

2008 Annual Report

High Touch Banking



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 agribusiness.
- Forge alliances with financial institutions, government organizations and non-government organizations.

About the Cover

“High touch” banking means establishing presence in the community, knowing the clients and getting them to visit the branches and ATMs frequently. ONB has made its presence the foundation of trust and the basis for growth and stability in its continued service to Mindanao .

ONB chooses to pursue “high touch” banking even as it grows as an institution. This means that the bank chooses to bring its services closer to its market base in order to be more in touch with its core clientele – the hundreds of thousands of small and big account holders in the communities it serves. Not only that, ONB chooses to bring its services to places where few or no banks provide the service levels it extends.

ONB has made “high touch” banking as its strength, what other banks consider a weakness. Other banks, especially the universal banks, look down on this service model as “inefficient”. Perhaps, they may be correct. But this “high touch” approach to banking which is unique to ONB has been the secret behind not only its growth but also its stability as an institution.

Financial Highlights

2008 Year End Performance

OPERATING RESULTS (IN MILLION PESOS)

	2008	2007	2006
Net Income After Tax	252	231	202
Resources	8,712	6,495	5,161
Loans	5,826	4,488	3,278
Deposit Liabilities	6,011	4,673	3,607
Stockholders' Equity	1,370	1,117	886
Number of Employees	884	832	768
Number of Branches	72	70	64
Number of ATMs	76	61	51

SELECTED FINANCIAL RATIOS

	2008	2007	2006
Return on Private Investment	28%	32%	25%
Return on Assets	3%	4%	4%
Risk-Based Capital Adequacy Ratio	19%	19%	19%
Intermediation Ratio	97%	96%	91%
Liquidity Ratio	24%	17%	25%
Expense to Gross Income Ratio	81%	79%	77%
Non-Performing Loans (NPL)	3%	4%	5%
Non-Performing Assets (NPA)	2%	3%	6%

President and Chairman's Message

Measuring High Touch Performance

When the Bangko Sentral ng Pilipinas came out with their Report on the Philippine Financial System for 2008, we could not resist the urge to compare ONB's 2008 performance with the Philippine banking industry as a whole. It is with great pride that we summarize below this comparison:

Measures of 2008 Performance

	Philippine Banking System	ONB
1. Growth Measures		
<i>Total Assets</i>	10.5%	34.1%
<i>Gross Loans</i>	21.5%	29.8%
<i>Capital</i>	(0.4%)	22.7%
<i>Net Profit</i>	(34.1%)	9.2%
2. Profitability Measures		
<i>Return on Assets</i>	0.8%	3.0%
<i>Return on Equity</i>	6.9%	20.0%
3. Liquidity Measure		
<i>Cash & Due from Banks to Deposits</i>	19.9%	23.8%
4. Asset Quality Measures		
<i>Non-Performing Loans</i>	4.2%	3.0%
<i>Non-Performing Assets to Gross Assets</i>	5.1%	2.4%
5. Capital Adequacy Measures		
<i>Total Capital Accounts to Total Assets</i>	10.6%	15.7%
<i>Capital Adequacy Ratio</i>	14.6%	19.1%

Sources: BSP web site, ONB audited financial statements

The numbers convey the clear message that, in many aspects, our Bank was a growth leader in 2008, whether growth was measured in terms of resources, loan portfolio, capital or earnings. ONB was also much more profitable and more liquid than the banking system as a whole. We also ranked much better in terms of asset quality and capital adequacy.

We have remained profitable in spite of the fact that, since 2007, we have provided allowances for possible loan and other losses to such an extent that our cumulative allowances have reached 98% of our non-performing assets by the end of 2008. In other words, we have adequately covered with reserves every peso of non-performing asset we carry in our portfolio.

We are particularly proud about our earnings growth which has remained uninterrupted since the inception of ONB. Whereas the banking industry's earnings slowed down significantly by turning negative last year, ONB's net income continued to expand and our return on equity continued at a healthy pace of 20%. And how can this be possible at a time when the banking industry in general had a return on equity of only 9.2%? We simply used the funds we raised for the basic purpose banks were created - to lend to those who needed to make their business grow, those who had a farm to develop and to those who had some important personal need and had the capacity to repay in the future. So while many banks went on to invest in Wall Street, ONB has stuck it out with Main Street. And as treasury income from Wall Street fell, so did income of many other banks.

How did these measures of performance directly translate into measures of success in the case of ONB?

Let us take a look at the unconventional, possibly heretical (as far as standard banking is commonly practiced), business model of ONB to get an idea of how we performed better than the banking system as whole.

First, ONB has been proudly living out its business philosophy - "Pera ng Mindanao, Para sa Mindanao". It is our guarantee that funds generated in a community get invested in that community. And those communities are in Mindanao, not in the bank-congested Metro Manila market where funds from Mindanao were funneled in the past and continue to be so up to this very day. Mindanao is where our Main Street is. Mindanao is where our heart is.

This philosophy establishes the groundwork for how ONB operates. We commit resources to the communities we serve not only in terms of lending but also in terms of expanding the ONB footprint in Mindanao. With 75 branches operating exclusively in Mindanao as we made the turn into 2009, we made modern banking accessible to more and more communities. In 2008, we opened our doors to 6 of these communities. And where we could invest in owned premises, we reinforced our commitment of permanence in the community by buying choice sites and putting up full service branches with lobbies that can accommodate clients, big and small. We engaged 143 more employees in 2008 to bring up our total employee count to 916, thus stepping up our service delivery to our target communities, the same communities where most of these employees come from. And, where needed, we deployed a total of 77 ATMs as of end 2008 either to complement our manned operations or create additional access to funds where we may not have branches. In 2008 alone, we commissioned the operation of 16 of these ATMs. In this sense, technology has been employed to fill in identified service gaps.

Perhaps, to many banking practitioners, our business model of high touch banking may be deemed “cost-inefficient”. Most of the banks have picked up the high-tech slant which decongests lobbies of their branches in the name of efficiency. Our high touch business model, however, is “client-centric”. Premium is placed on the client’s needs foremost, even if we risk loss of efficiency. In ONB, hand holding still has not become a lost art.

Were we wrong in going for high-touch banking? The record for 2008 does not seem to support this. We did better than most in the financial system. Our clients, our employees, our ever supportive stockholders and our various publics seem to have made sure that high touch banking works. And for this they have our deepest gratitude.

So our faith in what we are doing not only remains but has been strengthened.

“Pera ng Mindanao, Para sa Mindanao”


Victor A. Consunji
Chairman


Alex V. Buenaventura
President



High Tech and High Touch Banking Synergy

Serving the clients well has always been foremost in ONB's priorities. With ONB expanding its reach all over Mindanao came bigger market to serve with bigger needs to fill. Unlike other banks that gradually lose the high touch service model upon experiencing a significant growth, ONB sees to it that it continues to offer the clients a much better banking experience through a synergy of high tech and high touch banking services.

While other banks steer clients to do banking transactions in their technology-driven delivery channels such as ATMs, self-service kiosks and the internet in order to cater to high volume transactions and maximize efficiencies of these channels, ONB looks at the technology-driven systems as complementary facilities for branches to continue offering its time-honored banking services, to present more and better options as well as allow one-stop banking and to enhance customer services to clients.

In 2008, the Bank has successfully converted the systems of all of its branches to the ONeBanker System, a new online CASA system, and maximized its applications. Because of this high tech development, branches are now giving the clients online real-time fund transfer services, optimizing clients' time and comfort. Products and services are integrated into this centralized system allowing clients to deal with one teller only for multiple banking transactions and allowing tellers the flexibility to combine functionality with high touch – high feel service in dealing with clients.

