

annual report 2007



*Pera ng Mindanao,
Para sa Mindanao*

Our Vision

One Network Bank is the leader in the Philippine Rural Banking industry with a nationwide network of branches, operated by highly motivated professionals, with a deep sense of mission, providing state of the art technology and quality banking services, especially for countryside clients.



Our Mission

To accelerate countryside development, One Network Bank will:

- Expand presence in the countryside.
- Ensure wholistic development of human resources.
- Provide modern and responsive financial products and services.
- Provide innovative and quality lending approaches to agri-business.
- Forge alliances with financial institutions, government organizations and non-government organizations.

About the Cover

ONB's core operating philosophy "Pera ng Mindanao, Para sa Mindanao has touched many lives. This movement intends to bring economic growth by keeping Mindanao's money invested in Mindanao and its people -- a direct challenge that ONB is painstakingly taking and driving into its full completion.

As a rural bank devoted to this call, ONB is continually investing in beefing up its branch network. Going beyond the traditional mindset of setting up branches only in Mindanao's megacenters, ONB bravely extends its reach even to the remote and unbanked regions to become logistically closer to more and more small account clients. To date, the bank has identified around 40 growth areas for this expansion.

Complementing these investments in branch infrastructure, ONB also utilized its resources to deliver financial products and services using modern banking technologies at par with those offered by commercial banks and yet affordable to small account clients.

ONB further believes in the power of its well-defined market niche -- the small accounts in the countryside. In fact, One Network Bank achieved tremendous growth and profitability by embracing the small accounts culture in banking, as can be seen in its earning records, allowing the Bank to widen its services and expand its brand of banking to more and more sectors in rural Mindanao.

In a land where there is a full potential of agricultural resources, ONB also provides more and better financial assistance for the small farmers and growers through the advent of the One Agri-Development Programs.

Grounded in this philosophy, ONB has been regarded as the manifestation of this commitment that no other financial institution can fully give -- help Mindanao reach its fullest economic potential for the benefit of its deserving inhabitants.

Pera ng Mindanao, Para sa Mindanao

President and Chairman's Message

President and Chairman's Message

As we look back to the year that passed, we see several reminders of Ralph Waldo Emerson's instructional: "Do not go where the path may lead, go instead where there is no path and leave a trail."

Perhaps nothing can better describe the soul of the One Network Bank (ONB) organization. In our persevering pursuit of our professed philosophy, "Pera ng Mindanao, Para sa Mindanao", we could not help but break new ground in several areas in 2007:

1. We piloted new small farmer growership programs with technical and marketing partnerships with agribusiness companies such as San Miguel Food, Inc. for cassava, and Agumil Philippines, Inc. for oil palm.
2. We became the first rural bank to become an equity member of the Megalink ATM network. In the process of joining Megalink, ONB acquired a board seat in Megalink on the strength of the 61 ATMs we deployed all over Mindanao as of end 2007. Related to this, we are proud to say that our ATMs consistently rank well in the Megalink network's performance ratings, with one of our Cagayan de Oro ATMs being awarded by Megalink as "Best Selling ATM".
3. We heavily invested in and launched a Disaster Recovery Center which will allow us to promptly restore operations in case the main Data Center, the nerve center of our operations, goes offline for one reason or another. In this connection, we started the preparation of our Business Continuity Plan last year and, after several iterations, completed this recently.



4. In a clear bid to improve our capacity to grow, we started the conversion of our banking software from the distributed or decentralized system which we found to be limiting as we expanded our branch network and our scope of activities to the centralized system which we proudly call, "OneBanker". We expect to be fully converted to the new system by mid-2008.
5. In the spirit of better accountability and transparency, we introduced major changes in the organization such as the constitution of board level committees such as the Audit and Corporate Governance Committees, the formalization of the compliance and risk management functions and the structuring of the acquisition and maintenance of information technology processes through the ICT Committee.


And we continued to track trails we left before:

1. We breached the Php 1B mark in paid up capital as we continued to live up to our expressed commitment to the future by reinvesting all earnings, a pledge we believe no other financial institution has made. Dividends in the amount of Php 173M were plowed back in 2007 to sustain the growth momentum of ONB. This followed the Php 73M dividends declared in 2006.
2. We turned out 29 new branch banking officers from our Branch Operations Management Development Program to provide our existing and future branches with competent and trained leaders. This is the largest turnout so far from our 3-month full-time annual officer training course.
3. Our network continues to grow.
 - a. While we opened only 1 branch in 2007, the Head Office branch in Sasa, Davao City which became our 65th, we were able to obtain BSP approval to open 5 more branches, all of which were opened by January 2008. In 2007, we were also able to move from leased to owned sites in General Santos City, as well as in Mlang and Makilala in Cotabato Province. We also acquired our Head Office site in Sasa, Davao City as we decided to make this our permanent central office.
 - b. Our work force of 832 employees by yearend 2007 makes us the rural banking industry's number 1 employer.
 - c. We increased our ATM sites from 51 to 61 and our cardholder base reached 130,000 as of 31 December 2007.
 - d. As of end 2007, we have more than 400,000 depositors and around 80,000 borrowers. With our intermediation ratio increasing up to 96%, we have efficiently channeled the deposits we raised to those who need funds in Mindanao. Also in a major paradigm shift, we have positioned our Bank to handle both small and large depositors and borrowers.
 - e. The measures of our financial performance remained outstanding:
 - Deposits growth of 30%,
 - Loans growth of 36%,
 - Total resources expanded by 26%, and
 - Equity grew 26% while our dividend rate was a very respectable 21% on the strength of our 14% increase in net income after tax.

