



## 2008 ANNUAL REPORT

RESPECT ♦ COMMITMENT ♦ LOYALTY



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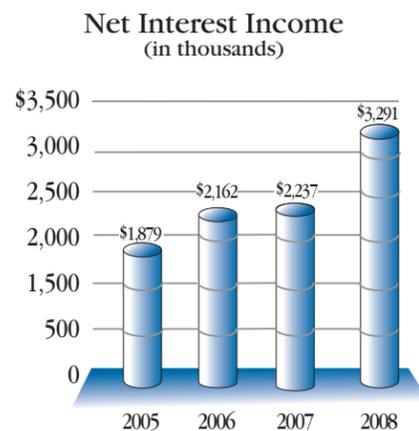
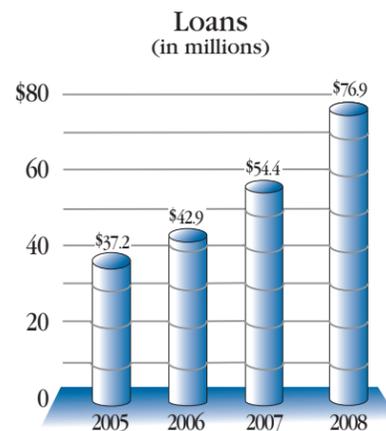
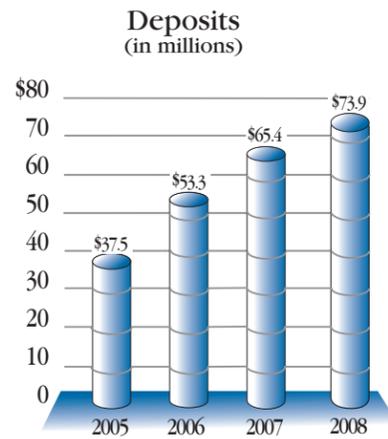
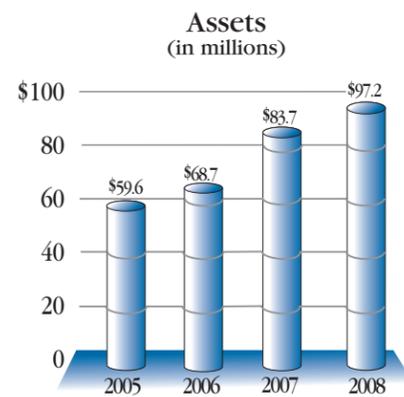




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FINANCIAL HIGHLIGHTS



TO THE SHAREHOLDERS OF ENTERPRISE NATIONAL BANK N.J.



N. Larry Paragano, Chairman of the Board and Donald J. Haake, President and Chief Executive Officer

On behalf of the Board of Directors, our management and the employees, it is our pleasure to present to you our 2008 Annual Report.

"It was the best of times and it was the worst of times." Although just an excerpt from a Dickens novel, these words ring as true today as ever. Clearly, we are living in very uncertain economic times, which have impacted everyone in one fashion or another; however, whenever faced with such adversity the American people have always risen to the challenge and we will do so today. Our company is no different in that, although we continue to grow we too have been impacted by the effect the economy has had on our customers; however, we are not deterred by these challenges, but rather motivated to work harder to ensure that our customers and the communities that we serve have access to a bank that is committed to meeting their needs and willing to work with them to sustain their business and continue to prosper.

In 2008 our company grew to \$97.2 million in total assets as compared to \$83.8 million in 2007, a growth of 16% year over year. In maintaining our focus on growing earning assets, our loan portfolio increased to \$76.9 million or 41% over the 2007 balance of \$ 54.5 million. We also achieved solid growth in customer deposits which increased to \$73.9 million from \$65.4 million in 2007 or 13%.

Along with the growth in both loans and deposits, we achieved growth in revenue in 2008 of \$943 thousand or 18.4 % over 2007; however, we must still report an operating loss of \$141 thousand, and although a significant improvement over last years reported loss of \$460 thousand, we can and will do better. As we look to 2009, asset quality

remains of paramount importance and we will do everything we can to preserve our legacy of never having a charged-off loan; however, we will not hesitate to recognize any problem assets and take the appropriate action to protect this franchise. To that end, in 2008 we did realize an increase in our allowance for possible loan losses of \$387 thousand; which represents 1.24% of total loans. This increase is attributable to both normal loan growth, as well as recognition of the inherent risk within our portfolio as a result of the impact that the current economic conditions will have on our customers. Further, we feel it is important to inform our shareholders that although eligible to participate in the government sponsored Troubled Asset Relief Program (TARP), the Board of Directors and management elected not to request these funds as we are confident that as a well managed and well capitalized company we are positioned to perform soundly through these difficult times. Moreover, we did not believe that the American tax payer should be asked to shoulder the additional burden of the problems of the financial industry.

Again, we are very pleased with the growth that we experienced in 2008 and remain confident that we will sustain responsible growth in 2009; however, we are also very aware of the uncertainty of the financial markets and will do our very best to ensure that any initiatives taken will add to the sound growth we have sought in years past. The challenges of 2008 will not be fully overcome in 2009, but we strongly believe that the resiliency of the American people and entrepreneurial spirit of our business sector will come together to drive our economy forward and we will emerge stronger and more competitive, and this company will do it's part to facilitate this effort by providing lending and deposit services to the communities we proudly serve.

In parting, last year we wrote to you that we have been working to create a company that you could be proud of and we hope that you have not been disappointed. Our commitment to our shareholders is un-wavering and we will to do everything we can to fulfill our commitment to deliver results that will build value for you and we will do so responsibly and as always embracing our core beliefs of Respect, Commitment and Loyalty in the way that we view this business, our company and our customers.