ONB also deployed more ATMs, bringing total PeraAgad ATMs to 86 as of April 2009, not only in strategic places but also in remote locations to reinforce branches in reaching out to more clients in the countryside. The bank has also embarked in mobile banking partnership with GCash to further provide banking services and to assure access to funds even when clients are moving around.

Even with all these technological breakthroughs that support the branches in extending banking services, ONB managers never fail to make regular consultation and visitation their priority. Maintaining good relationships with clients and upholding high touch customer service, strengthened by modern banking technology, define ONB's way of banking, a service that it continuously offers to the people of Mindanao.

Online Real Time Banking Experience



In a countrified oil palm plantation like Uraya Farms, salary disbursement is a burden requiring more people and necessary equipment to keep their funds safe and secure. According to Uraya Farms Operations Manager Elenito Gil, ONB has given them immediate financial access through the presence of its branch in Trento. Since then, they no longer experience the security threats during payroll periods. Now, that ONB has made available its branch network and online real time technology, the risks, more than the travel costs, involved in a long trip from the urban centers of Tagum or Davao City to Trento no longer dampen their excitement in receiving their hard-earned money.

Making Life Easier in the Countryside

A valued client enrolled in ONB's payroll services, Dole-Stanfilco, values the convenience and welfare of their employees. To achieve this, they partnered with ONB to service the payroll of their plantation employees in Calinan (Davao City), Don Carlos (Bukidnon), Malungon (Sarangani) and Maragusan, a municipality in the highlands of Compostela Valley and as a result, affording Dole-Stanfilco savings and efficiency in cash management. For their employees, collecting their wages from ONB's branches and putting part of it in savings or accessing their money at any time even after banking hours through ONB's PeraAgad onsite ATMs is changing their idyllic way of life for the better. With its branch network and PeraAgad ATMs, ONB is servicing the payroll disbursement of many Mindanao companies operating in areas shunned by other banks.





Caring for Small Accounts

At a time when mergers and acquisition create bigger banks and bigger demands on the banking industry, ONB finds itself in an even better position to put its resources and capabilities in the service of its well-defined market niche - the small accounts. ONB's average deposit size of P11,194 for a total of 458,607 depositors and average loan size of P56,838 for a total of 91,812 clearly manifest that ONB truly puts high value and stays true to its commitment to the small accounts of Mindanao.

Every employee of ONB addresses one overriding concern - serving the small accounts. Whether it's a question posed by one of the "senior citizens" about his SSS pension; a wide-eyed and excited young kid wanting to save in a bank for the first time; a farmer walking in with muddy slippers inquiring about his loan application; a mother anxious to pay her child's tuition fee on time or someone just seeking help about using the ATM, ONB stands ready to serve and believes that, at the end of the day, it is their satisfaction that truly matters.

Operating a customer-focused branch, ONB has tailored branch services to the needs of the small accounts and underserved segments of society, incorporating into its products and services factors such as age and income, absence or shortage of banks in the area and branch proximity to public markets. Given the minimum deposit requirement at P100 for regular passbook and PeraAgad ATM Pinoy savings accounts, P1,000 minimum for time deposit and P50 minimum for Young PeraSavers account, small and micro markets are able to avail of ONB's products and services. More than that, the Bank grants a minimum loan amount of P10,000 with competitively low interest rates and minimal document requirements for its PeraSosyo Program, a loan product for micro businessmen.

ONB is determined to stay on its relentless course of creating multiproduct and multichannel core banking services and extending the benefits of technology-driven banking facilities like the ATM, making branch banking "user friendly" and providing greater value to the small accounts in countryside Mindanao. A community bank with expanded capabilities, ONB is truly Mindanao's bank, dedicated to serving its clients in a personal yet efficient manner, using the very latest in modern banking technology.



Worry-Free Mom

"For a working mom like me, ONB's convenient tuition fee payment system gave me confidence in sending my child's tuition fees direct to the school. Now, I don't have to spend a lot of time, money and effort just to accompany my daughter from Manay to Davao City, just to pay the tuition fee to Ateneo de Davao."

Juliet Magkidong
Manay, Davao Oriental

Given the many demands on modern moms, Mommy Juliet has adapted an amazing ability to juggle roles as wife, mother, employee and businesswoman. For Mommy Juliet who used to travel from Manay to Davao City, a tiresome and expensive routine, to pay the tuition at Ateneo de Davao University, parenthood is now easier, more convenient and less expensive because of ONB's One Tuition Fee Payment which she takes advantage at ONB's Manay Branch.

Increased Confidence

"If there is one feeling that I always have every time I claim my remittance, that would be fear, fear of bringing cash on the bus ride. Now that ONB is very near to our home here in Lupon, I can always go to the branch anytime. I can even bring my "apo" with me without worry."

Joni Pernetes
Lupon, Davao Oriental

For six years of claiming remittance from her daughter who is working as a nurse in Australia, Manang Joni found traveling from Lupon to Tagum a risk-fraught experience, made worse by the long queues after long and stressful travel. Now that ONB is just a few blocks away from her home, the usual fear and inconveniences no longer dampen her excitement in receiving remittances.





"ONB's PeraSosyo Program brought fulfillment to my desire of expanding my own pharmacy business at the most productive time of my life."

Russel Giducos
Padada, Davao del Sur

Russel Giducos, a PeraSosyo client of Padada Branch, is a medical technologist by profession, and together with his wife, runs their own pharmacy business. Through ONB's PeraSosyo Program, they were able to expand their business to two branches in Padada and one branch as far as Malita, Davao del Sur.

Affordable Banking Convenience

"ONB has solved an old problem for me - how to seamlessly transfer my cash collections from Davao City to Matalam minus the travel time and cost. More than this convenience, ONB's PeraAgad Pinoy ATM card is so much reasonably priced that even my assistant in Matalam can afford to have one."

Danny Acosta
Sasa, Davao City

Kuya Danny, a sugar trader from Matalam, North Cotabato considers PeraAgad Pinoy ATM as his one time solution to a cheaper and faster sending of cash collections from his sugar distributors in Davao City to his main office in Matalam. Doing this on a daily basis, he is really pleased with the proximity of ONB branches and ATMs from his home in Sasa and office in Matalam allowing him to transact at his most convenient time. Speaking more of extended conveniences, Kuya Danny also highly emphasized the capabilities of the very affordable Pinoy ATM Card which his assistant in Matalam also enjoys.



Savings Habit at an Early Age

"Before, my brother and I thought that banking is just for Mama and Papa. We were excited when our mother brought us to One Network Bank to ask about a savings account for a kid like me. Now we can go to the bank ourselves to deposit. We thank ONB for offering affordable savings account for kids like me"

Princess Macunan
M'lang, North Cotabato

Princess and Irad are one of the few kids who are eager to learn the bank's way of saving. They really appreciate the staff's warm accommodation in assisting them in filling up forms and other requirements. More importantly, their parents are grateful to ONB for helping them enhance their children's interest in saving and cultivate a good savings habit. ONB is continually working with the parents and the teachers in helping the kids learn the value of money at an early age.