But the most interesting story lines defining ONB's journey in 2007 are not the milestones we crossed. We believe that what makes 2007 interesting for ONB is the promise of the future as we bring our clients to the doorstep of economic opportunity found in the financial mainstream as we improve our reach as well as our services. We have given small accounts access to projects with solid fundamentals as well as services thought only possible in urban centers. We are proud we have given more and more Mindanaoans the means to improve their lives.

And so, with confidence gained by the successes we have attained and with the help of our workforce, clients and the Almighty, we continue to live by "Pera ng Mindanao, Para sa Mindanao".


Alex V. Buenaventura
President


Victor A. Consunji
Chairman

One Network Bank's commitment to Mindanao comes in many remarkable ways. Yet among all of these, ONB's investment in branching is the most powerful manifestation of this commitment. Branch expansion, for ONB, is seen not as expenditure item but a perpetual investment. This mindset was behind our strength as the widest banking network in Mindanao with 70 branches as of January 2008.

The bank's branching agenda is focused mainly in countryside Mindanao's several growth areas. Serving as a financial highway across rural boundaries in Mindanao, ONB's branches provide the people of Mindanao access to modern banking services, thus making possible major economic exchanges across the island. ONB takes pride in its existence in 15 unbanked and 18 underbanked Mindanao locations.

PeraDala, the bank's inter-branch fund transfer facility, provided countless possibilities for Mindanaoans for the safe and speedy transfer of funds. Nowadays, it is already convenient for agri traders, processing firms and businessmen from the major cities to transfer payments to suppliers and clients situated in far-flung municipalities as well as for parents from the provinces to pay their children's school fees to the universities without travel costs and security risks. Indeed, ONB narrows the distance for Mindanao areas that were once deprived of the banking advantage.

Complementing this branching agenda is the bank's change of location strategy by converting leaseholds to bank-owned sites---a further extent of ONB's commitment to permanently settle in the communities it serves. For the next 10 years, ONB plans to put up 40 more branches in Mindanao's growth centers. In the future, ONB will defend its record of being the "widest banking network in Mindanao" and remain true to its slogan "Pera ng Mindanao, Para sa Mindanao."

Convenience for the Parents



"With ONB's wide network in Mindanao, ADDU extends its services to places outside Davao City where a large percentage of our students come from"

*Jose Rolex Ratilla
Treasurer
Ateneo de Davao University, Davao City*

For a premiere university like Ateneo de Davao University, the convenience and the peace of mind of the parents who are sending their children to the university are their utmost concern. With their partnership with One Network Bank through the One Tuition Payment program, delayed or missed payments for important school fees are no longer an issue. With the wide network of branches distributed in the strategic locations of Mindanao, parents could easily pay their children's tuition at their convenient place and time.

Business Take-Off with ONB

"With ONB's wide branch network, my business could now go as far as ONB can go."

*Edmond Alimon
Farmer's Choice Chicken
Tagum City*

Edmond Alimon, a known dressed chicken distributor and a lechon manok outlet proprietor from Tagum City, highly recommends ONB's wide network which gave him the convenience of instant fund transfer and secured payment collection from his customers located in many remote municipalities in Mindanao. Mr. Alimon's payment collections coming from Maragusan, Trento and Mati now can be safely and quickly deposited to his account with utmost convenience. He added that ONB has been his trusted partner since he started his small business in 2000. The expediency he got from ONB's growing network is the force that lifted his business off the ground throughout the years.



Widest Banking Network in Mindanao



Inset: Sasa Branch Inauguration, July 20, 2007



©NB Sasa Branch

ONE NETWORK BANK

THE WIDEST BANKING NETWORK IN MINDANAO

70 ONB Branches

68 Pera Agad ATM Sites



Legend: Branches ATM Sites

*Pera ng Mindanao,
Para sa Mindanao*

- On-site
- NCCC Tagum
- Maharlika
- Quirino
- Monteverde
- Panacan
- Piapi
- San Pedro
- Tibungco
- Sasa
- Gaisano Mall
- NCCC Main - Magsaysay
- Brokenshire Hospital
- NCCC Mall - Maa
- NCCC Centerpoint - Matina

ONB continued going beyond rural banking borders to demonstrate its dedication to the countryside. Earnest in its objective to provide modern and quality banking services, ONB has invested millions in highly developed banking technology to improve processing of banking transactions for countryside Mindanao clients.

In 2007, ONB launched the OneBanker CASA System, a banking system carefully designed to provide connectivity between branches and direct linkage to the Centralized Data Center at the Head Office, the entire bank's information is easily consolidated thereby paving the way for faster and more efficient inter-branch transactions. Furthermore, ONB tapped the country's communication giants like PLDT/Smart, Bayantel, PhilCom and Globe to provide faster communication lines and redundant data communications link for each of the 70 branches.

Consequently, OneBanker will allow the Bank to meet the challenge of developing and launching new products faster than ever before, enhancing delivery across its multiple channels and branches, and offering a consolidated view of customers across segments with true 24/7/365 capability.

To better manage operational risks in the OneBanker CASA System and the Data Center Operations, ONB installed the Disaster Recovery Center (DRC), a hub deliberately established for the replication of stored data from critical servers. In 2007, the Board of Directors approved an additional investment of more than 9 million pesos for the installation of a Storage Area Network (SAN) in the DRC which will be used as a shared storage network for the critical servers of the data center thus ensuring data availability in case of total site failure.

Finally, ONB has deployed 26 ATMs in remote Mindanao locations where no other ATMs operate --- a sign of the Bank's growing technological edge which has resulted in the tremendous growth of cardholders from 61,000 in 2006 to 130,000 at end of 2007. Given this growing patronage, the Bank has deployed a total number of 68 PeraAgad ATMs servicing Mindanao countryside, earning the 8th spot in terms of ATM count against the 21 member-banks of Megalink.