N. Larry Paragano  
Chairman of the Board

Donald J. Haake  
President & Chief Executive Officer



STATEMENTS OF FINANCIAL CONDITION

STATEMENTS OF OPERATIONS

	December 31,	
	2008	2007
<b>Assets</b>		
Cash and amounts due from depository institutions .....	\$ 2,172,072	\$ 672,979
Interest-bearing deposits .....	200,618	121,309
Federal funds sold .....	-	6,152,000
<b>Cash and Cash Equivalents .....</b>	<b>2,372,690</b>	<b>6,946,288</b>
Securities available for sale .....	11,312,794	13,826,068
Securities held to maturity, fair value of \$4,566,225 (2008) and \$6,577,689 (2007) .....	4,566,296	6,624,762
Loans receivable, net of allowance for loan losses of \$967,600 (2008) and \$580,383 (2007) .....	76,881,814	54,468,856
Premises and equipment .....	604,817	688,148
Restricted equity securities .....	966,850	724,450
Interest receivable .....	361,983	383,188
Other assets .....	114,326	76,861
<b>Total Assets .....</b>	<b>\$ 97,181,570</b>	<b>\$ 83,738,621</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities</b>		
Deposits		
Non-interest bearing .....	\$ 6,123,405	\$ 5,447,604
Interest bearing .....	67,779,146	59,990,687
<b>Total Deposits .....</b>	<b>73,902,551</b>	<b>65,438,291</b>
Borrowed money .....	11,400,000	6,400,000
Other liabilities .....	494,258	614,466
<b>Total Liabilities .....</b>	<b>85,796,809</b>	<b>72,452,757</b>
<b>Stockholders' Equity</b>		
Common stock, \$5 par value; 5,000,000 (2008) and 2,500,000 (2007) shares authorized; 1,835,800 shares issued and outstanding .....	9,179,000	9,179,000
Paid-in capital .....	5,566,892	5,405,283
Accumulated deficit .....	(3,511,500)	(3,370,129)
Accumulated other comprehensive income .....	150,369	71,710
<b>Total Stockholders' Equity .....</b>	<b>11,384,761</b>	<b>11,285,864</b>
<b>Total Liabilities and Stockholders' Equity .....</b>	<b>\$ 97,181,570</b>	<b>\$ 83,738,621</b>

	Years Ended December 31,	
	2008	2007
<b>Interest Income</b>		
Loans .....	\$ 4,916,904	\$ 3,744,429
Securities .....	958,985	1,095,372
Other interest-earning assets .....	73,629	98,628
<b>Total Interest Income .....</b>	<b>5,949,518</b>	<b>4,938,429</b>
<b>Interest Expense</b>		
Deposits:		
Demand .....	294,982	188,193
Savings .....	903,309	943,751
Certificates of deposit .....	1,012,995	1,312,420
<b>Total Interest on Deposits .....</b>	<b>2,211,286</b>	<b>2,444,364</b>
Borrowings .....	447,172	256,463
<b>Total Interest Expense .....</b>	<b>2,658,458</b>	<b>2,700,827</b>
<b>Net Interest Income .....</b>	<b>3,291,060</b>	<b>2,237,602</b>
<b>Provision for Loan Losses .....</b>	<b>387,227</b>	<b>11,212</b>
<b>Net Interest Income after Provision for Loan Losses .....</b>	<b>2,903,833</b>	<b>2,226,390</b>
<b>Non-Interest Income</b>		
Fees and service charges .....	114,916	188,176
Gain on sale of securities available for sale .....	5,117	30
Other .....	1,767	1,354
<b>Total Non-Interest Income .....</b>	<b>121,800</b>	<b>189,560</b>
<b>Non-Interest Expenses</b>		
Salaries and employee benefits .....	1,771,733	1,612,969
Occupancy expense of premises .....	182,399	174,112
Equipment .....	540,440	513,628
Advertising .....	12,662	35,584
Professional fees .....	186,225	140,000
Other .....	473,545	399,762
<b>Total Non-Interest Expenses .....</b>	<b>3,167,004</b>	<b>2,876,055</b>
<b>(Loss) before Income Tax (Benefit) .....</b>	<b>(141,371)</b>	<b>(460,105)</b>
<b>Income Tax (Benefit) .....</b>	<b>-</b>	<b>-</b>
<b>Net (Loss) .....</b>	<b>\$ (141,371)</b>	<b>\$ (460,105)</b>
<b>Net (Loss) per Common Share – Basic and Diluted .....</b>	<b>\$ (0.08)</b>	<b>\$ (0.25)</b>
<b>Weighted Average Number of Common Shares Outstanding - Basic and Diluted .....</b>	<b>1,811,537</b>	<b>1,805,800</b>



STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY Years Ended December 31, 2007 and 2006

	Stock	Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
<b>Balance – December 31, 2006</b>	\$ 9,029,000	\$ 5,384,104	\$(2,910,024)	\$ (23,876)	\$ 11,479,204
Comprehensive loss:					
Net loss	-	-	(460,105)	-	(460,105)
Realized (gain) on securities available for sale	-	-	-	(30)	(30)
Unrealized gain on securities available for sale	-	-	-	95,616	95,616
<b>Total Comprehensive Loss</b>					<u>(364,519)</u>
Issuance of stock for restricted stock grants – 30,000 shares	150,000	(150,000)	-	-	-
Stock-based compensation	-	171,179	-	-	171,179
<b>Balance – December 31, 2007</b>	9,179,000	5,405,283	(3,370,129)	71,710	11,285,864
Comprehensive loss:					
Net loss	-	-	(141,371)	-	(141,371)
Realized (gain) on securities available for sale, net of tax of \$2,047	-	-	-	(3,070)	(3,070)
Unrealized gain on securities available for sale, net of tax of \$54,487	-	-	-	81,729	81,729
<b>Total Comprehensive Loss</b>					<u>(62,712)</u>
Stock-based compensation	-	161,609	-	-	161,609
<b>Balance - December 31, 2008</b>	<u>\$ 9,179,000</u>	<u>\$5,566,892</u>	<u>\$(3,511,500)</u>	<u>\$150,369</u>	<u>\$11,384,761</u>

See notes to financial statements.

STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2008	2007
<b>Cash Flows from Operating Activities</b>		
Net loss	\$ (141,371)	\$ (460,105)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization of premises and equipment	171,322	177,545
Amortization of deferred loan fees, premiums and discounts, net	(52,666)	(27,827)
Provision for loan losses	387,227	11,212
(Gain) on sale of securities available for sale	(5,117)	(30)
Stock -based compensation expense	161,609	171,179
Decrease (increase) in interest receivable	21,205	(63,943)
(Increase) in other assets	(37,465)	(15,607)
(Decrease) increase in interest payable	(183,066)	97,238
Increase in other liabilities	10,419	53,618
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>332,097</u>	<u>(56,720)</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from calls and repayments of securities available for sale	4,346,884	2,651,172
Proceeds from sales of securities available for sale	255,000	1,203,902
Purchases of securities available for sale	(1,925,499)	(4,862,361)
Proceeds from repayments of securities held to maturity	2,038,372	2,942,274
Repayments of loans held for sale	-	399,164
Proceeds from sales of participating interests in loans	9,924,183	7,156,418
Purchase of loans	(3,958,954)	(2,191,632)
Net change in loans receivable	(28,719,550)	(16,957,093)
Purchases of restricted equity securities	(247,550)	(145,900)
Redemption of restricted equity securities	5,150	11,300
Additions to premises and equipment	(87,991)	(33,610)
<b>Net Cash Used in Investing Activities</b>	<u>(18,369,955)</u>	<u>(9,826,366)</u>
<b>Cash Flows from Financing Activities</b>		
Net increase in deposits	8,464,260	12,139,160
Proceeds of long-term borrowings	9,000,000	2,400,000
Repayments of long-term borrowings	-	(3,500,000)
Net change in short-term borrowings	(4,000,000)	4,000,000
<b>Net Cash Provided by Financing Activities</b>	<u>13,464,260</u>	<u>15,039,160</u>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<u>(4,573,598)</u>	<u>5,156,073</u>
<b>Cash and Cash Equivalents - Beginning</b>	<u>6,946,288</u>	<u>1,790,215</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 2,372,690</u>	<u>\$ 6,946,288</u>
<b>Supplementary Cash Flows Information</b>		
Interest paid	\$ 2,841,524	\$ 2,603,589