Customized Banking for Countryside Businesses

ONB knows by heart that making banking services readily available and accessible to rural entrepreneurs is the key to a thriving and progressive economy in the countryside. Like any expanding bank, ONB strives for efficient centralized management at the head office in pursuit of product, infrastructure, and administrative economies of scale. However, the bank retains responsiveness to client needs by recognizing that branches are central points of client interaction, and by appropriately empowering the branch managers, who know the local markets to customize resources, incentives, pricing and value-added banking services to countryside businesses.

In providing appropriate and timely credit facilities, frequently missing in the array of banking services offered by other banks for countryside business, ONB adheres to the idea of need-based cash flow financing. With One Business Loans, ONB prides itself for nurturing small businesses in the countryside to develop into bigger concerns by extending credit lines that increase as their needs and capacity increase. The P 258 million Single Borrower's Limit as of end 2008 affirms the Bank's high capacity to extend multi-million credit lines with rates at par with other big banks, creating larger opportunities for business expansion.

In addition to lending services, ONB draws upon its knowledge of the community it serves in providing customized and differentiated banking solutions. Products such as PCHC-cleared Checking Accounts, Automatic Transfer Accounts (ATA) and Bills Purchase Lines are ONB's response to countryside clients' need for fast clearing and convenience in liquidity management. PeraDala Fund Transfers and Special Deposit Arrangements, tailor-fit to businesses operating several branches in countryside Mindanao, provide these countryside clients with efficient and convenient cash management.

Adding force to these products and services in terms of ease of access and extensive reach are the bank's wide network of 75 branches as well as six-day banking with extended banking hours. All these indubitably make ONB the provider of big banking services to businesses in areas where other big banks would not dare go and the bank that countryside entrepreneurs can count on.

Taken as a whole, ONB's success in countryside banking is mainly due to a mindset of developing long-term relationships, gaining a better understanding of clients' business goals, the communities they serve and the challenges they face. ONB remains absolutely focused in providing choice, convenience and customization to countryside businesses in Mindanao.



Financial Advisor of Young Entrepreneurs

"As young businessmen engaged in agri-trading, we are very particular with speed, credibility, security and hospitality. We are glad that we found all of these qualities in ONB, not to mention the earnest attention and sound advice that we get from the branch manager and her staff."

Jong and Kathy Abastillas
Valencia City, Bukidnon

Known for being one of the successful young entrepreneurs in Bukidnon, Jong and Kathy who are now in their late 20's, started with a small "tindahan" in 1999, but ventured and prospered in agri-trading of cassava, corn and rice. They were drawn to ONB Valencia Branch when they learned of ONB's branches in Bayugan and North Cotabato. The relationship developed from secure fund transfers to BP line for liquidity support. What they appreciate most is the branch manager's support and financial advice on optimizing their choices in cash management and the fast and efficient service of the branch staff especially in keeping them informed of their deposits and credit line.

Personalized Information and Attention

"We are delighted that ONB is our trusted financial arm and support in advancing our mission of giving livelihood access to the women of rural communities. Together with ONB, we take part in the development of Mindanao countryside."

Nenita R. Alvia
Administrative and Human Resource Head
Serviamus Foundation
Iligan City, Lanao del Norte

Founded by the Diocese of Iligan City, Serviamus Foundation aims to educate women from the countryside to be financially independent. To achieve their goals, they opted to invest as well as secure their funds in deposit placements at ONB Iligan Branch where the branch manager and staff never fails to update them of their placements' status. The Bank's accessibility in Lanao del Norte also enables them to disburse the invested funds directly to the women-beneficiaries in Lanao del Norte.





"We acknowledge ONB's willingness to work together with us in addressing our issues and concerns. The inflow of bigger capital, through their loan services, has made us more financially stable and equipped to be competitive and sustainable."

Edmundo and Rosemarie Pang
Mati, Davao Oriental

Celebrating its 25th year in 2009, ER Superstore, with branches in Mati, Manay, Baganga and Lupon, a supermarket owned by a very enterprising and hardworking couple, Mr. and Mrs. Edmundo Pang, is still growing and keeping pace with changes in modern trade. Because of the dedication and willingness of ONB Mati branch officers in working together with the Pangs, the relationship with ONB has expanded from deposits, fund transfers and payroll servicing to a credit line that provides capital inflow not only for upgrading their ER Superstore branches but also for financing their venture into Unilever Philippines distributorship.



Bank Services Tailored to Local Needs

"ONB is the best bank for me because it has a heart for agriculture and for rural entrepreneurs. In my line of business which directly supports the local farmers to achieve high production yield, I am proud to be in good partnership with a bank who also gives attention to the needs of my farmer clients."

Lydio Malinao
Butuan City, Agusan del Norte

Lydio Malinao is an innovative insecticide and fertilizer expert who continues to create an impact in the lives of the farmers in the whole of CARAGA region. He has the acumen to create his own brand of insecticides and fertilizers rather than carrying known commercial brands. With the credit line, cash management service and investment returns provided by ONB, Jeels Masagana Supplies, the name of his business, continues to grow and serve its farmer clients in Bayugan, Cabadbaran, Compostela, Trento and Valencia City.



A Partner in Business Expansion

"We bank with ONB because it has helped me and my business in many ways, not only in terms of deposit convenience, but also in upgrading my farm equipments. I thank ONB because it has provided us the opportunity to expand."

Reynaldo Penafiel
Malungon, Sarangani



Mr. Penafiel owns and manages a tractor and trucking service, a pharmacy and a grocery store as well as a corn and sugarcane farm in Malungon, a small town in Sarangani. His main business, the tractor and trucking services, became successful when it started hauling services for Dole Phils. Demand for the services increased so he went to his bank, ONB Malandag, for additional capital. Now, he is grateful to ONB for granting the loan that allowed him to upgrade his tractors and farm equipment.

Nurturing Mindanao's Agricultural Development

As a financial institution operating in the "Land of Promise", ONB continues to nurture Mindanao's agricultural development by extending its far-reaching arm to work hand in hand with farmers in pursuit of better lives and brighter future. ONB always takes to heart its fundamental social responsibility of exploring ways to help a major constituency - the small farmers.

Fuelled by this intense desire to work hands-on with the farmers, the bank discovered the formula to a feasible and effective agricultural lending for itself and for its clients. This formula lies in the three pillars of agricultural growth and development: a guaranteed market for the agri products, a modern and innovative technology involved in production, and the readily available, low cost production inputs.

For the One Banana Program, ONB devised a credit facility packaged with a cost-effective production and post harvest technologies to keep up with the production standards set by the long-term buyer (either Dole-Stanfilco or Sumifru), who exports the bananas to countries such as Japan, Korea, China and the Middle East. Through the help of ONB, individual banana growers were able to achieve and even surpass the production target of 4,000 boxes of class A Cavendish bananas per hectare per year after the farm has been established.

With this, One Network Bank continues to create new markets, opportunities and wealth among people who have traditionally been left in the fringes of the economic mainstream. Today, many of Mindanao's banana growers started to enjoy the fruits of their labor. Through the agri-lending program of ONB, many of them were able to properly develop and improve the productivity of their farmland, redeem farm land once pawned to informal lenders and purchase their own farm equipment. The opportunity for enhanced productivity and profitability that ONB provides has given farming communities a better than fair chance to improve lives in the countryside.



A Better Life

"I am very much grateful for ONB for giving my family the chance to experience a better life."