High-End Banking in the Countryside



“ONB has brought changes in our day-to-day transactions through the ATM technology. I am delighted that these banking services are now available for our convenience.”

*Romeo Teopiz
Nasipit, Agusan del Norte*

Brgy. Capt. Romeo Teopiz expresses his gratitude to ONB for bringing the ATM technology in Nasipit which enabled him to easily send allowance for his son who is studying in Cebu. He also appreciates the positive commercial impact ONB PeraAgad ATM brought to the municipality.

Secured Banking Need Not to Be Expensive

“With ONB’s PeraDala fund transfer facility, I no longer wait for many days to receive the payments from my Tagum clients.”

*Merly Villena
San Francisco, Agusan del Sur*

Merly Villena, a known goldsmith in faraway San Francisco considers our proximity from her shop an advantage. Now, the risky and tiring way of personally collecting payments from Tagum is solved by the online real-time banking offered by ONB's PeraDala service.





Maragusan Branch (7,880 ft. above sea level)



Makilala Branch



PLDT closes deals with ONB (Seated from left): Renato Castañeda, head corporate relationship management, PLDT; Nerissa Ramos, first vice president and head, corporate business group, PLDT; Alez Buenaventura, president, ONB; and Norjun Bernasor, head, ICT, ONB

Technological Breakthroughs for Countryside Banking

Pera ng Mindanao, Para sa Mindanao



Faster inter-branch transactions



Data Operations Center



Highly developed banking technology

"One Network Bank will remain as a rural bank and will keep growing as the best and the biggest banking services provider for small accounts."

This strong statement of commitment from ONB President Alex V. Buenaventura has molded ONB, in its four-year run, to be one of the major forerunners in servicing small account clients in countryside Mindanao.

Countryside clients who were once deprived of banking products and services now enjoy the benefits of accessible and affordable banking through ONB. They appreciate ONB for providing them with accessible and affordable product lines. Given low minimum deposit and loan requirements, everyone can now avail of these small-account friendly products and services: P100 minimum for passbook and ATM savings accounts, as low as P1,000 minimum for time deposit and P50 minimum for Young PeraSavers account. ONB is also granting micro-entrepreneurs a minimum loan amount of P10,000 with competitively low interest rates and minimal document requirements to support loan applications. The bank's average deposit size of P 11,194 and average loan size of P 56,838 prove that ONB really cares for the small accounts. In ONB, caring is synonymous with accessible and affordable banking.

Since ONB is closely tied up with the success of its clients, ONB managers make the regular consultation and observation visits a priority. Remarkably, the close customer support has brought not just the financial success to the bank's clients but also placed the bank in an advantageous position in gaining the loyalty and confidence of these clients. For the small accounts, ONB is more than just a bank. ONB is their most trusted financial partner.

Kids Saving for the Future

"I thank ONB for giving me an avenue to save for my future."

**Charlie Lumang
Kidapawan City**

PeraSaver Kid Charlie shares his success story for saving thousands of pesos at an early age of 13. He attributes this noteworthy value to his hardworking father and to the Young PeraSavers deposit account which even elementary school kids like him can easily afford to open on their own.



Banking with a Personal Touch



"I really appreciate ONB's affordable loan grant which is packaged with warm and personalized accommodation from the branch staff. No other bank has made me feel this important as a client."

**Mildred C. Zamora
Padada, Davao del Sur**

For 10 years of doing business in the countryside as a small rice and corn trader, Ate Mildred never experienced banking with a personal touch from any other financial institution. Now that she is banking with ONB, not only did she obtain a loan which increased her liquidity to supply the growing demands for rice and corn but she also enjoyed "Class A" accommodation from the branch staff.

Caring for Small Accounts



“The moment I availed a loan from ONB’s Perasosyo Program was the turning point of our rubber making business. I am grateful for the trust that ONB gave me even when I was still starting my business.”

*Mr. Reuel Melliza
Tamia, Compostela*

Knowing the importance of Mindanao farmers' quest for profitability, ONB has given the farmers of Mindanao the opportunity to reach global productivity norms through the advent of One Agricultural Development Programs such as One Rice, One Banana, One Cassava and soon, One Oil Palm. These programs are custom made for small farmers' development as it provides them a complete package of support all in the essential areas of finance, production, marketing and management.

No other bank in Mindanao has a comprehensive credit facility packaged with cost-effective production and post harvest technologies other than ONB. Supplementing this facility is the deployment of ONB's highly skilled technicians to provide prompt technical advice to solve production problems, thereby raising the benchmark of small farmers in attaining global production standards. Through the partnership being established between the compliant farmer and the supportive technician, the production targets of 130 bags per hectare per harvest for rice and 5,000 boxes of class A bananas per hectare per year starting on the 5th year after planting for Cavendish banana have become achievable. Similarly, we are working towards attaining high productivity marks in the newly launched programs in cassava and oil palm production.

Since the implementation of this innovative agri-credit program from ONB through the Corporative Systems Foundation (Corpo Foundation), a non-profit institution established to train technicians, many lives have changed as small farmers were able to experience increased productivity, improved crop quality and above average income levels. Because of this, farmers are grateful to ONB and the Corpo Foundation for giving them an avenue to finally redeem their land parcels once pawned to loan sharks and traders, to acquire new machinery and equipment for their efficient farming, to expand their plantation and more than that, to support the needs of the family.

Freedom from Debt and Acquisition of Farming Equipment

“In the many years of farming, I never encountered a bank like ONB which is relentlessly committed to increase the productivity and profitability of small farmers like me. With their aid, I was able to redeem my pawned land and purchase my own farming equipment.”