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
**NOTE 1 - ORGANIZATION AND STOCK OFFERINGS**

Enterprise Bank was chartered in the State of New Jersey and commenced operations on August 19, 2002. During 2005, the Bank filed an application with the Office of the Comptroller of the Currency for a conversion to a national charter. On January 2, 2006, Enterprise Bank was approved for a national charter and was renamed Enterprise National Bank N.J. (the "Bank"). On December 16, 2008, the Board of Directors approved an amendment to the Articles of Incorporation to increase the number of authorized shares to 5,000,000. This amendment was approved by a majority of the stockholders at the Annual Meeting of the stockholders held on June 22, 2006.

The primary business of the Bank is to provide deposit and lending services for individuals, small to medium-sized businesses and professional practices in our market area.

As a community bank, the Bank's emphasis includes providing a broad range of financial products and services. The Bank offers the traditional range of retail and commercial banking services to its customers, including checking accounts, savings accounts, certificates of deposit, installment loans, commercial loans and automated teller services. Through our affiliation with various mortgage companies, a broad array of residential mortgage alternatives are available to our customers. The retail banking services offered by the Bank are designed to provide deposit and loan products that meet our customers' needs.

The Bank is subject to Federal and OCC statutes applicable to banks chartered under the OCC banking laws. The Bank's deposits are insured by the Federal Deposit Insurance Corporation (the "FDIC"). Accordingly, the Bank is subject to regulation, supervision and examination by the FDIC and the Office of the Comptroller of the Currency (the "OCC").

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**
**Basis of Financial Statement Presentation**

The financial statements of the Bank have been prepared in conformity with accounting principles generally accepted in the United States of America. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of financial condition and revenues and expenses for the period then ended. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses and the amount of deferred tax assets which are more likely than not to be realized. Management believes that the allowance for loan losses is adequate and that deferred taxes are properly recognized. While management uses available information to recognize losses on loans, future additions to the allowance for loan losses may be necessary based on changes in economic conditions in the market area. The assessment of the amount of deferred taxes more likely than not to be realized is based upon projected future taxable income, which is subject to continual revisions for updated information.

In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses. Such agencies may require the Bank to recognize additions to the allowance based on their judgments about information available to them at the time of their examination.

**Cash and Cash Equivalents**

Cash and cash equivalents include cash and amounts due from depository institutions, interest-bearing deposits in other banks having original maturities of three months or less and federal funds sold. Generally, federal funds sold are sold for one-day periods.

**Securities Available for Sale and Held to Maturity**

Investments in debt securities that the Bank has the positive intent and ability to hold to maturity are classified as held to maturity securities and reported at amortized cost. Debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and reported at fair value, with unrealized holding gains and losses included in earnings. Debt and equity securities not classified as trading securities nor as held to maturity securities are classified as available for sale securities and reported at fair value, with unrealized holding gains or losses, net of applicable deferred income taxes, reported in the accumulated other comprehensive income (loss) component of stockholders' equity.

On a quarterly basis, the Bank makes an assessment to determine whether there have been any events or economic circumstances to indicate that a security on which there is an unrealized loss is impaired on an other-than-temporary basis. The Bank considers many factors including the severity and duration of the impairment; the intent and ability of the Bank to hold the security for a period of time sufficient for a recovery in value; recent events specific to the issuer or industry; and for debt securities, external credit ratings and recent downgrades. Securities on which there is an unrealized loss that is deemed to be other-than-temporary are written down to fair value with the write-down recorded as a realized loss.

Premiums and discounts on all securities are amortized/accreted to maturity using the interest method. Interest and dividend income on securities, which includes amortization of premiums and accretion of discounts, is recognized in the financial statements when earned. Gains or losses on sales are recognized based on the specific identification method.

**Loans Receivable**

Loans are stated at unpaid principal balances outstanding adjusted for deferred loan fees and costs and reduced by the allowance for loan losses. Interest on loans is credited to operations based upon the principal amount outstanding. Loan fees and certain direct loan origination costs are deferred and the net fees and costs recognized in interest income over the lives of the respective loans as an adjustment to yield.

The accrual of income on loans including impaired loans, is generally discontinued when a loan becomes 90 days past due as to principal or interest or when other circumstances indicate that collection is questionable, unless the loan is well secured and in the process of collection. Income on non-accrual loans, including impaired loans, is recognized only in the period in which it is collected, and only if management determines that the loan principal is fully collectible. Loans are returned to an accrual status when a loan is brought current as to principal and interest and reasons indicating doubtful collection no longer exist.

**Allowance for Loan Losses**

The allowance for loan losses is increased through provisions charged to operations and by recoveries, if any, on previously charged-off loans and reduced by charge-offs on loans which are determined to be a loss in accordance with Bank policy.

The allowance for loan losses is maintained at a level considered adequate to absorb loan losses. Management of the Bank, in determining the allowance for loan losses, considers the risks inherent in its loan portfolio and changes in the nature and volume of its loan activities, along with the general economic and real estate market conditions. The Bank utilizes a two tier approach: (1) identification of impaired loans and establishment of specific loss allowances on such loans; and (2) establishment of general valuation allowances on the remainder of its loan portfolio. The Bank maintains a loan review system which allows for a periodic review of its loan portfolio and the early identification of potentially impaired loans.

Such a system takes into consideration, among other things, delinquency status, size of loans, types and value of collateral and financial condition of the borrowers. Specific loan loss allowances are established for identified loans based on a review of such information and/or appraisals of the underlying collateral. General loan loss allowances are based upon a combination of factors including, but not limited to, actual loan loss experience, composition of the loan portfolio, current economic conditions and management's judgment. Although management believes that adequate specific and general allowances for loan losses are established, actual losses are dependent upon future events and, as such, further additions to the level of specific and general loan loss allowances may be necessary.

Impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, or as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. A loan evaluated for impairment is deemed to be impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. Conforming residential mortgage loans, home equity and second mortgages, and loans to individuals are excluded from the definition of impaired loans as they are characterized as smaller balance, homogeneous loans and are collectively evaluated. All loans identified as impaired are evaluated independently. The Bank does not aggregate such loans for evaluation purposes. Payments received on impaired loans are applied first to accrued interest receivable and then to principal.