Peter Virtuzado
Carmen, Davao del Norte

A former rice farmer who owns 3 hectares in Carmen, Davao del Norte, Peter was overwhelmed by the challenges he faced before he ventured into banana farming. He and his family of three experienced difficult periods in spite all the efforts he had made. It was after his enrollment in ONB's One Banana Program in 2005 that he started to foresee the significant changes brought by the effective technology and supportive agri-production technicians. By following the prescribed banana farming practices, he was able to meet the program's production standards and this enabled him to give his family the home where they presently stay in. He appreciates ONB's capacity to provide bigger loan amounts and the technical support which enabled him to produce an average of 5,168 boxes of Class A Cavendish bananas per hectare last year.

Dreams Fulfilled

"ONB is my number one bank because it is brave enough to invest in small farmers like me. ONB helped me fulfill my dreams for my family."

Albert Echevarre
Sto. Tomas, Davao del Norte

Albert, a compliant farmer from Sto. Tomas, is thankful for ONB's heart for the farmers. He pointed out the bank's willingness to finance his once unproductive 4.5 hectare land. He is really thankful for the agricultural technicians who guided him well since the start of his venture to banana farming in 2006. Most of all, he is happy seeing his dreams fulfilled. Through his high average production of 4,568 boxes of Class A Cavendish bananas per hectare last year, he was able to purchase his own service vehicle and managed to send his younger siblings to college.





The ONB Footprint

As far as banks are concerned, ONB is leaving a wide footprint all over Mindanao. As of end January 2009, the footprint consists of 75 branches and 86 ATMs by the first half of 2009, and a work force of 915 men and women across the island.

As the general economy weathers one financial upheaval after another, ONB, with its strong capital position and its wide footprint, remains as a constant in the life of the communities it serves, facilitating fund flows within and among its service areas through its network of 75 branches all over the island, 27 of which are located in unbanked and underbanked areas. ONB continues to convey its commitment to permanently stay in the community it serves by converting branch leaseholds to bank-owned sites and buildings and by converting old branch buildings to new ones in 2008. The Bank also continues to leave its tracks in the Mindanao countryside by deploying more and more ATMs, for a total number of 86 onsite and offsite ATMs as of April 2009.

Furthermore, the men and women of ONB's workforce, mostly residents of the areas where the branches are located, were hired, trained, initiated into the bank's culture of high touch banking and inspired with ONB's core values. These men and women not only become ONB's relationship representatives but they also help smoothen the edges of ONB's footprint by becoming channels for giving back resources to the communities where they work and live.

Indeed, ONB cannot help but create a big footprint in Mindanao because it chooses to pursue "high touch" banking even as it grows as an institution. By adhering to a common vision, common goals and common core values that bind the growing number of branches, ATMs and workforce together into a cohesive unit, ONB distinguishes itself from other financial institutions and make the ONB footprint greater than the simple sum of its parts.



Saavedra, Zamboanga City

Known as the City of Flowers and located at the southernmost tip of the Zamboanga Peninsula, Zamboanga City's economy is largely agricultural and aquacultural-based.

"We never forgot what we have promised years ago of putting up a branch here in your city." This was the opening remark of ONB President Alex V. Buenaventura, during the inauguration of its new branch location with new building in Saavedra Street, a relocation from Gov. Lim Street. This memorable occasion was graced by the ONB Chairman, Victor A. Consunji, who warmly welcomed the powerhouse of officials and guests including Zamboanga City Mayor Celso Lobregat, Archbishop Romulo Valles and Zamboanga City Councilor Lynet Abarro.

Ozamiz City, Misamis Occidental

Strategically located between Zamboanga del Norte and Zamboanga del Sur, Ozamiz City is agricultural by resources but is also known for the rich marine resources of Panguil Bay.

"We will do our best to extend to ONB our full support in its goal of developing not just Ozamiz City but the whole of the Mindanao region as well," assured Mayor Reynaldo Parojinog, Sr. as the Bank opened its new 71st branch near the Ozamiz Public Market. He further stressed on the importance of ONB's presence in the city and the impact it would create in the economic growth of Ozamiz City. The inaugural blessing was also attended by Vice Mayor Carlos Bernad, Dr. Rico M. Medina and Dr. Beatriz C. Medina as well as guests from private and public organizations.





SMFI and ONB: Supplier Payout Services

ONB's strength stems from having the widest network of branches in Mindanao which inevitably makes the bank a major channel for multinational companies such as San Miguel Foods, Incorporated (SMFI) for disbursement of funds to Mindanao. For SMFI, ONB branches in Northern Mindanao and South Cotabato facilitate the payments for the deliveries of their agri-product suppliers. For SMFI suppliers, such as Mr. Roberto Ausmolo (in the photo), the ONB payout service affords them a quick, convenient and cost effective way of collecting payments for their deliveries at ONB Ozamiz Branch.

San Isidro, Davao Oriental

A home to the indigenous Mandaya and Kalagan communities, San Isidro is one of the "gulf towns" of Davao Oriental whose shorelines stretch along Davao Gulf.

"Davao Oriental, known as the widest province in Mindanao in terms of land area, is honored to have partnered with a bank likewise considered to be the widest banking network in Mindanao", enthused Gov. Corazon Malanyaon during the inauguration of the San Isidro Branch on its new branch location in Rizal Street. The governor further thanked ONB for recognizing the potentials of San Isidro and the whole Davao Oriental province through their aggressive branch expansion in the area. Present during the affair were Archbishop Romulo Valles, Bishop Patricio Alo of the Diocese of Mati, San Isidro Mayor Apolinar Ruelo together with Mr. Alfredo Compra and Mrs. Anita Dagunsa.



Trento, Agusan del Sur

A rapidly developing municipality located in Agusan del Sur, Trento's agricultural economy is fueled mainly by palay and oil palm cultivation.

"I am glad to have encountered a bank that has a big heart for countryside development, expanding its reach to the corners of Mindanao," a line from the speech written by Mayor Irene Hitgano for the blessing of Trento Branch's new location. In the message, she expressed her delight with ONB's efforts to move its Trento branch to a bank-owned building in a better location for the convenience of the clients in the area.

Building the Financial Highways of Mindanao

Inspired by the goal of developing the countryside and motivated by the value of connecting lives, ONB heavily invests in building Mindanao's financial highways linking its rural boundaries and expediting fund transfers to and from within Mindanao and to from Luzon, Visayas and the rest of the world.

Through ONB's PeraDala Interbranch, collectors of a merchandise distributor are able to deposit their collections in any ONB Branch along their way, relieving them of the security burden inherent in the physical transport of cash. With the aggressive enhancement of its PeraDala Interbranch in 2008, ONB continues to connect student to parent, supplier to buyer, branch to home office by providing an easy, fast and secure access to their money anytime, anyday in any ONB Branch in Mindanao. Making available interbranch services in all tellers of a branch, ONB assures its clients of fast, real-time online remote deposits, withdrawals and check encashments.

Sending money seamlessly to Luzon and Visayas and vice versa has been the clamor of countryside Mindanao clients for several years. Finally, in 2008, ONB and Security Bank forged a partnership that gave birth to a new domestic remittance service known as Remit-Agad. The idea behind the tie-up is spurred by the vision of both banks to create a secure, convenient and cost-efficient way of sending and receiving money throughout the country. Now, a student studying in Manila receives her allowances from her parents in Sarangani or a buyer in Cebu pays his supplier from Compostela Valley through ONB and SBC's Remit-Agad.