*Dalmacio Resaba
Matanao, Davao del Sur*

Manong Dimas, a loyal and compliant farmer of the One Rice Program from Matanao, shared his experience during the low productivity years due to “trial and error” farming techniques and his losing combat with stemborers. He is very thankful for ONB's financial and technical support that allowed him to redeem his inherited land which was pawned for a long period of time, and enabled him to purchase a thresher and other equipment to further develop his rice production.



Support Family Needs through Supervised Production



“With One Rice Program technicians around, I became confident that I could increase my rice production and even support my family's needs even in the absence of my departed husband.”

*Nida Casimiro
Magsaysay, Davao del Sur*

Widowed at an early age, woman farmer Nida was forced to take over her late husband's farm without any knowledge of palay farming. However, in spite of this basic shortcoming, she was able to maintain and even increase their farm production from 80 bags to 123 bags per hectare, which provided support to her children. This is a direct result of the intensive financial and technical support under the ONB's One Rice Program.

Enhancing Profitability of Small Farmers Through Productivity



“If not for the full-packed support of ONB, my banana plantation would have never produced 4,789 boxes of Class A Cavendish bananas per hectare.”

*Erlindo Dasas
Kapalong, Davao del Norte*

The many years of banking service to Mindanao gave ONB the in-depth knowledge of countryside business, enabling the Bank to seamlessly tailor fit its banking services to countryside business situations. Such is the case with Virgilio and Donata Cielo, one of the pioneering businessmen who contributed to the development of Governor Generoso in Davao Oriental. Like many other business success stories, Vidosons Inc., their family business, started from humble beginnings and sustained its growth into a big merchandise business. However, this growth created increasing demands for more supplies in order to sustain their competitive advantage. and ONB's credit line enabled the couple to achieve that for the large number of consumers in Governor Generoso.

Being a key player in countryside banking, ONB has become the partner of rural entrepreneurs in enhancing their trade. Apart from offering businessmen satisfactory experience in modern banking through cutting-edge technology, ONB has made available competitive banking products such as PCHC-cleared MICR-coded Checking Account, Online Real-Time Fund Transfers, Business Loans, and Bills Purchase (BP) lines. Moreover, the bank's network of branches and six-day banking enables the delivery of management services such as special deposit arrangements, pick-up deposits, and interbranch transactions. ONB is definitely committed to extend much needed, convenient and secure big banking services to countryside businesses.

In its four year run since the consolidated operations, ONB has extended multi-million credit lines with rates at par with big commercial banks to countryside businesses creating larger opportunities for business expansion and development. Having a large Single Borrower's Limit (SBL) of P253 million as of end 2007, the Bank has the needed capacity to finance the expansion of countryside business in Mindanao.

Providing Financial Security to Countryside Entrepreneurs



“ONB gave my rice trading business greater security and convenience. Now I could do my transactions with much ease and peace of mind.”

*Rex Caluya
RC Caluya Rice Trading
Bayugan City, Agusan del Sur*

For a young rice trader like Rex, security in all aspects of business should be the top priority. Given the reputation as one of the largest rice distributors in Bayugan, his daily transactions are done in places as far as Cagayan de Oro City and in the neighboring barangays in Bayugan City which make it risky to move cash. But with the advent of the Bills Purchase and Peradala interbranch fund transfer of ONB, cashless transactions removed the apprehensions of possible security threats thereby assuring Rex not just a profitable business life but also a secure and reliable one.

Extended Banking Conveniences

“With ONB's extended banking services in the countryside, I could now maximize the time and money once wasted in long trips just for the collection and monitoring purposes.”

*Florentino de Leon Jr.
De Leon Pawnshop
Digos City, Davao del Sur*

For the great mind behind De Leon Pawnshop, time is as precious as gold. So when it comes to the encashment of ONB checks and fund transfer from his distant branches in Davao del Sur, Cotabato, Bukidnon and Cagayan de Oro City to his head office in Digos City, Boyet only trusts ONB for its speedy and efficient services due to the bank's direct clearing participation in PCHC and the Special Deposit Agreement. These facilities allowed him to monitor his collections coming from the 23 De Leon Pawnshop branches all over Mindanao. Now, he has more time to spend for other activities that enhance his quality of life.



Big Banking Services to Countryside Businesses



“With ONB as our business financial partner, Vidoson’s Inc. will continue to grow in its service in providing complete and updated goods and merchandise for the growing community of Governor Generoso.”

*Virgilio and Donata Cielo
Vidoson’s Inc.
Gov. Generoso, Davao Oriental*

ONB has successfully established its credibility as the reliable and important partner of remittance companies in Mindanao. The bank's efficient access and virtual presence in the countryside complimented with progressive banking products and services has attracted the interest of the country's key players in the remittance industry. ONB became the gateway for remittance companies to countryside Mindanao, enabling them to cover that elusive "last mile" to reach beneficiaries closer to their homes.

Through remittance tie-ups, ONB provides OFWs and beneficiaries several remittance alternatives to choose from in sending money to their families on time. ONB's wide network of branches serve as pay-out centers of many overseas remittance companies and commercial banks that have no access in remote Mindanao locations. So far, the bank has entered into remittance distribution tie-ups with the following:

- MoneyGram/PeraGram
- iRemit
- Asia United Bank (AUB)
- BDO-Xoom
- Rizal Commercial Banking Corporation (RCBC)
- Banco de Oro (BDO)
- Uniteller
- Philippine National Bank (PNB)
- Development Bank of the Philippines (DBP)
- Security Bank (Implementation in 2008)

Beneficiaries all over Mindanao now have the assurance of receiving the money for household expenses, health care, housing, education or emergency use sent by their relatives abroad, simply by going to any ONB branch nearest to them and claim the money. Indeed, with foreign remittance payouts, ONB has not only provided ready access to remittance and savings but has also created endless possibilities for countryside development.