**Concentration of Risk**

Financial instruments which potentially subject the Bank to concentrations of credit risk consist of cash and cash equivalents, investment and mortgage-backed securities and loans. Cash and cash equivalents include amounts placed with highly rated financial institutions. Securities include securities backed by the U.S. Government and other highly rated instruments. The Bank's lending activity is primarily concentrated in loans collateralized by real estate in the State of New Jersey. As a result, credit risk is broadly dependent on the real estate market and general economic conditions in the state.

**Premises and Equipment**

Leasehold improvements and furniture, fixtures and equipment are carried at cost, less accumulated depreciation and amortization. Significant renovations and additions are charged to the premises and equipment account. Maintenance and repairs are charged to expense in the period incurred. Depreciation and amortization charges are computed on the straight-line method over the following estimated useful lives:

	Years
Leasehold improvements	Shorter of useful life or term of lease
Furniture, fixtures and equipment	3 - 10

**Restricted Equity Securities**

Federal law requires a member institution of the Federal Reserve and the Federal Home Loan Bank systems to hold restricted stock of these institutions according to a predetermined formula. The restricted stock is carried at cost.

**Interest-Rate Risk**

The Bank is principally engaged in the business of attracting deposits from the general public and using these deposits, together with other funds, to make loans secured by real estate and to purchase securities. The potential for interest-rate risk exists as a result of the difference in duration of the Bank's interest-sensitive liabilities compared to its interest-sensitive assets. For this reason, management regularly monitors the maturity structure of the Bank's interest-earning assets and interest-bearing liabilities in order to measure its level of interest-rate risk and to plan for future volatility.

**Stock-based Compensation**

The Bank has two stock-related compensation plans, the 2006 Employee Stock Option Plan and the 2006 Director Stock Option Plan, which are described in Note 11. The Bank adopted Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 123(R) upon approval of the plans and expenses the fair value of all options granted over their requisite service periods.

**Advertising Costs**

The Bank follows the policy of charging the costs of advertising to expense as incurred.

**Off-Balance Sheet Financial Instruments**

In the ordinary course of business, the Bank has entered into off-balance sheet financial instruments consisting of commitments to extend credit. Such financial instruments are recorded in the statement of condition when they are funded.

**Transfers of Financial Assets**

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturities.

**Income Taxes**

Federal and state income taxes have been provided on the basis of reported income or loss. The amounts reflected on the Bank's tax returns differ from these provisions due principally to temporary differences in the reporting of certain items for financial reporting and income tax reporting purposes. The tax effect of these temporary differences is accounted for as deferred taxes applicable to future periods. Deferred income tax expense or benefit is determined by recognizing deferred tax assets and

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

liabilities for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date. The realization of deferred tax assets is assessed and a valuation allowance provided for the full amount which is not more likely than not to be realized.

Effective January 1, 2008, the Bank adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). The Interpretation provides clarification on accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." The Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As a result of the Bank's evaluation of the implementation of FIN 48, no significant income tax uncertainties were identified. Therefore, the Bank recognized no adjustment for unrecognized income tax benefits for the year ended December 31, 2008. Our policy is to recognize interest and penalties on unrecognized tax benefits in income taxes expense in the Statement of Operations. The Bank did not recognize any interest and penalties for the year ended December 31, 2008. The tax years subject to examination by the taxing authorities are the years ended December 31, 2007, 2006, and 2005.

**NOTE 4 - SECURITIES AVAILABLE FOR SALE**

During the year ended December 31, 2008, proceeds from sales of securities available for sale totaled approximately \$255,000 and resulted in gross gains of approximately \$5,000. During the year ended December 31, 2007, proceeds from sales of securities available for sale totaled approximately \$1,204,000 and resulted in gross gains of \$30. See Note 10 for securities pledged to secure borrowings.

The age of gross unrealized losses at December 31, 2008 and 2007 and the fair value of related securities available for sale are as follows:

	Less than 12 Months		More than 12 Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<b>December 31, 2008:</b>						
Collateralized mortgage obligation .....	\$ 669,303	\$ 10,422	\$ -	\$ -	\$ 669,303	\$ 10,422
Mortgage-backed securities .....	1,200,621	14,592	479,407	17,555	1,680,028	32,147
	<u>\$1,869,924</u>	<u>\$ 25,014</u>	<u>\$ 479,407</u>	<u>\$ 17,555</u>	<u>\$ 2,349,331</u>	<u>\$ 42,569</u>
<b>December 31, 2007:</b>						
Government agencies .....	\$ -	\$ -	\$ 870,020	\$ 4,980	\$ 870,020	\$ 4,980
Mortgage-backed securities .....	152,814	1,274	1,032,322	12,683	1,185,136	13,957
	<u>\$ 152,814</u>	<u>\$ 1,274</u>	<u>\$ 1,902,342</u>	<u>\$ 17,663</u>	<u>\$ 2,055,156</u>	<u>\$ 18,937</u>

Management does not believe that any individual unrealized loss at December 31, 2008 (which related to 3 collateralized mortgage obligations and 22 mortgage-backed securities) represents an other-than-temporary impairment. Management believes that all unrealized losses are due to changes in interest rates. Management has the intent and the Bank has the ability to hold the securities reflected in the above table for a time necessary to recover amortized cost.

**Net Income (Loss) per Common Share**

Basic net income (loss) per common share was computed by dividing net income (loss) for the year by the weighted average number of shares of common stock outstanding adjusted for unvested restricted stock awards. Diluted net income (loss) per common share reflects the potential dilution that could occur if securities or other contracts to issue common stock, such as unvested restricted stock awards and outstanding stock options, were exercised or converted into common stock of the Bank. Diluted net income (loss) per common share is calculated by adjusting the weighted average number of shares of common stock outstanding to include the effect of contracts or securities exercisable or which could be converted into common stock, if dilutive, using the treasury stock method. Diluted net income (loss) per common share did not differ from basic net income (loss) per common share for 2008 and 2007 as the Bank was in a (loss) position for both years.

**NOTE 3 - RELATED PARTY TRANSACTIONS**

The Bank utilized the services of Howard Burger, Esq., a Director of the Bank, in connection with various loan closings and legal matters. Mr. Burger received a total of \$19,000 and \$24,000 for his services related to those matters for the years ended December 31, 2008 and 2007, respectively.