An OFW working in Dubai who entrusts his hard-earned money to BDO Remit or to AUB's Gintong Hatid Remittance for transfer to his family in Mlang, North Cotabato is assured of quick and safe delivery of the money to ONB's Mlang Branch where his family can claim the funds. This is brought about by the remittance service tie-ups of ONB with BDO, AUB and other remittance companies that have no access to remote Mindanao locations such as Uniteller, MoneyGram, Xoom, iRemit, PNB, DBP, RCBC, PVB and Perihellion.

Through its ever-widening branch network, PeraDala Interbranch, Domestic Remittance (Remit-Agad) and Foreign Remittance tie-ups, ONB has provided the "last mile" for the delivery of remittances and fund transfers practically to the doorstep of our countryside clients.



Easy Access to Manila via Remit Agad

"The tie-up of ONB with Security Bank created significant changes in my businesses here in Kapalong. With Remit-Agad, I now have access and control of my domestic remittance from Manila."

Jocelyn Roca
Kapalong, Davao del Norte

Ate Jocelyn is supplying bananas produced in her small farm in Kapalong to her client in Manila who pays her through Security Bank. She shared her frustrations in the past of having to send her husband to Panabo or Davao City to collect payments. With the Remit-Agad service offered by ONB, the expense and hassle of the long trips are avoided since she can now withdraw the payments directly from ONB Kapalong Branch.

Utmost Convenience in Receiving Foreign Remittances

"ONB has given me the utmost convenience in receiving remittances now that I am already old to travel and to line up for a long time in a payout center that is far from my home. With the remittances I receive from my son through my neighborhood ONB branch, I was able to conveniently and safely receive funds to develop my farm as well as build our farmhouse."

Gabriel Quijano
Manay, Davao Oriental

Manong Gabriel is a 65-year-old resident of Manay, a small town in the east coast of Davao Oriental. Like most people his age, Manong Gabriel previously had difficulty receiving remittances from abroad since it necessitated travel to the nearest urban center which, in Manong Gabriel's case, was Mati. Now that ONB Manay Branch is only a few kilometers away from his farmhouse, Manong Gabriel can now easily and safely receive remittances from his son working in Miami, Florida, giving more time to attend to his farming chores.





"I want to acknowledge ONB for the extremely fine service provided by its PeraDala Interbranch facility which organizes Manolette Bakeshop's transfer of funds anywhere in Mindanao. ONB has handled all the fund transfer transactions with efficiency, courtesy and highest level of professionalism."

Pedro Barrios
Panabo City, Davao del Norte

Bakery products of Manolette Bakeshop have been part of the daily diet for many Mindanaoans for more than a decade. With its 175 branches all over the country, 125 of which are distributed all over Mindanao, 48 in the Visayas and 2 in Luzon, ONB has been its trusted partner in providing a practical solution in facilitating its fund transfers thus eliminating physical cash handling.

Collecting Payments for Junk

"Through ONB's PeraDala Interbranch, my junk shop's need for a fast and efficient fund transfer service was met. Now, I can easily and swiftly receive payments from several cities through ONB's extensive branch networks."

Alfredo Jovita
Cabadbaran, Agusan del Norte

For almost four years of receiving payments from his clients through PeraDala Interbranch, Alfredo's good experience with this service has ensured continued patronage of ONB's services. The nature of his business venture made it necessary for him to establish contacts from cities as far ranging as Cagayan de Oro, Butuan and Davao and only ONB provides him with the means of receiving payments for the recyclable items he handles.



Superior Security Feature

"As an entrepreneur engaged in the food business, one major ingredient that completes the recipe for success is one's ability to mitigate risk. I am lucky for having ONB as my partner in facilitating the payments to my meat suppliers in far-off municipalities."

Louther Carriaga
Maranding, Lanao del Norte



Manong Louther, famous for his delectable recipes, was once defenseless in a mugging attempt while bringing cash payments to his meat suppliers outside Maranding. Now, he is one of the many rural entrepreneurs whose lives have been changed by the fast and reliable PeraDala Interbranch services of ONB Maranding Branch. With ONB's wide branch and ATM network, securing transfer of funds has never been simpler!

ONB Cares

A significant, underlying factor in bringing about One Network Bank's success in the banking industry lies in its steadfast allegiance to its major stakeholders - employees and stockholders. ONB continues to look after the interests of its stockholders through increasing shareholder value and distribution of dividends annually. In 2008, ONB declared P176 million worth of stock dividends. The annual stockholders meeting became an avenue for listening to management accountability reports, for regular dialogue with managers and senior leadership as well as for celebrating the bank's success for the past year.

The Bank's human resource management platform is rooted in the commitment to continually look after the employees' interest and welfare. Acknowledging the immeasurable value the workforce contributes to the bank's growth, ONB provides not only compensation and benefits considered exceptional to the industry but also extends opportunities for professional growth.

Once an employee is hired, ONB strives to further develop the employee's skills and competencies through a wide spectrum of training programs such as the four-day Orientation of New Bank Employees (ONBE) and training programs in Teller, Accounting, Loans Packaging, Credit Analysis and AMLA regulations. To inspire employees to reach their full potential and build a long-term career, ONB selects qualified employees for a well-structured development program called Branch Operations Management Development Program (BOMDP) in which a total of 58 branch operation officers to date were trained and promoted to managerial rank. The BOMDP, which is a four-month full time training course, supplies ONB with its own pool of homegrown talent who are trained to take on bigger responsibilities in branch banking. And by limiting the opportunity for upward mobility within the organization only to employees from within, ONB has manifested in no uncertain terms its commitment to those who can grow with the organization.

While pay, benefits and training are necessary to ensure a certain level of employee engagement, ONB believes that these are not sufficient. ONB believes in building their corporate core values into everything they do, promoting a culture of hard work, discipline and goodness. These core values, namely: Maka-Diyos, Makamasa, Masigasig, Mapagkakatiwalaan, Marunong Mag-ipon, Maayos and Malusog serve as guiding principles not only in every day relationships with clients, employees, shareholders and the communities it serves, but also provide the foundation for all policies and actions. ONB believes that building an emotional connection with employees and encouraging them to balance their professional and personal life are what makes a difference in achieving higher levels of employee commitment.

Through training programs such as ONBE and BOMDP, through NetCare's Health Consciousness Programs such as ONB Baktas and Monthly Sports activities, through the Blood Letting program and Bank-wide 5S Operation Linis, through the Annual Retreat and through the Annual Employees Assembly, ONB created a more heightened sense of meaning and purpose among employees, promoted a collaborative, creative and principled work environment, celebrated milestones and successes and, more importantly, connected employees to the core values and higher vision of the organization.



Annual Stockholders' Meeting

In expressing concern for the welfare of its shareholders, ONB constantly challenge itself to exceed their expectations, driven by a passion to consistently deliver the highest standards of efficiency, accountability and transparency. Held every month of June of the year, the Bank's stockholder's meeting is a venue for the management's report on the Bank's overall financial health, an open forum to address various issues from stockholders and the distribution of stock dividend certificates. For the year 2008, ONB declared P176 million worth of stock dividends. This gesture of declaring stock instead of cash dividends manifests the concern given to improving stockholder values over the long term. This is rooted in the ONB's philosophy that, aside from becoming a bank of size, it wants to be a bank of value and superior profitability.

Credit Analysis Training for One Business Loans

One of ONB's key factors in employee motivation and retention is giving them the opportunities for career development and skills enhancement. Following the creation of the credit department, the bank conducted the credit analysis training for Branch Managers. This year, it has already trained three batches of officers from the 75 ONB branches. Taking the diagnostic approach, the training educates branch officers on the factors to look for in assessing the financial health of businesses and corporations. Furthermore, participants were also given the chance to explore the implications of financial and non-financial credit and business risks on corporate lending activities. Trainees are taught how to structure a loan, and the best methods for monitoring and standardizing credit control procedures. At every stage of the training, participating officers are asked to apply credit analysis theories to practical case studies drawn from everyday banking scenarios.