100% Service Satisfaction



"For 40 years of receiving remittances, I have never experienced with other remittance companies the 100% satisfaction with the service rendered by ONB to me and my family. With this, I am at home with ONB."

*Cleopatra B. Desesto
Sinawingan, Libungan, Cotabato*

Manang Coping, a beneficiary from Midsayap, now receives remittances from her sister Gina, a nurse working in Arkansas, USA through Uniteller. She related the previous inconveniences encountered with other remittance outlets such as long hours of waiting and added travel costs every time she claims funds sent to her. With ONB's proximity and express remittance services, Manang Coping is now assured that the money from Arkansas reaches her safely and quickly.

Fast and Secure Remittance Delivery

"The existence of ONB as a payout center has assured my husband of a secure and fast delivery of remittance from Texas to San Isidro."

*Leziel B. Viray
San Isidro, Davao Oriental*

A remittance beneficiary for four years, Teacher Leziel highly commends ONB for its presence in far-away municipalities and serving as a payout center for remittance companies like Moneygram. With this, Leziel is assured of security since she does not need to go to big cities like far-away Mati City just to access the remittances.



Gateway for Remittance Companies to Countryside Mindanao



*Security Bank (implementation in 2008)

In fulfilling a significant role in Mindanao's progress, ONB is quick to identify and provide for the needs of social institutions. As Mindanao's homegrown bank, ONB recognizes that its development is significantly aligned with the growth and modernization of our social institutions.

In 2007, ONB has channeled some of its funds to the realization of Brokenshire Integrated Health Ministries' vision of expanding its quality health care service through the construction of its four-storey Brokenshire Resort and Convention Center, Brokenshire Woman Center and a much-awaited Medical Mall that will surely provide a bigger avenue for social development as well as make available highly modernized health services.

ONB has extended vital assistance to private schools by providing larger and longer term credit lines for the construction of school buildings, laboratories and other school facilities which are the necessary requirements for achieving academic excellence. Notre Dame of Tacurong and St. Michael's College of Caraga enjoyed a significant increase in their student population the year after their expansion project which was made possible by the expanded credit line from ONB.

Furthermore, the bank has also provided for the shelter needs of DARBDECO banana cooperative members through a housing loan program, giving realization to their dream of having a decent and a happy home for their respective families.

Topping ONB's commitment to support social institutions is the unfaltering compliance to pay taxes, which amounted to P141 million in 2007, bringing the bank to the position as the top corporate income taxpayer among 21 rural banks in Region 11—a good indication that the bank is giving what is due to Mindanao and aligning itself to its banner slogan, "Pera ng Mindanao, Para sa Mindanao."

Extending the Comforts of Home

"I am thankful to ONB for giving my family the comforts of a decent home."

Warlito Empleo
DARBDECO Member
Panabo City

Manong War, a member of the DARBDECO banana cooperative in Panabo, faced the difficulty of not having a house of his own. Loan application rejections came one after another until ONB, through the DARBDECO housing program, opened its credit lines for the construction of more than 50 houses for cooperative members. Now, his face beams with so much happiness as he proudly showed his newly constructed house.



Increased Credibility Through Expanded Infrastructure

"The loan from ONB did not only help us upgrade the school's infrastructure; it even went beyond helping us earn the trust and confidence of our clients."

Fr. Antonio Pueyo
President
Notre Dame of Tacurong

ONB has been the financial arm of Notre Dame of Tacurong since 2006 when the school constructed its nursing school building that contributed to the increase in their student population. This positive response from the community motivated them to add another "centrum" which will cater to more businessmen - increasing their financial capacity to reach its vision to be a university in the year 2020.



Building Mindanao's Social Infrastructure



"I am much honored to team up with a bank that shares the same vision with us for the betterment of Mindanao."

Pastor Ruben dela Cruz
Chief Executive Officer
Brokenshire Integrated Health Ministries, Inc.
(Brokenshire Memorial Hospital, Brokenshire Resource
Complex, Brokenshire COMDEV Center)

Commitment is the driving force behind ONB's continuous effort in building a competent and motivated workforce as well as in fulfilling its duty to the shareholders.

Employees

ONB acknowledges that the commitment and perseverance of its employees has driven the bank to the forefront of the rural banking industry throughout these years. A number of employees who rose from the ranks could attest to how far they have gone in their respective careers with the bank.

In appreciation of employee efforts, ONB, beyond competitive compensation rates and performance bonuses, continually invests in well-structured set of training and development programs and one of this is the Branch Operations Management Development Program (BOMDP). A product of the bank's policy to develop and promote employees from within, BOMDP prepares selected employees to be competent and effective in managing branch operations. To date, BOMDP has successfully trained and produced 46 graduates; six of them have already advanced to the Branch Manager position.

Moreover, 2007 marked the effectivity of the Expanded NetCare Program. It went beyond the usual objective of covering expenses for medical treatment into providing medical care monitoring services to employees identified as high risk cases, thus ensure a wholistic health program.

Stockholders

ONB's commitment to its stockholders is manifested through the annual dividends payout which has been increasing in amount every year. In June 2007, ONB declared and issued an industry-leading 173 million pesos worth of stock dividends. The impressive annual dividend pay-out reflects ONB's efficiency in financial management and timely application of banking strategies which never fails to exceed industry's expectations.

Stockholders, on the other hand, have responded positively to ONB's move towards institutional growth by agreeing to plow back and reinvest all income from operations through stock dividends. With this support from stockholders, ONB is able to expand its resources and implement the strategic plans for growth and service excellence.