The Bank entered into a lease agreement on January 13, 2005 with Toranco Associates, LLC, a construction company owned by Anthony Torsiello, a Director of the Bank. The rental property is being used for the retail branch in Edison. The lease is for a ten-year term. Rental payments for the years ended December 31, 2008 and 2007 were both at \$80,000.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value
<b>December 31, 2008:</b>				
Equity securities .....	\$ 40,000	\$ -	\$ -	\$ 40,000
U.S. Government Agency maturing:				
Due after one year through five years .....	328,785	7,204	-	335,989
Due after five years through ten years .....	245,977	4,240	-	250,217
	<u>574,762</u>	<u>11,444</u>	<u>-</u>	<u>586,206</u>
Collateralized mortgage obligations:				
Due after five years through ten years .....	231,490	0	3,986	227,504
Due after ten years .....	676,435	9,621	6,436	679,620
	<u>907,925</u>	<u>9,621</u>	<u>10,422</u>	<u>907,124</u>
Mortgage-backed securities:				
Due after one year through five years .....	52,327	733	-	53,060
Due after five years through ten years .....	538,892	14,794	-	553,686
Due after ten years .....	8,948,273	256,592	32,147	9,172,718
	<u>9,539,492</u>	<u>272,119</u>	<u>32,147</u>	<u>9,779,464</u>
	<u>\$ 11,062,179</u>	<u>\$ 293,184</u>	<u>\$ 42,569</u>	<u>\$ 11,312,794</u>
<b>December 31, 2007:</b>				
Equity securities .....	\$ 40,000	\$ -	\$ -	\$ 40,000
U.S. Government Agency maturing:				
Due within one year .....	250,000	-	2,943	247,057
Due after one year through five years .....	798,163	765	1,089	797,839
Due after five years through ten years .....	1,383,806	6,207	948	1,389,065
Due after ten years .....	298,593	245	-	298,839
	<u>2,730,562</u>	<u>7,217</u>	<u>4,980</u>	<u>2,732,799</u>
Collateralized mortgage obligations:				
Due after five years through ten years .....	274,454	494	-	274,948
Due after ten years .....	462,086	3,066	-	465,152
	<u>736,540</u>	<u>3,560</u>	<u>-</u>	<u>740,100</u>
Mortgage-backed securities:				
Due after five years through ten years .....	800,680	6,868	1,616	805,932
Due after ten years .....	9,398,770	120,808	12,341	9,507,237
	<u>10,199,450</u>	<u>127,676</u>	<u>13,957</u>	<u>10,313,169</u>
	<u>\$ 13,706,552</u>	<u>\$ 138,453</u>	<u>\$ 18,937</u>	<u>\$ 13,826,068</u>

Expected maturities on debt securities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

**NOTE 5 - SECURITIES HELD TO MATURITY**

	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<b>December 31, 2008:</b>				
Government agencies:				
Due after five years through ten years .....	\$ 173,248	\$ 3,416	\$ -	\$ 176,664
	<u>173,248</u>	<u>3,416</u>	<u>-</u>	<u>176,664</u>
Collateralized mortgage obligations:				
Due after one year through five years .....	146,020	840	51	146,809
Due after five years through ten years .....	184,903	-	2,617	182,286
Due after ten years .....	639,875	7,242	1,876	645,241
	<u>970,798</u>	<u>8,082</u>	<u>4,544</u>	<u>974,336</u>
Mortgage-backed securities:				
Due within one year .....	189,276	-	344	188,932
Due after one year through five years .....	857,162	9,274	753	865,683
Due after five years through ten years .....	367,237	2,533	1,355	368,415
Due after ten years .....	2,008,575	12,054	28,434	1,992,195
	<u>3,422,250</u>	<u>23,861</u>	<u>30,886</u>	<u>3,415,225</u>
	<u>\$ 4,566,296</u>	<u>\$ 35,359</u>	<u>\$ 35,430</u>	<u>\$ 4,566,225</u>

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
**NOTE 5 - SECURITIES HELD TO MATURITY (CONTINUED)**

	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<b>December 31, 2007:</b>				
Government agencies:				
Due after five years through ten years.....	\$ 309,407	\$ 9,544	\$ -	\$ 318,951
	<u>309,407</u>	<u>9,544</u>	<u>-</u>	<u>318,951</u>
Collateralized mortgage obligations:				
Due after one year through five years .....	143,430	-	1,102	142,328
Due after five years through ten years.....	311,667	-	4,576	307,091
Due after ten years .....	1,177,407	2,070	14,145	1,165,332
	<u>1,632,504</u>	<u>2,070</u>	<u>19,823</u>	<u>1,614,751</u>
Mortgage-backed securities:				
Due within one year .....	70,550	7	517	70,040
Due after one year through five years .....	880,999	282	11,104	870,177
Due after five years through ten years.....	774,804	1,146	8,310	767,640
Due after ten years .....	2,956,498	9,883	30,241	2,936,140
	<u>4,682,851</u>	<u>11,318</u>	<u>50,172</u>	<u>4,643,997</u>
	<u>\$ 6,624,762</u>	<u>\$ 22,932</u>	<u>\$ 69,995</u>	<u>\$ 6,577,699</u>

Expected maturities on debt securities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. There were no sales of securities held to maturity during the years ended December 31, 2008 and 2007. At December 31, 2008 and 2007, securities held to maturity with aggregate carrying values of approximately \$19,000 and \$27,000, respectively, were pledged to the State of New Jersey to secure possible public funds on deposit. See Note 10 for securities pledged to secure borrowings.

The age of unrealized losses at December 31, 2008 and 2007, and the fair value of related securities held to maturity are as follows:

	Less than 12 Months		More than 12 Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<b>December 31, 2008:</b>						
Collateralized mortgage obligations .....	\$ -	\$ -	\$ 422,140	\$ 4,544	\$ 422,140	\$ 4,544
Mortgage-backed securities.....	<u>561,641</u>	<u>8,380</u>	<u>1,327,179</u>	<u>22,506</u>	<u>1,888,820</u>	<u>30,886</u>
	<u>\$ 561,641</u>	<u>\$ 8,380</u>	<u>\$1,749,319</u>	<u>\$ 27,050</u>	<u>\$2,310,960</u>	<u>\$ 35,430</u>
<b>December 31, 2007:</b>						
Collateralized mortgage obligations .....	\$ -	\$ -	\$1,391,882	\$ 19,823	\$1,391,882	\$ 19,823
Mortgage-backed securities.....	<u>14,825</u>	<u>149</u>	<u>3,411,030</u>	<u>50,023</u>	<u>3,425,855</u>	<u>50,172</u>
	<u>\$ 14,825</u>	<u>\$ 149</u>	<u>\$4,802,912</u>	<u>\$ 69,846</u>	<u>\$4,817,737</u>	<u>\$ 69,995</u>

Management does not believe that any individual unrealized loss at December 31, 2008 (which related to 8 collateralized mortgage obligations and 45 mortgage-backed securities) represents an other-than-temporary impairment. Management believes that all unrealized losses are due to changes in interest rates. Management has the intent, and the Bank has the ability, to hold the securities reflected in the above table for a time necessary to recover amortized cost.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
**NOTE 6 - LOANS RECEIVABLE**