Branch Operations Management Development Program (BOMDP)

For the past year, ONB has provided employees the opportunity to rise from the ranks and fill out branch management positions, thus earning the accolade as 2008 “Employer of the Year” from PMAP. The Branch Operations Management Development Program (BOMDP), a management development program for deserving personnel, specifically geared to prepare them to be competent and effective in managing branch operations, has already produced 58 graduates as branch operation officers, 12 of them already promoted to Branch Managers. This intensive four-month training equips them with basic supervisory and leadership skills as well as proficiencies in cash operations, loan operations, accounting operations and branch administration. ONB remains confident that along with the bank, employees will continue to succeed in delivering excellent service to clients day after day.

Annual Assembly 2008

To celebrate the year’s milestones as well as encourage unity and camaraderie among employees, ONB assembles all employees every year and the year 2008 annual assembly in Davao City left an unforgettable mark in the memories of almost 1,000 ONB employees and guests. No less than the original Apo Hiking Society was engaged to entertain the assembly on the first night and a fun-packed day at the Paradise Beach Resort followed the next day. It was also in this 5th ONB Employees Assembly that ONB’s corporate anthem, “We Move As One”, composed by Rebel Magdugasang and sang by ONB’s own singing talents, was launched. Through the annual assemblies and annual spiritual retreats, ONB is truly supporting employees with work and life balance.



5S Good Housekeeping Program



In consonance with ONB’s core value “Maayos”, the Bank has organized “ONB Linis”, a 5S Housekeeping Program where all ONB employees were mobilized to get involved and make a difference by cleaning up their workstations as well as their office premises. During the scheduled cleanup day, ONB employees in all of the 75 branches simultaneously participated in sorting, setting in order, straightening, simplifying, sweeping, and systematic cleaning of their respective offices and branches to achieve a clean and hazard free workplace. This initiative of the management is a further expression of concern for the health and well-being of their employees and at the same time promoting teamwork and camaraderie among employees.

Strong and Responsive Corporate Governance

To maintain ONB's remarkable record of success and increasing long term shareholder value to date, ONB's Board of Directors, Advisory Council and top management have dedicated themselves to promoting accountability, transparency and disclosure, improving and incorporating the highest standards in ethical business practices and upholding commitment to the bank's core values all throughout the organization.

Ensuring oversight effectiveness and balancing the need for compliance with performance targets and creativity are carried out through the board level committees namely, Risk Management Committee, Audit Committee and Corporate Governance Committee as well as through operational committees, namely Executive Committee, Credit Committee, Asset and Liabilities Committee, Personnel Development Committee, ICT Committee and AML Committee.

Focusing on risk management and compliance as a sustainable oversight strategy impelled ONB for the past year to put Business Continuity and Disaster Recovery Planning on the front burner, mitigating risk of business disruption and ensuring data security in its technology-supplied operations that extend far beyond the company's control as well as to provide a point of view and oversight on information, reputational, project execution and acquisition risks. The responsibility of establishing ONB's "risk appetite" has also driven the bank's management to develop a strong and well-trained Credit Department to carry out the policies and procedures for overall management of lending activities.

As Mindanao's homegrown bank, ONB is steadfast in upholding its reputation of professionalism, integrity, credibility, and trustworthiness and continues to imprint its positive effect on the stakeholders and ultimately in Mindanao's social and economic development. The major accolade that the bank received in 2008 as the 2nd Top Corporate Taxpayer for Davao City from the Bureau of Internal Revenue given during the Mindanao BIR Taxpayer Awards is an attestation of ONB's unfeigned care and commitment to the community it serves. Many factors have contributed to ONB continuing to rank among the best in the country's rural banking industry, but one stands above all others: the unwavering commitment to strong and responsive corporate governance.



The Corporate Governance Committee

The Corporate Governance committee, chaired by Rev. Fr. Agustin L. Nazareno, an independent director, with Evelyn T. Ang, another independent director and Antonio P. Avelino, BOD Vice-Chairman as members, is in charge of keenly monitoring the general affairs of management in the best interest of all stakeholders and the general public. The committee is likewise responsible for assisting the Board of Directors in meeting its duties and responsibilities to the stockholders, for leading the Board in its annual review of the board's effectiveness and due observance of corporate governance principles and guidelines, for reviewing and evaluating the qualifications of all persons nominated to the Board and the committees and for monitoring the activities and performance of the bank on its relations with the public, its shareholders and government regulating bodies.

The Audit Committee

The Audit Committee continues to fulfill their exigent role of being one of the important committees in ONB's overall corporate governance system. The committee is chaired by Evelyn T. Ang with Rev. Fr. Agustin L. Nazareno and Luz Consuelo A. Consunji as members. To assist the Board in oversight functions, the committee adopts a more proactive role of ensuring accountability on the part of the management as well as of the internal and external auditors, monitoring the internal control over financial reporting of ONB and the audits of its financial statements, substantiating the performance of the Company's internal audit function, verifying the independent auditor's qualifications and independence thus safeguarding the overall objectivity of the financial reporting and internal controls processes and confirming the compliance by the Bank with legal and regulatory requirements.





EXCOM and ICT Committee

ICT governance and management in action: The ICT Committee, headed by the Executive Committee, meets with the member of ICT management not only to discuss the effective supply of ICT products and services and the management of ICT operations but also concentrates on performing and transforming ICT to meet present and future demands of the bank and its clients.

The Credit Department

The development and strengthening of the Credit Department under the Branch Banking Group is one of the major risk management strategies of ONB. The major task of this department is to manage the bank's credit and collection services as well as information relating to all lending activities. Duties of the department include packaging of business loans, credit analysis and evaluation, identifying loan structures, recommending policies and procedures for branch lending activities and monitoring of status of all loan accounts.

Members of the department went through several trainings on credit management to equip them with the necessary skills and knowledge to carry out their responsibilities.



AML Training



Adhering to the Anti-Money Laundering Act (AML) and supporting the government's fight against money laundering, ONB equipped all directors, officers and staff with proficiencies in all aspects of anti-money laundering policies and procedures through a series of training that includes AML refresher training at a regular two-year interval. The ongoing training updates the employees on the basic schemes of money laundering, its preventive measures such as customer identification, record keeping and maintenance, reporting of covered and suspicious transactions as well as ensures compliance to external regulations. The bank worked with BSP and the AMLC in facilitating the bankwide training in order to achieve a high level of compliance.

Board of Directors



Standing, left to right: Evelyn T. Ang (Independent Director); Antonio R. Cabreira, Jr. (Director); Antonio P. Avelino (Vice-Chairman); Atty. Jose M. Balingit, Jr. (Corporate Secretary); Rev. Fr. Agustin L. Nazareno (Independent Director); Luz Consuelo A. Consunji (Director)

Seated, left to right: Alex V. Buenaventura (President); Victor A. Consunji (Chairman)

Council of Advisers



Melecia C. Avanceña



Dr. Edgardo V. Buenaventura



Jose V. Buenaventura



Rev. Fr. Jessie S. Esparagoza



Edgardo S. Lagman



Armando S. Yambao

Executive Committee



Alex V. Buenaventura



Antonio P. Avelino



Antonio R. Cabreira, Jr.