Moreover, ONB stockholders who want to either buy or sell shares of stocks can always avail of the Intra-Stock Exchange System's (ISES) services. This is a help desk which facilitates the internal trading of ONB shares among its common stockholders.

Equal Opportunities for All Employees

"I am grateful to the ONB management for giving equal opportunities to all employees to be trained and be equipped through BOMDP."

Joanna Puga
Maragusan Branch

Being the youngest branch manager at 26 from the first batch of the BOMDP training, Joanna Puga really appreciates the bank for deviating from the traditional procedure of promoting employees on the basis of seniority alone. She pointed out that ONB is not particular with seniority and extensive experience thus opening its door for promotion to all members of the workforce. For her, as long as the employee has the wit and the perseverance to face all challenges, climbing up the ladder of success is possible. Her promotion from being a teller to branch operation officer to branch manager is a shining example of the bank's commitment to its workforce.



Greater Accomplishments Through ONB

"I salute ONB for its genuine interest in developing its workforce regardless of whether they are on top or at the bottom position of the corporate ladder."

Victor Patigue
Branch Manager
Maharlika, Panabo Branch

Great accomplishments come from humble beginnings as Victor Patigue found his way up the corporate ladder from working as a janitor to assuming a managerial position in big branches. He points out ONB's healthy working environment and the competitive compensation rates as the major factors behind his remarkable achievement.





Commitment to Stockholders and Employees' Welfare



Board of Directors

Board of Directors



Victor A. Consunji
Chairman



Alex V. Buenaventura
President



Antonio P. Avelino
Vice-Chairman



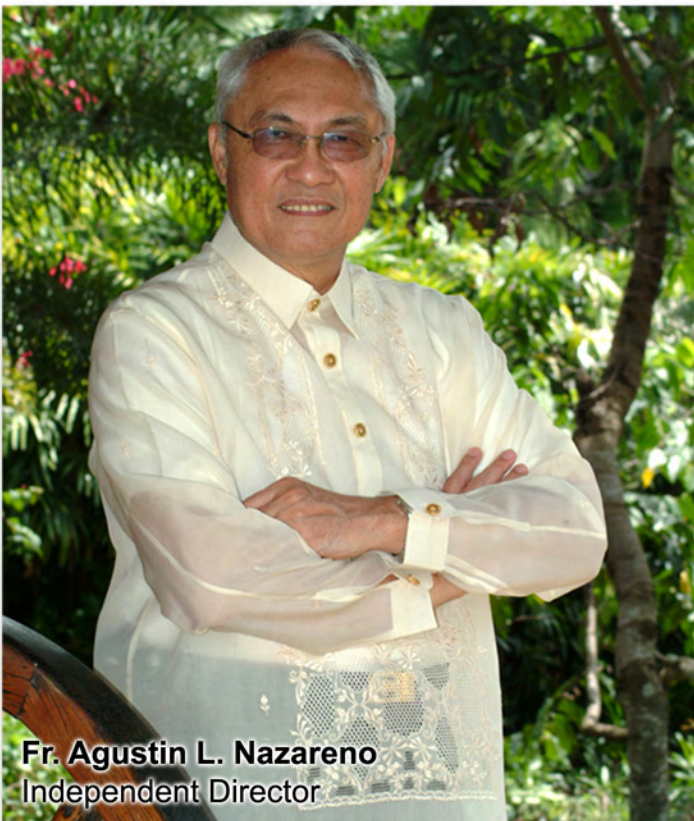
Luz Consuelo A. Consunji
Director



Antonio R. Cabreira Jr.
Director



Evelyn T. Ang
Independent Director



Fr. Agustin L. Nazareno
Independent Director



Atty. Jose M. Balingit, Jr.
Corporate Secretary

Council of Advisers



From left: Dr. Edgardo V. Buenaventura, Melecia C. Avanceña, Rev. Fr. Jessie S. Esparagoza, Edgardo S. Lagman, Armando S. Yambao, Jose V. Buenaventura

Executive & Risk Management Committee



Antonio R. Cabreira, Jr.

Alex V. Buenaventura

Antonio P. Avelino

Committees

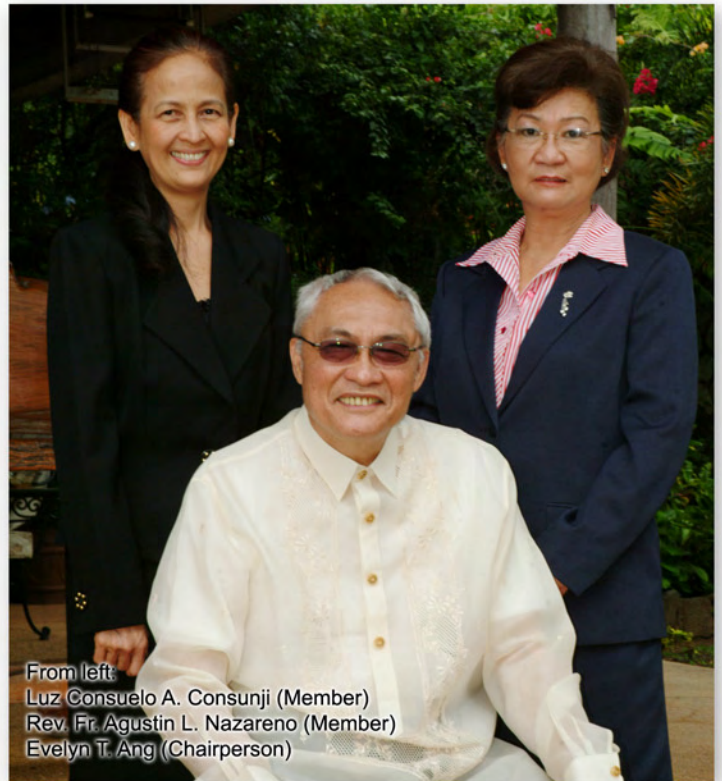
Committees

Corporate Governance Committee



From left:
Rev. Fr. Agustin L. Nazareno (Chairperson)
Evelyn T. Ang (Member)
Antonio P. Avelino (Member)

