bank premises increased by ₱56 Million in September 2008 with the relocation of its 17 branches to more strategic locations to make it more visible and accessible to its target market.
4. Non-Current assets held for sale went up by ₱42 Million upon the reversal of impairment losses previously recognized which are not required anymore under the new terms of sale
5. Borrowings went down by ₱4.3 Billion to ₱5.2 Billion in 2008 due to the reduction in the reverse repurchase agreements with the BSP that were directly matched with certain borrowings
6. Accrued expenses and taxes went down by 8.95% to ₱0.8 Billion level in 2008 with the subsequent settlement made thereon in 2008.
7. Other liabilities increased by 32% from ₱873 Million in 2007 to ₱1.3 Billion in 2008 as a result of the collections made on the sold non-performing as well as

non-core assets to the SPVs and other buyers which will be remitted to said companies upon compliance with closing requirements.

- b. There are no seasonal aspect that has a material effect on the financial statements
- c. There are no known trends, events or uncertainties that will have a material impact on income.
- d. The bank sources of liquidity are deposits, inter-bank transactions and swaps.
- e. There are no known trends, events or uncertainties that will have a material impact on the company's liquidity.
- f. There are no material commitments as yet for capital expenditures pending the completion of the rationalization of the operations of the company.
- g. To date, there's nothing to disclose regarding any event that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
- h. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
- i. The cause of any material change from period to period which shall include vertical and horizontal analyses of any material item are as follows:
 - a. Cash and due from bank accounts went down by ₱0.655 Billion compared to September 2007's ₱4.0 Billion level while trading and investment securities went down as well by ₱0.488 Billion from ₱8.3 Billion in 2007 to ₱7.8 Billion in 2008 due to unrealized mark to market losses incurred on its securities portfolio as a consequence of the global financial turmoil.
 - b. Loans and Other Receivables went down by ₱9.7 Billion to ₱9.5 Billion level attributable largely to the decline in reverse repurchase agreements with the BSP that were directly matched with certain borrowings
 - c. Bank Premises and Investment Properties decreased by 81% from ₱3.1 Billion to ₱0.578 Billion in 2008 due to the sale of some non-core assets of the Bank in the last quarter of 2007.
 - d. Non-current asset held for sale increased by ₱0.711 Billion brought about by the reclassification of some equity investments of the Bank to Securities Held for Sale, pending finalization of sale terms with third party buyers.
 - e. Other resources went up by ₱0.631 Billion to ₱10.4 Billion pertaining to additional accruals made on additional taxes and expenses related to the non-performing assets sold to the special purpose vehicle companies in 2006, which per MB resolution no. 694 can be written off on a staggered basis over 15 years until 2021. Likewise, some equity investments worth ₱102 Million were reclassified to other resources as these are being dissolved.
 - f. Borrowings went down by ₱12.9 Billion to ₱5.2 Billion in 2008 compared to 2007's level of ₱18.1 Billion due to the decline in repurchase agreements with the BSP which were directly matched with borrowings
 - g. Unearned Income went up by ₱3.6 Billion from ₱0.193 Billion in September 2007 to ₱3.78 Billion in September 2008 representing fair value gains on the borrowings of the Bank with the PDIC under the Memorandum of Agreement dated December 29, 2005, which per BSP Circular 572 will be deferred and amortized over the term of the borrowing using the effective interest method.

- h. Accrued taxes and other expenses payable went up by ₱0.372 Billion to ₱0.871 Billion due to additional accruals on taxes and expenses related to the sale of its non-performing assets to SPV companies in 2006.
- i. Other liabilities on the other hand went down by ₱2.5 Billion from ₱3.8 Billion in 2007 to ₱1.3 Billion in 2008 representing collections and other payables to abovementioned SPVs which were offset against the corresponding receivables from said companies in 2008.
- j. Net revenue from funds decreased by ₱12.1 Million in September 2008 from ₱104 Million in September 2007 to ₱92 Million in 2008 brought about by slightly higher cost of funds.
- k. Trading gains improved by ₱9.5 Million in 2008 despite current market conditions which drove the market prices down.
- l. Fees however is lower by 37% or ₱47 Million since there were some non-recurring fees recognized in 2007 resulting from the service agreement which the Bank entered into with the spv companies upon the sale of its non-performing assets in 2006 amounting to ₱60 Million. Without this, deposit related fees went up by ₱13 Million due to the new business focus of generating low cost deposits, increase in deposit volumes and overall increase in business generating consciousness.
- m. Overhead expenses went down by 2.58% from ₱849 Million in the prior period 2007 to ₱827 Million in September 2008 due to the sale of some of its non-core assets in the last quarter of 2007 and streamlining of its operations and organization, This is despite the incremental expenses incurred on the necessary renovation and relocation of its seventeen (17) branches and beefing up of its manpower of about ₱82 Million.