	December 31,	
	2008	2007
Real estate mortgage:		
Commercial .....	\$ 43,727,254	\$ 30,026,500
Multi-family.....	4,240,447	2,991,770
One-to-four family.....	392,621	422,880
Construction.....	5,147,662	4,922,836
	<u>53,507,984</u>	<u>38,363,986</u>
Commercial:		
Business loans .....	15,398,522	9,609,947
Lines of credit .....	7,679,661	6,454,730
	<u>23,078,183</u>	<u>16,064,677</u>
Consumer:		
Lines of credit .....	663,400	518,544
Personal unsecured .....	46,415	113,151
Automobile.....	17,727	21,235
Home Equity .....	670,487	29,082
	<u>1,398,029</u>	<u>682,012</u>
Deposit overdrafts .....	44	481
<b>Total Loans</b> .....	<u>77,984,240</u>	<u>55,111,156</u>
Allowance for loan losses .....	967,600	580,373
Deferred fees, net .....	134,826	61,927
	<u>\$ 76,881,814</u>	<u>\$ 54,468,856</u>

At December 31, 2008 and 2007, non-accrual loans for which the accrual of interest has been discontinued totaled approximately \$2,170,000 and \$0, respectively. There are no loans greater than 90 days delinquent still accruing interest. Had these loans been performing in accordance with their original terms, the interest income recognized for the year ended December 31, 2008 would have been \$132,000. Interest income recognized on such loans for the year ended December 31, 2008 was \$70,000.

At December 31, 2008 and 2007, impaired loans were \$2,170,000 and \$0, respectively. There was no specific allocation of the allowance for loan losses for these loans. During the years ended December 31, 2008 and 2007, the average balance of impaired loans was \$632,000 and \$0, respectively and interest income recognized during the period of impairment totaled \$0 and \$0, respectively.

The following is an analysis of the allowance for loan losses:

	Years Ended December 31,	
	2008	2007
Balance - beginning.....	\$ 580,373	\$ 569,161
Provision charged to operations ..	387,227	11,212
Balance - ending.....	<u>\$ 967,600</u>	<u>\$ 580,373</u>

The Bank grants loans to its officers and directors and to their associates. Related party loans are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and do not involve more than normal risk of collectibility. Such loans totaled approximately \$7,956,000 and \$6,751,000 at

December 31, 2008 and 2007, respectively. During the year ended December 31, 2008, new loans totaled approximately \$3,716,000 and repayments totaled approximately \$2,511,000.

**NOTE 7 - PREMISES AND EQUIPMENT**

	December 31,	
	2008	2007
Leasehold improvements .....	\$ 760,781	\$ 747,029
Accumulated depreciation .....	382,884	306,503
	<u>377,897</u>	<u>440,526</u>
Furniture, fixtures and equipment .....	811,420	737,181
Accumulated depreciation .....	584,500	489,559
	<u>226,920</u>	<u>247,622</u>
	<u>\$ 604,817</u>	<u>\$ 688,148</u>

Rental expenses related to the occupancy of premises totaled approximately \$123,000 and \$125,000 for the years ended December 31, 2008 and 2007, respectively. The minimum obligation under the lease agreements for each of the years ended December 31 is as follows:

2009	\$ 107,000
2010	85,000
2011	69,000
2012	69,000
2013	69,000
Thereafter	126,000
	<u>\$ 525,000</u>

**NOTE 8 - INTEREST RECEIVABLE**

	December 31,	
	2008	2007
Loans.....	\$ 285,979	\$ 266,544
Securities .....	75,849	116,492
Interest-earning deposits .....	155	152
	<u>\$ 361,983</u>	<u>\$ 383,188</u>

**NOTE 9 - DEPOSITS**

	December 31,	
	2008	2007
Demand:		
Non-interest bearing .....	\$ 6,123,405	\$ 5,447,604
Interest checking .....	577,615	606,287
Money market .....	10,017,960	3,879,526
	<u>16,718,980</u>	<u>9,933,417</u>
Savings.....	21,930,658	25,544,517
Certificates of deposit .....	35,252,913	29,960,357
	<u>57,183,571</u>	<u>55,504,874</u>
<b>Total Deposits</b> .....	<u>\$ 73,902,551</u>	<u>\$ 65,438,291</u>

At December 31, 2008 and 2007, certificates of deposit of \$100,000 or more totaled approximately \$11,272,000 and \$13,976,000, respectively.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
**NOTE 9 - DEPOSITS (CONTINUED)**

The scheduled maturities of certificates of deposit were as follows:

	December 31,	
	2008	2007
One year or less .....	\$ 31,708,621	\$ 26,079,413
After one year to two years .....	2,824,302	3,010,781
After two years to three years ..	367,735	252,449
After three years to four years..	314,783	313,118
After four years to five years ..	37,472	304,596
	<u>\$ 35,252,913</u>	<u>\$ 29,960,357</u>

**NOTE 10 - BORROWINGS**

	December 31,	
	2008	2007
Federal Home Loan Bank of New York, 5.56% advance maturing June 21, 2008 .....	\$ -	\$ 2,000,000
Federal Home Loan Bank of New York, 5.11% advance maturing August 13, 2008 .....	-	2,000,000
Federal Home Loan Bank of New York, 5.07% advance maturing August 13, 2009 .....	900,000	990,000
Federal Home Loan Bank of New York, 3.00% advance maturing February 22, 2010 .....	2,000,000	-
Federal Home Loan Bank of New York, 3.36% advance maturing June 28, 2011 .....	3,000,000	-
Federal Home Loan Bank of New York, 3.36% advance maturing June 23, 2011 .....	2,000,000	-
Federal Home Loan Bank of New York, 4.16% advance maturing August 15, 2011 .....	2,000,000	-
Federal Home Loan Bank of New York, 5.76% advance maturing June 21, 2012 .....	1,500,000	1,500,000
	<u>\$11,400,000</u>	<u>\$6,400,000</u>

At December 31, 2008 and 2007, securities (available for sale and held to maturity) with aggregate carrying value of

**NOTE 10 - 11 – STOCK COMPENSATION PLANS (CONT'D)**

Management recognizes compensation expense for the fair values of the options, which have graded vesting, on a straight-line basis over the requisite service period of the options. During the years ended December 31, 2008 and 2007, the Bank recorded \$119,000 and \$128,000 of compensation expense for stock options.

The following is a summary of the status of the Bank's stock option plans as of December 31, 2008 and stock option activity and related information during the year ended December 31, 2008:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (000's)
Outstanding at December 31, 2007 .....	225,825	\$ 7.30		
Granted .....	187,400	4.29		
Forfeited .....	(200)	7.50		
Outstanding at December 31, 2008 .....	<u>413,025</u>	5.93	8.7 years	-
Exercisable at December 31, 2008 .....	<u>60,250</u>	7.45	7.7 years	-

approximately \$7,834,000 and \$6,674,000, respectively, were pledged to secure the above Federal Home Loan Bank Advances. In addition, the advances at December 31, 2008 were secured by a blanket assignment of qualifying mortgage loans.