Audit Committee



From left:
Luz Consuelo A. Consunji (Member)
Rev. Fr. Agustin L. Nazareno (Member)
Evelyn T. Ang (Chairperson)

Group Heads



From left:
Romulo C. Guerrero (Support Group Head)
Cyrus D. Millana (Control Group Head)
Dario S. Magnaye (Treasury Group Head)
Nelson L. Billena (Branch Banking Group Head)

2007 Milestones

2007 Milestones

January

- Branch Location Transfer: General Santos Branch in Santiago Boulevard
- Activation of PeraAgad ATM with wireless communication technology in NCCC-Tagum

February

- 5S Housekeeping Training for Cluster Heads and Unit Heads

March

- ONB became equity member of MegaLink
- ONB's Gaisano CDO ATM awarded as "Best-selling ATM" by MegaLink
- PeraAgad ATM Training for Branch Operations Officers
- Loans Packaging Training

April

- ATM Deposit Liability reached the P100-million mark
- Loans Packaging Training
- Cash and Teller Training
- ICT Audit Capability Training on Visual Basic 6

May

- Activation of PeraAgad ATM in Sasa Head Office branch
- Activation of Data Recovery Center (DRC) in Piapi Branch
- Loans Packaging Training
- Cash and Teller Training
- ICT Audit Capability Training on Networking (LAN/WAN)

June

- 4th Annual Stockholder's Meeting held at the Waterfront Insular Hotel in Davao City where P173M worth of Stock Dividends were issued to ONB stockholders
- Activation of the 2nd PeraAgad ATM in General Santos Branch
- AMLA Awareness Training

July

- Branch Launching: Sasa Head Office Branch
- BSP Approval of five (5) new branches in Malaybalay, Antipas, Kabasalan, Maranding and Lagao (all launched in January 2008)
- Participation in BSP E-rediscounging
- Activation of 6 PeraAgad ATMS in Pantukan, Quirino (2nd), Mintal (2nd), Banaybanay, Toril (2nd) and Brokenshire Hospital (SPB 2nd)

August

- Start of conversion to OneBanker Centralized Banking System
- Inauguration M'lang Branch Building
- Branch Manager's Midyear Review at the Marco Polo Hotel
- Activation of 2nd PeraAgad ATM in Panacan branch
- AMLA Awareness Training

September

- 2007 Datu Bago Awarding to ONB President, Alex V. Buenaventura, the Award for "Outstanding Achievement in Marketing Management"
- AMLA Awareness Trainers' Training
- BOMDP Training 2nd Batch

October

- New Branch Blessing: Makilala Branch
- AMLA Awareness Training

November

- 4th Annual Assembly held at The Venue and Eden Garden Resort, Davao City
- ICT Audit Capability Training on Structured Query Language

December

- BOMDP Graduation ceremonies of 29 Branch Operations Officers held at Waterfront Insular Hotel
- ATM cardholder base reached 40% of regular savings depositors
- Branch Opening: Kabasalan Branch in Zamboanga Sibugay
- Acquisition of Audit Command Language (ACL) software



ONB General Santos City Branch



Branch Manager's Midyear Review



BOMDP Graduation

Statement of Management's Responsibility of Financial Statements


The management of One Network Rural Bank, Inc. is responsible for all information and representations contained in the financial statements for the year ended December 31, 2007. The financial statements have been prepared in conformity with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the company's audit committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the company.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has examined the financial statements of the company in accordance with Philippine Financial Reporting Standards and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and stockholders.

Signed under oath by the following:


Victor A. Corsunji
Chairman of the Board


Alex V. Buenaventura
President


Dario S. Magnaye
Treasurer

Report of Independent Auditors

The Board of Directors
One Network Rural Bank, Inc.
Km. 9, Sasa, Davao City

We have audited the accompanying financial statements of One Network Rural Bank, Inc., which comprise the statements of condition as at December 31, 2007 and 2006, and the income statements, statements of changes in equity and cash flow statements for the years then ended, and notes to financial statements comprising of a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

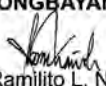
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or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

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

Opinion

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

PUNONGBAYAN & ARAULLO


By: Ramilito L. Nañola
Partner
CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 0986666, January 4, 2008, Makati City
SEC Accreditation No. 0395-A
BIR AN 08-002511-19-2006 (Sept. 8, 2006 to 2009)

April 9, 2008

ONE NETWORK RURAL BANK, INC.
STATEMENTS OF CONDITION
DECEMBER 31, 2007 AND 2006
(Amounts in Philippine Pesos)

RESOURCES	Notes*	2007	2006
CASH AND OTHER CASH ITEMS	4	P 380,820,798	P 252,004,647
DUE FROM BANGKO SENTRAL NG PILIPINAS	4,5	74,683,145	42,362,976
DUE FROM OTHER BANKS	4,6	370,928,210	608,774,054
HELD-TO-MATURITY INVESTMENTS	8	365,338,918	339,822,532
LOANS AND RECEIVABLES - net	7	4,621,463,203	3,387,085,146
INVESTMENT IN AN ASSOCIATE	9	6,698,341	7,953,589
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - net	10	492,574,284	374,980,695
INVESTMENT PROPERTIES - net	11	16,192,200	18,063,601
OTHER RESOURCES - net	12	166,887,944	130,076,509
TOTAL RESOURCES		<u>P 6,495,587,043</u>	<u>P 5,161,123,749</u>
LIABILITIES AND EQUITY			
DEPOSIT LIABILITIES	14	P 4,673,565,812	P 3,607,368,691
BILLS PAYABLE	15	483,465,242	460,630,022
ACCRUED EXPENSES AND OTHER LIABILITIES	16	221,803,645	207,500,872
TOTAL LIABILITIES		5,378,834,699	4,275,499,585
EQUITY	17	1,116,752,344	885,624,164
TOTAL LIABILITIES AND EQUITY		<u>P 6,495,587,043</u>	<u>P 5,161,123,749</u>