Key Performance Indicators

	September 2008	December 2007
<u>Capital Adequacy</u>		
Risk Based Capital Adequacy Ratio	22.98%	24.40%
<u>Asset Quality</u>		
Non-Performing Loan (NPL) Ratio	16.37%	3.97%
Non-Performing Asset (NPA) Ratio	1.51%	1.08%
<u>Liquidity</u>		
Liquid to Total Assets Ratio	34.41%	45.31%
Quick Asset to Total Deposits	67.24%	101.19%

The Bank's Basel 1 Capital Adequacy Ratio (CAR) stood at 22.98% compared to December 2007's level of 24.40%, which is way above the 10% and 8% minimum requirements of the *Bangko Sentral ng Pilipinas* and of the Bank for International Settlement (BIS). Qualifying capital decreased by 8.04% percent from ₱4.8 Billion to ₱4.4 Billion. Said ratio was computed by dividing the Total Qualifying Capital over the Total Risk weighted Assets as follows:

	<u>2008</u>	<u>2007</u>
Total Qualifying Capital	₱ 4.392Bn	₱ 4.776Bn
Total Weighted Risk Assets	<u>19.115 Bn</u>	<u>19.576Bn</u>
Ratio	22.98%	24.40%

The NPL ratio went up to 16% because of the decline in the gross loans portfolio by ₱5.089 Billion brought about by the reduction in the reverse repurchase agreements with the BSP which were funded by customers. In absolute amounts, the NPL levels increased minimally by ₱83.0 Million. Practically all of these NPLs were originally granted prior to 2007. The NPL Ratio is computed as follows:

	<u>2008</u>	<u>2007</u>
Total Non-Performing Loans	₱0.377Bn	₱ 0.294Bn
Total Gross Loans	<u>2.303Bn</u>	<u>7.392Bn</u>
Ratio	16.37%	3.97%

Similarly, the ratio of the Bank's non-performing assets (NPA) to gross assets went up from 1.08% in 2007 to 1.51% in 2008. The NPA ratio was calculated as follows:

	<u>2008</u>	<u>2007</u>
Non-Performing Loans	₱ 0.377Bn	₱ 0.294Bn
ROPA	<u>0.141Bn</u>	<u>0.134Bn</u>
Total Non-Performing Assets	0.518Bn	0.428Bn
Gross Assets (gross of allowance)	<u>₱34.331Bn</u>	<u>₱39.546Bn</u>
Ratio	1.51%	1.08%

Liquidity ratios indicate the proportion of total assets which can be readily converted into cash over the total assets to meet withdrawals and other liquidity requirements. Liquid assets include cash and other cash items, due from the bank, interbank loans receivables and financial assets available for sale. Below are the computations of the Bank's Liquidity and Quick Assets ratio:

	<u>2008</u>	<u>2007</u>
Total Liquid Assets	₱ 11.394Bn	₱ 17.529Bn
Total Assets	<u>32.786Bn</u>	<u>38.688Bn</u>
Ratio	34.75%	45.31%
	<u>2008</u>	<u>2007</u>
Total Quick Assets	₱11.394Bn	₱ 17.529Bn
Total Deposits	<u>16.655Bn</u>	<u>17.323 Bn</u>
Ratio	68.41 %	101.19%

If we net out the reverse repurchase agreements with the BSP and government securities which are directly matched with some borrowings, the liquidity ratio and the quick assets ratio would be 12.66% and 24.92% in September 2008 against 15.25% and 34.06% in December 2007.

OTHER INITIATIVES IN 2008

RESIGNATION OF DIRECTOR

The Board of Directors accepted with regrets the resignation of Mr. George V. Cunanan as an Independent Director of Export Bank in its meeting on 24 September 2008. Said resignation will be effective 31 August 2008.

RELOCATION OF BRANCHES

The following branches were relocated during the period July 1 to October 2008:

FROM	NEW SITE
Pacific Star Kiosk	BF Homes Branch No. 30 Aguirre Avenue cor. Lirag St. BF Homes Paranaque
San Pedro Branch MMG Bldg. National Highway Brgy. San Antonio, San Pedro Laguna	Km. 31 Brgy. Nueva San Pedro, Laguna