**NOTE 11 – STOCK COMPENSATION PLANS**

At the annual meeting held on June 22, 2006, stockholders of the Bank approved the Enterprise National Bank N.J. 2006 Employee Stock Option and 2006 Director Stock Option Plans. The plans authorize the award of up to 450,000 and 225,000 shares, respectively, as stock options to employees and non-employee directors. During the year ended December 31, 2008 there were 77,400 and 110,000 employee and non-employee director stock options granted, respectively and 200 employee stock options forfeited. The Bank plans to issue new shares upon share option exercise. At December 31, 2008, 240,975 and 21,000 shares, respectively, remain available under the plans for future option grants to employees and non-employee directors.

The options granted in 2008 and 2006 vest over a five-year service period, with 20% of the award vesting on each anniversary of the date of the grant. Options granted in 2007 vest equally over three five-year service periods, staggered over three (3) years, with 20% of the awards vesting on each anniversary of the starting date of each five year period.

The weighted average grant date fair value of options granted was \$1.67 and \$2.61 for the years ended December 31, 2008 and 2007, respectively. Management estimated the fair values of option grants using the Black-Scholes option-pricing model. Since there is no historical information on the volatility of the Bank's stock, management based expectations about future volatility on the average volatilities of similar entities for an appropriate period following their initial public offerings.

The expected dividend yield was based on the Bank's history and expectations of dividend payouts. Management used the following assumptions to estimate the fair values of options granted during the years ended December 31, 2008 and 2007:

	2008	2007
Weighted average risk-free interest rate	2.76%	4.74%
Expected dividend yield	0.00%	0.00%
Weighted average volatility factor of the expected market price of the Bank's common stock	29.95%	22.94%
Weighted average expected life of the options	7.50 yrs	7.00 yrs

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

As of December 31, 2008, expected future compensation expense attributed to non-vested options outstanding is \$629,000 over a weighted average period of 4.2 years.

On January 16, 2007, the Bank granted 30,000 shares of restricted stock to CEO Haake as part of his employment agreement with the Bank. The restricted stock awards vest over a 5 year service period, with 20% of the awards vesting on each anniversary of the date of grant. Management recognizes compensation expense for the fair value of the restricted stock awards on a straight-line basis over the requisite service period. The weighted-average grant-date fair value of these awards was \$7.10, the market price of the Bank's common stock on the grant date. During both years ended December 31, 2008 and 2007, the Bank recognized \$43,000 in compensation expense for the restricted stock awards.

The following is a summary of the status of the Bank's restricted stock awards as of December 31, 2008 and changes

during the year ended December 31, 2008:

	Restricted Stock Awards	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2007	30,000	\$7.10
Granted .....	-	-
Vested .....	(6,000)	7.10
Forfeited .....	-	-
Non-vested at December 31, 2008	<u>24,000</u>	7.10

The total fair value of restricted stock awards vested during the year ended December 31, 2008 was approximately \$28,000. As of December 31, 2008, expected future compensation expense attributed to the above non-vested restricted stock awards outstanding is \$128,000 over a weighted average period of 3.0 years.

**NOTE 12 - REGULATORY CAPITAL**

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Bank. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk-weightings, and other factors.

Quantitative measures, established by regulation to ensure capital adequacy, require the Bank to maintain minimum amounts and ratios of Total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier 1 capital to average total assets (as defined).

As of December 31, 2008, the most recent notification from

the OCC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

The following tables present a reconciliation of capital per generally accepted accounting principles ("GAAP") and regulatory capital and information as to the Bank's capital levels as of December 31, 2008 and 2007:

	December 31,	
	2008	2007
	(In Thousands)	
GAAP capital .....	\$ 11,385	\$ 11,286
Unrealized gain (loss) on securities available for sale .....	150	72
Tier 1 and tangible capital .....	11,235	11,214
General valuation allowances .....	969	582
<b>Total Regulatory Capital</b> .....	<u>\$12,204</u>	<u>\$ 11,796</u>

	Actual		For Capital Adequacy Purposes		To be Well Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(Dollars in Thousands)						
As of December 31, 2008:						
Total capital (to risk-weighted assets)	\$12,204	14.96%	≥ \$ 6,526	≥8.00%	≥ \$ 8,157	≥10.00%
Tier 1 capital (to risk-weighted assets)	11,235	13.77	≥ -	≥ -	≥ 4,894	≥6.00
Tier 1 capital (to average total assets)	11,235	11.55	≥ 3,890	≥4.00	≥ 4,862	≥5.00
As of December 31, 2007:						
Total capital (to risk-weighted assets)	\$11,796	19.06%	≥ \$ 4,952	≥8.00%	≥ \$ 6,190	≥10.00%
Tier 1 capital (to risk-weighted assets)	11,214	18.12	≥ -	≥ -	≥ 3,714	≥6.00
Tier 1 capital (to average total assets)	11,214	13.89	≥ 3,230	≥4.00	≥ 4,038	≥5.00



NOTES TO FINANCIAL STATEMENTS (continued)

**NOTE 13 - DIVIDENDS RESTRICTIONS**

Payment of cash dividends is conditioned on earnings, financial condition, cash needs, the discretion of the Board of Directors, and compliance with regulatory requirements. State and Federal law and regulations impose substantial limitations on the Bank's ability to pay dividends. Under New Jersey law, the Bank is permitted to declare dividends on common stock only if, after payment of the dividend, the capital stock of the Bank will be unimpaired and either the Bank will have a surplus of not less than 50% of its capital stock or the payment of the dividend will not reduce the Bank's surplus. Current regulatory policies impose more stringent capital requirements on new banks for their first five years of operations than are imposed on more established banks. Such policies also have the effect of restricting dividends. For example, under the regulatory policies of the New Jersey Department of Banking and Insurance, a new bank such as the Bank may not pay cash dividends until such time as it becomes profitable and has earned back its initial capital deficit.