2008 Milestones

January

- Branch Opening and Inauguration of five (5) new branches: Antipas, Lagao in Sarangani Province, Malaybalay in Bukidnon, Maranding in Lala, Lanao del Norte and Kabasalan in Zamboanga Sibugay
- Branch Location Transfer and New Building Inauguration: Pagadian Branch in Rizal Ave. Pagadian City
- Rollout of ONeBanker CaSa, Customer Information File (CIF) and General Ledger in 51 branches.
- Building Audit Capability: Foundations of Audit Command Language
- Anti-Money Laundering Seminar

February

- ONB Bloodletting Activity
- Orientation of New Bank Employees (ONBE) Batch 1
- Know your Money Counterfeit Detection Seminar
- Team Building activity of Cluster Heads and Unit Heads (Malaybalay)

March

- Roll-out of redundant data communications link combining facilities of PLDT, SmartBro, PhilCom, BayanTel and Globe IP-VPN Service
- Kick-off of Anti-Money Laundering Seminar

April

- Installation of Central Clearing Services back up site in Piapi
- ONB Account Packaging Training
- Orientation of New Bank Employees (ONBE) Batch 2
- Tellers' Training Batch 1

May

- Installation of Brand New ATM Units in Gaisano Mall, Cagayan de Oro City and KCC Mall, General Santos City
- Seminar on Anti-Money Laundering Act Layer 4
- Building Audit Capability: Evaluating Controls and Reporting
- Building Audit Capability: Essentials of Database Security and Auditing

June

- 5th Annual Stockholder's Meeting held at the Waterfront Insular Hotel in Davao where Php 176M worth of Stock Dividends were issued to ONB stockholders
- BSP Approval of five (5) new branches in Dipolog, Sindangan, Gingoog, Ozamiz and Surigao
- PeraAgad ATM Cardholder base reaches 150K
- ONB's Bankwide HEPA Vaccination activity
- Teller's Training Batch 2

July

- 2008 Mid-Year Budget Review at Eden Resort
- Implementation of One DepEd Salary Loans in ONeBanker
- Implementation of an External Storage System with built-in redundancy & data protection for the servers of the Data Center Operations (DCO) and Disaster Recovery Center (DRC).
- ONB Baktas: a Kick-off Program for Employees Sports Program
- Rollout of Remit Agad Domestic Remittance tie-up with Security Bank
- Orientation of New Bank Employees (ONBE) Batch 3
- Teller's Training Batch 3

August

- Creation of the Credit Department
- Training and Deployment of Credit Analysts
- Implementation of ONeBanker Authorization for all ATM Transactions.
- Building Audit Capability: Fraud and Investigation

September

- BOMDP Graduation Ceremony for 17 Branch Operations Officers held at Waterfront Insular Hotel, Davao City
- ONB PeraAgad Trademark registered in the Intellectual Property Office
- Orientation of New Bank Employees (ONBE) Batch 4
- Accounting Specialist Training Batch 1

October

- Branch Location Transfer and New Building Inauguration: Saavedra Branch in Zamboanga City
- Building Audit Capability: Risk-Based Auditing
- Accounting Specialist Training Batch 2
- Orientation of New Bank Employees (ONBE) Batch 5

November

- Conversion of Microbanker Loans to ONeBanker Loans
- 5th Annual Assembly held at The Venue in Davao City and Paradise Beach Resort, Island Garden City of Samal
- Adoption of International Standards for the Professional Practice of Internal Auditing (ISPPIA)
- Launching of ONB Corporate Anthem "We Move as One"
- Teller's Training Batch 4
- Peso / Dollar Counterfeit Training
- Accounting of ATM Transaction Training for Accounting Specialists
- Training on Salary Loan Program for Loans Specialists

December

- ONB awarded as 2nd Placer among the Top 5 Corporate Taxpayers for Davao City during the BIR Tax Campaign Kick Off Ceremony held in Davao Convention Center, Davao City
- Onset of the One Banana Program in Surallah, Sultan Kudarat
- Installation of PeraAgad ATMs in three (3) Davao Central Convenience Stores
- ONB ATMs located in Gaisano Butuan and Gaisano CDO included in Megalink's Top 10 Offsites
- Branch Opening: Gingoog Branch in Gingoog City



Baktas ONB



Corporate Anthem Launching



BIR Taxpayer Awarding Ceremony



Annual Employees Assembly at Paradise Island

Statement of Management's Responsibility for Financial Statements

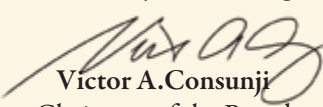
The management of One Network Rural Bank, Inc. is responsible for all information and representations contained in the financial statements for the year ended December 31, 2008. The financial statements have been prepared in conformity with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

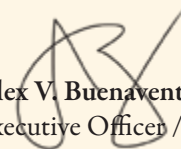
In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management 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. Consunji
Chairman of the Board


Alex V. Buenaventura
Chief Executive Officer / President


Dario S. Magnaye
Chief Financial Officer / 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, 2008 and 2007, and the income statements, statements of changes in equity and cash flow statements for each of the three years in the period ended December 31, 2008, 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.

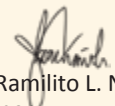
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, 2008 and 2007, and of its financial performance and its cash flows for each of the three years in the period ended December 31, 2008 in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO


By: Ramilito L. Nañola
Partner
CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 1566070, January 5, 2009, Makati City
SEC Accreditation No. 0395-A
BIR AN 08-002511-19-2006 (Sept. 8, 2006 to 2009)
April 13, 2009

ONE NETWORK RURAL BANK, INC.
STATEMENTS OF CONDITION

AS OF DECEMBER 31, 2008 AND 2007

(Amounts in Philippine Pesos)

RESOURCES	Notes*	2008	2007
CASH AND OTHER CASH ITEMS	4	P 645,938,455	P 380,820,798
DUE FROM BANGKO SENTRAL NG PILIPINAS	4,5	209,774,270	74,683,145
DUE FROM OTHER BANKS	4,6	572,643,895	370,928,210
HELD-TO-MATURITY INVESTMENTS	8	360,446,976	365,338,918
LOANS AND RECEIVABLES (NET)	7	6,187,917,502	4,621,463,203
INVESTMENT IN AN ASSOCIATE	9	6,698,341	6,698,341
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT	10	547,667,911	492,574,284
INVESTMENT PROPERTIES (NET)	11	13,767,235	16,192,200
DEFERRED TAX ASSETS	21	80,037,301	82,945,081
OTHER RESOURCES (NET)	12	87,354,395	83,942,863
TOTAL RESOURCES		<u>P 8,712,246,281</u>	<u>P 6,495,587,043</u>
LIABILITIES AND EQUITY			
DEPOSIT LIABILITIES	14	P 6,010,573,872	P 4,673,565,812
BILLS PAYABLE	15	1,013,502,935	483,465,242
INCOME TAX PAYABLE		53,095,289	44,408,222
ACCRUED EXPENSES, DEFERRED CREDITS AND OTHER LIABILITIES	16	265,166,757	177,395,423
TOTAL LIABILITIES		7,342,338,853	5,378,834,699
EQUITY	17	<u>1,369,907,428</u>	<u>1,116,752,344</u>
TOTAL LIABILITIES AND EQUITY		<u>P 8,712,246,281</u>	<u>P 6,495,587,043</u>

ONE NETWORK RURAL BANK, INC.
STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006

(Amounts in Philippine Pesos)