ONE NETWORK RURAL BANK, INC.
INCOME STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Amounts in Philippine Pesos)

	Notes*	2007	2006
INTEREST INCOME ON			
Loans and receivables		P 727,057,020	P 599,730,165
Deposits with banks		22,212,200	22,026,411
Investments		32,549,269	36,850,177
		<u>781,818,489</u>	<u>658,606,753</u>
INTEREST EXPENSE ON			
Deposit liabilities		126,558,481	87,629,524
Bills payable		11,039,599	32,048,480
		<u>137,598,080</u>	<u>119,678,004</u>
NET INTEREST INCOME		644,220,409	538,928,749
IMPAIRMENT LOSSES	13	100,633,448	11,603,259
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		<u>543,586,961</u>	<u>527,325,490</u>
OTHER INCOME			
Service charges, fees and commissions		286,409,284	202,651,176
Others	19	30,437,111	16,712,246
		<u>316,846,395</u>	<u>219,363,422</u>
OTHER EXPENSES			
Compensation and employee benefits	20	183,416,383	168,712,885
Occupancy and equipment related expenses		120,219,448	94,377,081
Security, messengerial and janitorial services		42,514,767	37,133,477
Transportation and travel		33,423,973	27,028,537
Taxes and licenses		16,601,692	13,514,900
Stationery and supplies		15,915,008	16,869,156
Communications, telephone and telegraph		15,075,806	14,494,102
Others	19	79,304,777	65,999,178
		<u>506,471,854</u>	<u>438,129,316</u>
INCOME BEFORE TAX		353,961,502	308,559,596
TAX EXPENSE	21	122,753,554	106,431,615
NET INCOME	22	<u>P 231,207,948</u>	<u>P 202,127,981</u>
Earnings per Share:	22		
Basic		P 0.282	P 0.312
Diluted		P 0.282	P 0.312

ONE NETWORK RURAL BANK, INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Amounts in Philippine Pesos)

	Notes*	2007	2006
CAPITAL STOCK	17	P <u>821,101,869</u>	P <u>648,094,212</u>
PAID-IN SURPLUS	17	<u>21,493,524</u>	<u>21,491,577</u>
SURPLUS	17		
Balance at beginning of year		216,038,375	100,870,394
Stock dividends		(173,000,000)	(65,700,000)
Cash dividends		(89,472)	(7,300,000)
Net income		231,207,948	202,127,981
Conversion of preferred private shares		-	(13,960,000)
Balance at end of year		<u>274,156,851</u>	<u>216,038,375</u>
TOTAL EQUITY		<u>P 1,116,752,344</u>	<u>P 885,624,164</u>

ONE NETWORK RURAL BANK, INC.
CASH FLOW STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Amounts in Philippine Pesos)

	Notes*	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before tax		P 353,961,502	P 308,559,596
Adjustments for:			
Impairment losses	13	100,633,448	11,603,259
Depreciation and amortization	10	51,547,636	47,425,360
Amortization of deferred charges	19	4,531,152	4,513,365
Operating income before changes in resources and liabilities		<u>510,673,738</u>	<u>372,101,580</u>
Increase in loans and receivables		(1,335,011,505)	(758,933,666)
Decrease (increase) in other resources		(12,237,974)	16,686,862
Increase in deposit liabilities		1,066,197,121	619,782,767
Increase in accrued expenses and other liabilities		7,324,001	6,019,387
Cash generated from operations		<u>236,945,381</u>	<u>255,656,930</u>
Cash paid for income taxes		(144,879,395)	(98,356,049)
Net Cash From Operating Activities		<u>92,065,986</u>	<u>157,300,881</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net increase in bank premises, furniture, fixtures and equipment	10	(169,141,225)	(95,301,790)
Decrease (increase) in held-to-maturity investments		(25,516,386)	72,651,417
Decrease in investment in an associate	9	1,255,248	500,000
Disposal of investment properties		1,871,40	4,374,818
Acquisition of investment properties	11	-	(1,078,592)
Net Cash Used in Investing Activities		<u>(191,530,962)</u>	<u>(18,854,147)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in bills payable		22,835,220	185,171,398
Dividends paid		(89,472)	(7,300,000)
Proceeds from issuance of common stocks		7,757	439,220
Increase in paid-in surplus		1,947	-
Retirement of preferred private shares		-	(13,960,000)
Net Cash From Financing Activities		<u>22,755,452</u>	<u>164,350,618</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(76,709,524)</u>	<u>302,797,352</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4	<u>903,141,677</u>	<u>600,344,325</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	<u>P 826,432,153</u>	<u>P 903,141,677</u>

Supplemental Information on Non-Cash Financing Activities

In 2007, the Bank declared stock dividends to its stockholders amounting to P173,000,000 (see Note 17).

In 2006, the Bank retired its preferred private shares amounting to P13,960,000 and converted the same into common shares (see Note 17).

ONE NETWORK BANK

Head Office

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Fax No.: (082) 234 1255

Email: onrbi@onenetworkbank.com.ph