**NOTE 14 - INCOME TAXES**

The components of income tax expense (benefit) are summarized as follows:

	Years Ended December 31,	
	2008	2007
Current income tax expense:		
Federal .....	\$ -	\$ -
State.....	-	-
Deferred income tax (benefit):		
Federal .....	10,426	(117,414)
State.....	(10,739)	(33,869)
Valuation allowance.....	313	(151,283)
	(313)	151,283
	-	-
	\$ -	\$ -

The tax effects of existing temporary difference that give rise to significant portions of the deferred income tax assets are as follows:

	December 31,	
	2008	2007
Deferred income tax assets:		
Allowance for loan losses .....	\$ 386,460	\$ 231,801
Net operating loss carryforward .....	741,369	941,651
Depreciation .....	97,078	78,720
Stock-based compensation.....	69,314	46,321
Other .....	5,813	4,354
	1,322,514	1,302,847
Valuation allowance .....	(1,302,531)	(1,302,847)
	-	-
Deferred income tax liabilities:		
Unrealized gain on available for sale securities .....	100,246	47,806
Net deferred income tax liabilities ..	\$ 100,246	\$ 47,806

The following table presents reconciliation between the reported income tax (benefit) and the income tax (benefit) which would be computed by applying the normal federal income tax rate of 34% to income (loss) before income tax benefit:

	December 31,	
	2008	2007
Federal income tax (benefit) at statutory rate.....	\$(48,066)	\$(156,436)
Increase (reduction) in income taxes resulting from:		
State income tax, net of federal income tax effect .....	(7,088)	(22,790)
Stock based compensation .....	25,989	25,006
Other items, net .....	15,302	2,937
Valuation allowance recorded.....	(313)	151,283
Effective Income Tax.....	\$ -	\$ -

At December 31, 2008, the Bank had a net operating loss carryforward of approximately \$1,879,000 expiring in the years 2020 through 2027 for federal income tax purposes and a net operating loss carryforward of approximately \$1,768,000 expiring in the years 2009 through 2014 for state income tax purposes.

**NOTE 15 - COMMITMENTS AND CONTINGENCIES**

The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments primarily include commitments to extend credit. The Bank's exposure to credit loss, in the event of nonperformance by the other party to the financial instrument for commitments to extend credit, is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

At December 31, 2008, outstanding loan related commitments were as follows:

To originate loans .....	\$ 2,025,000
Unused lines of credit ..	4,453,000
Standby letter of credit..	177,000
Undisbursed funds on construction loans.....	1,658,000

Commitments to extend credit are agreements to lend to a customer as long as there are no violations of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies but primarily includes residential real estate properties.

The Bank also has, in the normal course of business, commitments for services and supplies. Management does not anticipate losses on any of these transactions.

NOTES TO FINANCIAL STATEMENTS (continued)

The Bank, from time-to-time, may be a party to litigation which arises primarily in the ordinary course of business. In the opinion of management, the ultimate disposition of such litigation should not have a material effect on the financial statements. As of December 31, 2008, the Bank was not a party to any litigation.

**NOTE 16 - FAIR VALUES OF FINANCIAL INSTRUMENTS**

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," which defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measurements. SFAS No. 157 applies to other accounting pronouncements that require or permit fair value measurements. The Bank adopted SFAS No. 157 effective for its fiscal year beginning January 1, 2008.

In December 2007, the FASB issued FASB Staff Position 157-2, "Effective Date of FASB Statement No. 157" ("FSP 157-2"). FSP 157-2 delays the effective date of SFAS No. 157 for all non-financial assets and liabilities, except those that are recognized or disclosed at fair value on a recurring basis (at least annually) to fiscal years beginning after November 15, 2008 and interim periods within those fiscal years. As such, the Bank only partially adopted the provisions of SFAS No. 157, and will begin to account and report for non-financial assets and liabilities in 2009. In October 2008, the FASB issued FASB Staff Position 157-3, "Determining the Fair Value of a Financial Asset When the Market for that Asset is Not Active" ("FSP 157-3"), to clarify the

application of the provisions of SFAS No. 157 in an inactive market and how an entity would determine fair value in an inactive market. FSP 157-3 is effective immediately and applies to the Bank's December 31, 2008 financial statements. The adoption of SFAS No. 157 and FSP 157-3 had no impact on the amounts reported in the financial statements.

SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under SFAS No. 157 are as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported with little or no market activity).

An asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used at December 31, 2008 are as follows:

Description	December 31, 2008	(Level 1)	(Level 2)	(Level 3)
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
Securities available for sale	\$ 11,312,794	\$ -	\$10,945,228	\$ 367,566
Beginning balance, January 1				\$439,855
Repayment of principal				(63,345)
Amortization of discounts included in earnings				2,024
Total unrealized losses included in other comprehensive income				10,968
Ending balance, December 31				<u>\$367,566</u>

Available for sale securities – The Bank utilizes a third party source to determine the fair value of its available for sale debt securities. Information, broker quotes, proprietary models, various databases and trading desk quotes, some of which are heavily influenced by unobservable inputs. The equity securities are shares required in the relationship with Atlantic Central Bankers Bank and are carried at cost.



## INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholders  
Enterprise National Bank N.J.  
Kenilworth, New Jersey

We have audited the accompanying statements of financial condition of Enterprise National Bank N.J. (the "Bank") as of December 31, 2008 and 2007, and the related statements of operations, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Enterprise National Bank N.J. as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Beard Miller Company LLP*

Beard Miller Company LLP  
Clark, New Jersey  
March 21, 2009

## OFFICERS

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President and Chief Executive Officer

**David L. Gordon**  
Executive Vice President and Chief Financial Officer

**James O. Harte**  
Senior Vice President and Chief Credit Officer

**Robert Slowikowski**  
Senior Vice President and Business Development Officer

**Stephen M. Carney**  
Vice President and Controller

**Susan De Vizio**  
Vice President and Branch Manager

**Douglas Da Rocha**  
Vice President and Branch Manager

**Frances Goodin**  
Vice President and Credit Administration Manager

**Kevin Masarik**  
Vice President and Business Development, Loan Officer

**Karen Terry**  
Vice President and AML Officer

**Carol Fanslau**  
Assistant Vice President and Electronic Banking Manager

**Rosa Ozuna**  
Assistant Vice President and Loan Operations

**Celia Rodriguez**  
Assistant Cashier and Assistant Branch Manager

**Kamini Vyas**  
Assistant Cashier and Assistant Branch Manager

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Howard Burger & Associates

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CEO, The Torsiello Organization

## STOCKHOLDER INFORMATION

## Stockholder Inquiries

Analysts and investors seeking financial information about Enterprise National Bank N.J. should contact David L. Gordon, Executive Vice President and Chief Financial Officer.

## Annual Disclosure Statement

This Annual Report to the stockholders shall serve as the Bank's "Annual Disclosure Statement". This statement has not been reviewed, or confirmed for accuracy or relevance by the Federal Deposit Insurance Corporation.

## Annual Meeting

The Annual Meeting of Stockholders of Enterprise National Bank N.J. will be held on Thursday, May 9, 2009 at 8:30 am at Enterprise National Bank N.J., 490 Boulevard, Kenilworth, NJ.

## Independent Public Accountants

Beard Miller Company LLP  
100 Walnut Avenue, Suite 200  
Clark, NJ 07066

## Transfer Agent

Registrar and Transfer Company  
10 Commerce Drive  
Cranford, NJ 07016-3572