	Notes*	2008	2007	2006
CAPITAL STOCK	17	<u>P 997,101,969</u>	<u>P 821,101,969</u>	<u>P 648,094,212</u>
PAID-IN SURPLUS	17	<u>22,225,966</u>	<u>21,493,524</u>	<u>21,491,577</u>
SURPLUS	17			
Balance at beginning of year		274,156,851	216,038,375	100,870,394
Net income		252,437,554	231,207,948	202,127,981
Stock dividends		(176,000,000)	(173,000,000)	(65,700,000)
Cash dividends		(14,912)	(89,472)	(7,300,000)
Conversion of preferred private shares		-	-	(13,960,000)
Balance at end of year		<u>350,579,493</u>	<u>274,156,851</u>	<u>216,038,375</u>
TOTAL EQUITY		<u>P 1,369,907,428</u>	<u>P 1,116,752,344</u>	<u>P 885,624,164</u>

* See Notes to Financial Statements

ONE NETWORK RURAL BANK, INC.
INCOME STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006
(Amounts in Philippine Pesos)

	Notes*	2008	2007	2006
INTEREST INCOME ON				
Loans and receivables		P 930,792,957	P 727,057,020	P 599,730,165
Investments		36,487,192	32,549,269	36,850,177
Deposits with banks		<u>21,846,480</u>	<u>22,212,200</u>	<u>22,026,411</u>
		<u>989,126,629</u>	<u>781,818,489</u>	<u>658,606,753</u>
INTEREST EXPENSE ON				
Deposit liabilities		135,198,996	126,558,481	87,629,524
Bills payable		<u>49,978,037</u>	<u>11,039,599</u>	<u>32,048,480</u>
		<u>185,177,033</u>	<u>137,598,080</u>	<u>119,678,004</u>
NET INTEREST INCOME		803,949,596	644,220,409	538,928,749
IMPAIRMENT LOSSES	13	<u>99,887,434</u>	<u>100,633,448</u>	<u>11,603,259</u>
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		<u>704,062,162</u>	<u>543,586,961</u>	<u>527,325,490</u>
OTHER INCOME				
Service charges, fees and commissions		299,933,895	294,722,077	202,908,021
Others	19	<u>6,974,249</u>	<u>22,124,318</u>	<u>16,455,401</u>
		<u>306,908,144</u>	<u>316,846,395</u>	<u>219,363,422</u>
OTHER EXPENSES				
Compensation and employee benefits	20	221,128,246	183,416,383	168,712,885
Occupancy and equipment related expenses	24	124,799,820	120,219,448	94,377,081
Security, messengerial and janitorial services		53,455,895	42,514,767	37,133,477
Transportation and travel		44,745,717	33,423,973	27,028,537
Taxes and licenses		24,665,281	16,601,692	13,514,900
Stationery and supplies		21,720,668	15,915,008	16,869,156
Fuel and lubricants		20,250,595	14,341,129	12,817,152
Communications, telephone and telegraph		19,797,958	15,075,806	14,494,102
Service charge		15,432,894	11,573,819	7,050,147
Insurance		11,208,855	9,353,133	7,401,074
Recreation and entertainment		9,444,159	11,710,814	12,170,756
Professional fees		6,798,665	4,727,609	6,570,985
Intranet		4,386,618	3,462,215	4,398,890
Amortization of deferred charges		3,728,621	4,531,152	4,513,365
Donations		3,215,370	4,718,553	749,727
Banking fees		2,806,208	1,893,552	2,141,704
Advertising and publicities		2,593,612	492,565	2,619,283
Membership dues and fees		1,512,098	489,226	197,661
Freight		1,295,803	1,245,210	563,686
Periodicals and magazines		527,782	452,428	451,489
Others		<u>8,839,023</u>	<u>10,313,372</u>	<u>4,353,259</u>
		<u>602,353,888</u>	<u>506,471,854</u>	<u>438,129,316</u>
INCOME BEFORE TAX		408,616,418	353,961,502	308,559,596
TAX EXPENSE	21	<u>156,178,864</u>	<u>122,753,554</u>	<u>106,431,615</u>
NET INCOME	22	<u>P 252,437,554</u>	<u>P 231,207,948</u>	<u>P 202,127,981</u>
Earnings per share				
Basic	22	<u>P 0.253</u>	<u>P 0.282</u>	<u>P 0.312</u>
Diluted		<u>P 0.253</u>	<u>P 0.282</u>	<u>P 0.312</u>

* See Notes to Financial Statements

ONE NETWORK RURAL BANK, INC.
CASH FLOW STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006
(Amounts in Philippine Pesos)

	Notes*	2008	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before tax		P 408,616,418	P 353,961,502	P 308,559,596
Adjustments for:				
Impairment losses	13	99,887,434	100,633,448	11,603,259
Depreciation and amortization	10	63,942,560	51,547,636	47,425,360
Amortization of deferred charges		<u>3,728,621</u>	<u>4,531,152</u>	<u>4,513,365</u>
Operating income before changes in resources and liabilities		576,175,033	510,673,738	372,101,580
Increase in loans and receivables		(1,666,341,733)	(1,335,011,505)	(758,933,666)
Decrease (increase) in other resources		(7,140,153)	(12,237,974)	16,686,862
Increase in deposit liabilities		1,337,008,060	1,066,197,121	619,782,767
Increase (decrease) in accrued expenses, deferred credits and other liabilities		<u>87,771,334</u>	<u>(26,362,999)</u>	<u>6,019,387</u>
Cash generated from operations		327,472,541	203,258,381	255,656,930
Cash paid for income taxes		<u>(144,584,017)</u>	<u>(111,192,395)</u>	<u>(98,356,049)</u>
Net cash from operating activities		<u>182,888,524</u>	<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	(119,036,187)	(169,141,225)	(95,301,790)
Decrease (increase) in held-to-maturity investments		4,891,942	(25,516,386)	72,651,417
Net decrease in investment properties	11	2,410,053	1,871,401	3,296,226
Decrease in investment in an associate	9	<u>-</u>	<u>1,255,248</u>	<u>500,000</u>
Net cash used in investing activities		<u>(111,734,192)</u>	<u>(191,530,962)</u>	<u>(18,854,147)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase in bills payable		530,037,693	22,835,220	185,171,398
Net increase in paid in surplus		732,442	-	-
Dividends paid		-	(89,472)	(7,300,000)
Proceeds from issuance of common stocks		-	9,704	439,220
Retirement of preferred private shares		<u>-</u>	<u>-</u>	<u>(13,960,000)</u>
Net cash from financing activities		<u>530,770,135</u>	<u>22,755,452</u>	<u>164,350,618</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		601,924,467	(76,709,524)	302,797,352
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4	<u>826,432,153</u>	<u>903,141,677</u>	<u>600,344,325</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	<u><u>P 1,428,356,620</u></u>	<u><u>P 826,432,153</u></u>	<u><u>P 903,141,677</u></u>

Supplemental Information on Non-Cash Financing Activities

The Bank declared stock dividends to its stockholders amounting to P176,000,000, P173,000,000 and P150,000,000 in 2008, 2007 and 2006, respectively (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).

* See Notes to Financial Statements

ONE NETWORK BANK

Head Office

Km. 9, Sasa, Davao City, Philippines

Telephone: (082) 234-3759 / 233-1000 . 234-3631

Fax: (082) 234-1255

Email: onrbi@onenetworkbank.com.ph

Website: www.onenetworkbank.com.ph